



# SORTING SALON MADNESS

## NEGOTIATION

### Teaching Note

Sorting Salon Madness is a two-party, mixed distributive and integrative negotiation. With a large ZOPA on the dollar value of the contract, there are significant opportunities for options that would create value for both sides by drawing upon differences in preferences and capabilities.

The basic plotline involves a large international corporation, B&Z, headquartered in a Midwestern city, faced with the last-minute cancellation of the featured entertainment for a large corporate event only three weeks away. The B&Z president would like to bring in the traveling company of Salon Madness, a long-running show in an East Coast city. *Salon Madness* is an interactive whodunit show; the B&Z President is a big fan. Unbeknownst to B&Z, the Salon Madness National Traveling Company just had a cancellation for a performance in Georgia, originally scheduled for the weekend of the B&Z corporate event. The *Salon Madness* calendar is wide open. Those familiar with the Program on Negotiation's Sally Soprano exercise will recognize the similarity.

Sorting Salon Madness can be negotiated in 20-30 minutes. Given the wide ZOPA, students who focus on the dollars tend to finish more quickly. Thoughtful engagement with Salon Madness's concern about protecting any recordings of their performance, and potential creative options to accommodate their wishes do require about 30 minutes. When students finish very early, I suggest they go back to the negotiating table with the understanding that their negotiated dollar deals can remain if nothing changes, but instruct them to try to find additional terms of benefit to both.

### The ZOPA and Other Issues

B&Z's BATNA is looking for another performance group, possibly a runner-up from a popular singing competition television show. It's not a great BATNA due to the B&Z President's strong preference for *Salon Madness*. The B&Z manager could spend up to \$125,000. They had originally planned to spend \$100,000 on the group that canceled.

Salon Madness has calculated its costs- including travel, transporting sound and stage equipment, and paying the actors at \$20,000 for a single performance, with an additional performance the next night costing \$15,000- \$35,000 total for two performances. Because they have an interest in promoting the show in other cities, Salon Madness Partners are willing to do the B&Z performance at their fixed cost totals, with no additional markup. Of course, they would like to get more.

The dollar ZOPA is thus \$20,000 - \$125,000 for a single performance.

One caveat is that B&Z wants to be able to record the performance and release it on tape delay because of the time difference between the scheduled celebrations in its US and



European headquarters. B&Z has an interest in testing its show for a European market but does not want pirated copies of the recording to escape and appear on the internet. That is the only slight glitch that needs to be worked out and it allows for discussion on how to draft such a clause.

The potential to create value based on the parties' varied interests and capabilities are many.

B&Z's interests and capabilities:

- B&Z, a Cincinnati institution, has a world-class auditorium in downtown Cincinnati, along with the on-site staff to help with lighting, sound, and recording.
- B&Z has high-tech transmission capabilities to Europe and around the world.
- B&Z is a company known for marketing, with extensive promotion and publicity capabilities.
- The B&Z auditorium would not be in use for the rest of that weekend or in the evening the following week.
- B&Z always has an interest in being (and being appreciated as) a good corporate citizen in the city. They are often listed as sponsors for arts performances that enhance the city's cultural landscape.
- B&Z would likely appreciate it if Salon Madness could customize some of the jokes and references in the show for the B&Z audience.

*Salon Madness's* interests and capabilities:

- *Salon Madness* can easily customize several jokes and references in the show to reference B&Z, making the performance even more special.
- *Salon Madness* would like to test the audience receptiveness of its show in other countries to gain information about any changes that might need to be made for foreign audience taste.
- Salon Madness Partner's traveling company is always looking for more opportunities to perform. Once they arrive at a location, it is a benefit to put on multiple performances and recognize additional revenues. They could have this chance in Cincinnati.
- Promotion and marketing outside of their core New England market are always beneficial to this regional act as they plan to expand. It is particularly helpful when the local show promoter knows how best to reach local audiences, which B&Z does.

### **About Debriefing**

The dollars grab everyone's attention, so that is exactly where I start with this debriefing. I then collect the additional terms reached, to the extent possible. If that begins to take too long within the class period, I suggest posting the most creative solutions for two or three of the student groups. Then, ask the class if anyone reached an agreement on additional terms substantially different from those already posted. I do think it's important for the



class to see that, even on the creative solution side of the ledger, some options are structured in ways that are more valuable than others to B&Z or Salon Madness.

You can use the case to introduce what a ZOPA is, what anchoring strategies are, and more. If you start with the outliers, you will find that each side thought the other had more power. The Salon Madness side too often puts out a number that's just somewhat above their costs. That's either accepted right away or goes down a step or two. Or woe to the B&Z manager who decides to offer at the high end of his range and is greeted with a big smile and a handshake. A full discussion on strategic framing and soft anchoring can be found in my teaching note for Settle for More or Less.

On the distributive AND integrative mutual gains side of Salon Madness, early exchange of information about interests and capabilities yields more robust optimal agreements. Still, too much sharing is strategically unwise: does B&Z want to say they are desperate? Does Salon Madness? On the other hand, if they are both talking about a possible date three weeks hence, it seems pretty clear they are in similar predicaments.

My view on distributive negotiation is that I want to teach students how to competitively claim the full ZOPA value if that is the goal. What if they represent the equivalent of Sister Theresa or a Little Sisters of the Poor type organization? They should know how to claim the full ZOPA value then.

Fortunately, it's NOT necessarily the parties' goal to take the last possible dollar from the other. I'd argue that's true here. They will both be happy with a great performance at a fair, but not exorbitant price. What happens when Salon Madness finds out via the talent grapevine that the original booking was for \$100,000, but B&Z handwaved about budget constraints and only offered \$22,000? What happens when B&Z figures out that Salon Madness doubled or tripled its ordinary profits? Wouldn't Salon Madness appreciate a future invitation to a performance venue in the Midwestern city's Arts Week, an event for which B&Z is a key sponsor? If you are B&Z and you have the budgeted funds – at least the original \$100,000- do you feel right about trying to go much lower for a theater group that, while profitable, isn't completely flush with cash? Perhaps a conversation with the boss would be helpful.

On the topic of integrative negotiations and mutual gains: I first ask what the parties' broader interests are. Then, I spend some time reviewing additional terms agreed upon. If they haven't produced many, I may suggest some additional terms, e.g. "How about if Salon Madness could put on another performance the following night open to the ticket-purchasing public? And B&Z could help with promotional materials." Or: "Do you think B&Z would have an interest in a second performance, for more of their employees and not just executives?" Or "Might Salon Madness appreciate being able to survey the European B&Z audience about their reaction to the show?"

The answer is yes, and so I add additional terms to the creative options generated by the students.



Then, step back and ask, if you could take whatever price you negotiated, and add some of these options to it, would that be better for B&Z and Salon Madness? Since the answer has to be yes, again, it raises the question: how did some groups produce these ideas, and some groups miss them? Inevitably, thinking about both their own and the other group's broader interests before the negotiations were helpful, as was the discussion of interests during the negotiation process.

Lastly, time permitting, I do take a critical look at the students' agreements around the issue of recording the performance and protecting Salon Madness from video pirating. B&Z's legal department would no doubt have experienced intellectual property lawyers, and B&Z should be in a position to enforce making the performance area a no mobile device recording zone with its executives. To make Salon Madness feel comfortable, one might build in liquidated damages provisions and so forth. With class time constraints, there is seldom time to review these terms in great detail. However, if possible, I ask the class to consider the various terms reached and language used and whether these adequately address the parties' concerns. Is the language vague? What are the incentives for enforcement? How large are unintended loopholes? What might the consequences be? How could the drafting be improved?