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## Straw pole

- Organisation type?
- How many providers do you have subscriptions with?
- Is this number growing, decreasing or about the same?
- By spend, what proportion is online versus hard copy?
- How satisfied generally are you with your providers
- Compared to previous years, is satisfaction greater, lesser or about the same?
- What would you like to change most?

## Key themes

- Salespeople do not operate in a vacuum – their behaviour is framed by the type, management and policies of the organisation they work for
- The characteristics of your organisation has a large bearing on the business terms you get
- What latitude a sales person has can be influenced by you
- Your purchasing strategy will fail if you set the same expectations of each supplier
- The more effort you put into planning and analysis, the better

## What drives price – macro level

1. Business model
2. Company strategy
3. Pricing policy

## Question

- Electronic models cost less than print ones.  
True or false?

# Typical publisher cost profile

		<u>Hard Copy</u>	<u>Electronic</u>
<u>Fixed Costs</u>	Commissioning	✓	✓
	Authorship	✓	✓
	Editorial	✓	✓
	Design & layout	✓	✓
	Content Management	✓	✓
	Electronic Publishing System	X	✓
<u>Variable</u>	Paper	✓	X
	Subscription Management	✓	✓
	Licensing	✓	✓
	Distribution	✓	X
	Sales	✓	✓
	Marketing	✓	✓

## Question

- Aggregator prices are directly driven by supplier prices.  
True or false?

# Publisher versus aggregator cost profile

	<u>Publisher</u>	<u>Aggregator</u>
<u>Fixed Costs</u>	Commissioning	Content acquisition
	Authorship	X
	Editorial	X
	Design & layout	X
	Content Management	Content Management
	Electronic Publishing System	Electronic Publishing System
<u>Variable</u>	Paper	Hosting
	Subscription Management	Subscription Management
	Licensing	Royalties
	Distribution	X
	Sales	Sales
	Marketing	Marketing

# What drives price – macro level

## 2. Company strategy

- Low-cost provider?
- Disruptive new entrant?
- Premium brand?
- Complete line solution?

# What drives price – macro level

## 3. Pricing policy

**Rigid**



**Enforced**

## Price – macro level – KEY TAKEAWAYS

1. *High ‘circulation’ content normally makes a greater contribution to covering fixed costs. This then is reflected either in the price (relatively low), or more likely, in the profit margins.*

**Are the prices you pay for key texts / core material supporting the margins for new or niche stuff?**

2. *More niche material, with only so much demand, can justify a premium and will have less flex in its price.*

**Do you adapt your negotiating strategies with this in mind?**

3. *If a business has gone into private equity hands, aggressive growth plans may mean an emphasis on shifting units – and opportunities for buyers?*

**Are you using this information to best advantage?**

## Price – macro level – KEY TAKEAWAYS

4. *Different models, (e.g. an aggregator) will have a much higher proportion of variable costs (e.g. royalties). It therefore has a lower fixed cost base to cover and potential for greater price variance*

**Are you exploiting apparent price inconsistencies?**

5. *Electronically delivered products have a different cost base, not necessarily a cheaper one*

**Be aware though of tactics to bolster additional user revenues, (e.g. product bundling, all-you-can eat menus, value-added tools)**

## What drives price – micro level

- Competition
  - Players will rarely obsess about more than one rival
- Product Strategy
  - Disruptive / nuisance value?
  - High capital investment where early commitment is key?
  - Maturing and soon to be replaced / dropped?
  - Hard copy no longer an option?
- Time
- Sales person
  - Hunter or farmer?
- Business performance
  - Buoyant or struggling to compete?
- You!

## Price – micro level – KEY TAKEAWAYS

- You should fully exploit competitor rivalries to maximise value
- Insight into the strategy behind a product could provide negotiating advantage
- Understand when the best time to do a deal is
- Does the person you are dealing with see you as another number on a board or a developing relationship
- Are you prepared to risk being an early adopter or doing business with a untried or may be under threat player

What is it about your business that could affect the price you pay?


- Segmentation and lifetime value
  - Geographic or needs-based segmentation has been replaced by value-based segmentation where strategies (product, sales, marketing, service) are aligned to how much potential value there is in your business
  - Larger organisation often have too many unprofitable clients and will seek to offload them, unless the cost of servicing them can be appropriately managed
  - It is often the case that the cost of servicing key accounts has impacted profitability to the extent that profit is maximised in the mid-tier
- Brand influence
- Customer, client or partner?

Does your provider under-deliver or do you expect too much?

