CONSTRUCTION PRODUCTION
NEGOTIATION

Pardes Productions President and Owner

Years after graduating from the University's College-Conservatory and trying to make it as an actor, you completed your MBA in the University's night business school program. Using a modest inheritance, you recently purchased Pardes Productions from a College classmate. Pardes' assets consist of some reasonably high-end digital editing machines and camera equipment, a core staff of two recording and sound engineers and two "creative" types, a web of good relationships in the digital arts community, and some goodwill based on past work.

Unfortunately, the former Pardes owner was high on creativity but low on business sense and a poor judge of customers. A month ago, you learned that one of its major customers – a toy store chain – had gone out of business. Pardes was left holding the proverbial bag, with many hours invested in the store's seasonal promotion video and a worthless $50,000 account receivable. The only tangible benefit Pardes received was a yard full of children's tree houses and outdoor play equipment, which had been delivered to a filming location. Although the bank had security interests in the equipment, they gave it to you to avoid disassembly and storage costs. (Your son disassembled it and put it in cheap storage.)

Pardes' former owner also failed to invest in infrastructure, outside of cameras and computers. The offices are shabby and tiny. Pardes has been renting additional studio space downtown (on a month-to-month lease) at what you believe to be inflated rates. While studio use can be purchased hourly (at high rates), it must be booked well in advance, reducing flexibility. You believe Pardes would be more competitive with top-notch studio space, designed and constructed to be adaptable for different types of productions. Indeed, Pardes could rent that out on an hourly basis to others until its usage picked up. However, Pardes simply cannot afford to invest in buying and building out studio space right now.

Pardes has taken several "family celebration" recording and editing jobs, which tend to be smaller and cheaper. Through word of mouth, you have lined up some of these for summer and fall, replacing approximately half of the $50,000 loss from the toy store.

Frankly, family celebration videos do not utilize Pardes' strength, which is in drafting, coaching, and editing dialogue, as dramatic and highly professional camera work. Pardes' chief photographer abhors gimmicks and has an architect/artist's eye for visual frame and detail. Logan Greene, a former actor and key employee, is also an excellent scriptwriter, who works in collaboration with the client to develop content and then helps the client's personnel polish their performances on camera. He is just now finishing up another project, but you have very little booked for him after the end of June.

You and Logan had recently discussed the possibility of his taking a full-time or part-time "Sabbatical" to try screenwriting. Logan understood Pardes' financial constraints but would prefer to work at least part-time through December. By then, he'd learn the fate of a screenplay and you may have done enough business development to fully employ him. You need at least $4,000 per month more to fully employ him, and $2,000 a month for part-time work). You are about to sign a customer who will take up some of that, but not all.

You were delighted to get the call from Shane Construction and to learn that they were interested in a professional promotional video. You understood from the phone conversation that time is an issue for Shane. It would be a real stretch for Pardes to complete a substantial project involving Logan before the beginning of July. (You do have a camera and sound capacity, but not much of Logan's expertise before then.) However, you are confident that Logan could create a quality product by the third week or so in July, assuming full cooperation from Shane's employees and customers, etc.

You are scheduled to meet with Shane's CEO to negotiate pricing and terms under which Pardes would produce a professional video for Shane.

You would like to negotiate as high a price as possible for this project, subject to timing constraints. You and your staff are committed to an excellent product. You know that out-of-town companies can quote as much as $35,000 - $40,000 or more for lengthy, high-quality productions. Pardes does have a few local competitors, but you believe their people are young and tend toward kitsch or New Age. You don't believe they can match Logan's or your videographer's talents. You don't know how much lead time others would need, but you suspect they'd quote it in the $20,000 - $25,000 range.

In case Shane seems adamant about a bargain price, you've thought about the minimum that would work. Even $10,000 to $15,000 would cover a good part of Logan's and other's salaries in the short term. If necessary, and if the deadline could wait until late July or early August, Pardes would take the job at $7,000. After all, $7,000 is better than nothing. Below that, you'd rather take your chances that something better will come along.

