
CONSTRUCTION PRODUCTION NEGOTIATION

Shane Construction CEO

Shane Construction has grown from a family operation in the 1950s to a construction business employing 40 people, including tradesmen, managers, engineers, and designers. Shane's competitive advantage is in offering clients the full range of services and sources needed to design, engineer, build, finish, and furnish a high-end home or small commercial building. Shane rarely brings in subcontractors except for highly technical engineering challenges and doesn't mark those up. Shane is particularly strong on coordinating, making sure the customer knows when decisions must be made, which items to order early, etc. While you are an architect, your job is to manage, market, and prospect for customers, and sell Shane's services.

Six months ago, you decided that you wanted a video showing Shane's customer-friendly work process, and featuring Shane's architects, designers, project managers and tradesmen, and customer and trade testimonials. You wanted it ready for distribution at the opening of the area's Homerama on July 4th weekend.

In February, you found a production company and paid a \$10,000 deposit on a total estimate of \$25,000. Last week, when you *finally* saw the video's first cut, you threw it against a wall. It was "cutesy," hip, New Age... with terrible music and strange animation clips and depicting clients as idiots. It's now clear that the production company exists hand-to-mouth and may not be in business much longer. Shane's deposit is gone.

While an additional \$15,000 (of the \$25,000 estimate) had been earmarked for the video, you would rather not spend that much. Cash is tight. Two employees are out on paid maternity leave. Shane recently invested in a major development project to renovate several urban brownstones as "supper clubs and speak easy." Even though it's a mixed-use urban area, some neighbors have raised zoning and liquor license objections. While your lawyer says you will prevail, the project is delayed, and Shane's money is tied up. For now, some of Shane's salaried construction tradesmen and designers are not fully occupied because they had been scheduled to work on the development project.

Now more than ever, you want the video ASAP to bring in business, but Shane may not be able to afford it. You would prefer to pay *less than* \$10,000, though you could swing the \$15,000 if necessary. Any more than that and you'd have to dip into Shane's line of credit, which is currently maxed out. Based upon current receivables, you are confident that an additional \$20,000 would be available on the line of credit, but only after September 1.

The video will be worth most to you if it's finished by Homerama, which runs from July 4 to August 30. Even midway through – mid-July – to early August would be okay,

as you would send the video as follow-up to potential customers who had been to Shane's Homerama displays. After August 30, its value goes down. After September 30, the video really won't be of much use for this building season.

You have spoken with two other local production companies. One was flat-out booked until late July and wouldn't promise a final product until August 30. The other said it might be able to produce a video somewhere in the July 15-30 time frame, but you didn't like or trust them. They both declined to give you a firm dollar estimate but said that videos like the ones you described could cost anywhere from \$20,000 - \$50,000. You know that if you are forced to look out of town, the costs will go up.

Late last week, your tennis partner mentioned Pardes Productions, a small company that had created a video of his daughter's wedding. He thought they also did more commercial work. You called Pardes and described the project. Pardes' president said they have done many commercial/promotional videos and sent you a few samples. You viewed them and they are indeed on the right track, though a bit heavy on "pictures" of products. You would prefer a video with more scripted airtime for your staff describing their work and stories of challenging jobs with successful outcomes, as well as customers explaining the benefits of working with Shane.

You arranged to meet with the president of Pardes Productions to negotiate for their possible production of Shane's video. You are determined NOT to be burned twice. You will want to review Pardes' plan for script, content, music, and graphics EARLY and you do NOT want to pay much at all until Pardes' production appears to be on the right track.