Customer Client **Partner**

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	<u>Customer</u>	<u>Partner</u>
Relationship type	Transactional	2-way
Non sales relationships	None	All functions
Marketing	Broadcast	Narrowcast
Attitude to price	Best possible	Total value
Ability to switch	Easy	Difficult
Servicing	Low touch	High touch
Purchase power	Low	High
Strategic input	Minimal	Actively sought

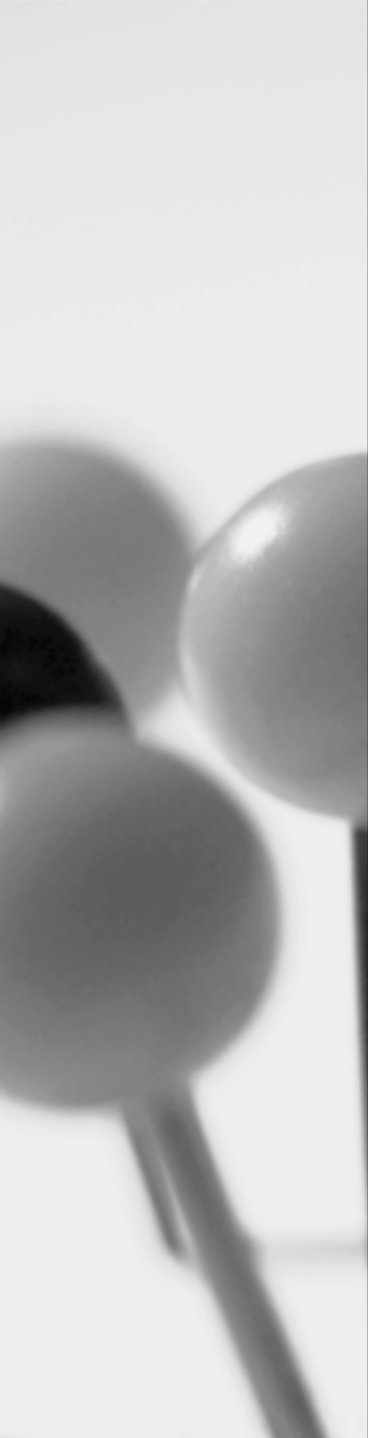


What is it about you that could affect the price you pay?

- Be an early adopter
- Wield influence (advisory panel, beta site, industry representation, reference client)
- Leverage global / group buying power
- Cultivate and exploit exec-level relationships
- Negotiate better
- Be a pleasure to deal with

## Tips for a successful negotiation

- Sound Preparation!



## Pre-negotiation information checklist

- Understand how the product is priced in practice, not in principle
- What has been the basis for previous price discussions?
- Look at usage trends (more users, more use, different use?)
- Have you received the expected level of client support and account management?
- What content bucket would you put this in (critical, nice-to-have, disposable etc.)?
- What alternatives exist (direct competitors, aggregated / syndicated source)?
- Where is this company going with this product?
- Do they have a senior level champion in the business?

## Tips for a successful negotiation

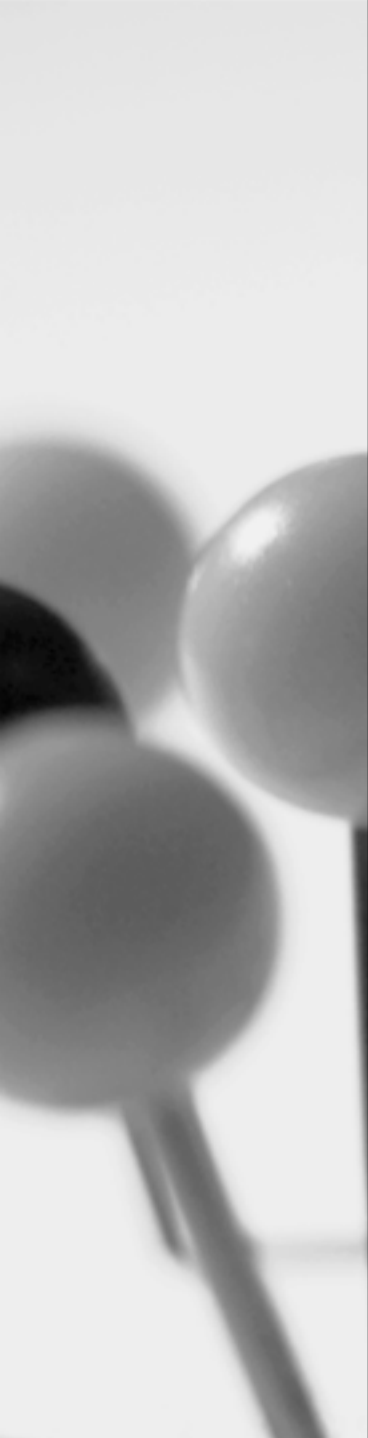
- Will you get better terms:
  - By committing early?
  - By paying early?
  - By becoming a reference client?
  - By bundling another product into the deal?
- Can you demonstrate upsell potential?
- Can you wield referral influence?
- Find out the longer term strategy for the product, and indeed the company
- Exploit international price inconsistencies
- What are you bringing to the table
- Familiarise yourself with negotiating language

## Tips for a successful negotiation

- Don't involve procurement unless there is true intent to partner
- Don't just think of a discount in cash terms – consider extended contracts
- Always consider the risks of switching
- Ask the odd awkward question
  - Who much do they know about you and your business?
  - What sort of account do they regard you as?
  - What is their discount policy?
- Don't be afraid to change terms in contracts, or develop your own mini-SLA

## Tips for a successful negotiation

- Be nice!



Wrap up and questions

