Moms.com Analysis

During the negotiation of Moms.com, I played the role of Kim Taylor, the buyer from WCHI. I read the information over a few times and then tried to determine mine and the seller's BATNA and reservation point. After reviewing the data, I determined that my BATNA would be to continue with an existing contract for more episodes of a current program, even though the ratings of the show were declining. The point where I would walk away with the negotiation would have been $8M for 7 runs per episode. On the other side of the table, I determined my counterparty’s BATNA was to complete the sale with the other competitor of WCHI and the seller’s reservation point was probably $6M for 6 airings per episode. This meant that we had a positive bargaining zone of $2M, which is very good for both parties. Our negotiations concluded with the two parties coming to an agreement of $7M for the contract of Moms.com and 7 runs per episode over a five year period.

Our agreement was reached through what I consider a typical negotiated sale. The seller stated the asking price, which was high, well above my reservation point. The first asking price was $9M and 4 runs per episode. The seller stated the low number of runs per episode was intended to not dilute the show over the five year period. I then re-anchored the negotiation by explaining how the industry average was 6 runs per episode and how hard it would be to get advertisement contracts on so few runs per episode. This tactic immediately brought our runs per episode up to the industry average of 6. I then tackled the price by explaining if the show’s ratings drop into the 2-3 range, which is likely over a five year period, then I would be losing money. I still have not made an offer for the show at this point; I was attempting to work the seller down as low as I could before making an offer. After discussing the possibilities of the show, the seller made another offer, this time of $7M for 6 runs per episode. I then explained how I didn’t want to spend that much for just the industry standard of runs per episode. We then agreed on $7M for 7 runs per episode. The information about the industry average and the show’s ratings really helped me lower the price of the contract. I was able to work him down to the estimated revenue I could generate from advertisements if the show dropped to a 2-3 rating. The only
unfavorable situation was the first offer of 4 runs per episode. Both parties were better off to come to an agreement in this negotiation exercise.

The concepts that were demonstrated were favorable because this negotiation was not a difficult fixed pie situation where one party wins and the other loses. This negotiation had a fairly large bargaining surplus where both parties were better off to reach an agreement as stated previously. Both the seller and I set high aspirations for ourselves and had to re-anchor a few times and we each ended up with concessions around $1M. The negotiation was conducted fairly and a good relationship was upheld for future transactions. Also, I know a few other negotiations in class included Juniors in their deals, but I feel I made a good decision by not bringing that to the table. By not bringing up the second show, I believe we stayed away from focal points because I did not have any information on the show. There were no figures provided that explained the ratings how much advertisers are willing to spend to be a part of the show.

I was not surprised by my negotiating behavior and felt more comfortable in this negotiation than the last negotiation regarding real estate. I have now experienced being the buyer and the seller and feel this negotiation of Moms.com was easier because of the facts involved. I did notice however, that I tend to feel a little frustration when trying to persuade the counterparty. I feel that I can move the counterparty’s offer once, but after that, it becomes very difficult for me to move the offer any further. When I run out of facts supporting my claim, I have nothing to resort to in terms of persuading the other party. I have now done negotiations with two people I have had previous classes with, but don’t know very well and I feel that makes the negotiations more realistic because there is less joking around and/or settling early so you don’t get your friend upset. I also felt my counterparty in the real estate settlement was a little more prepared and used some better tactics than my counterparty in the Moms.com negotiation, but it could also result from the favorable bargaining zone in Moms.com.

I feel the negotiation went well and that each party received a fair outcome. I used the facts given to me and hypothetical situations that could occur to lower the seller’s asking price and the latter worked very well for me. Each party only has so much information provided before the negotiation, so I found that using hypothetical situations can get the other party thinking about what could happen, which could help further your cause of persuading the offer. In both negotiations I have been the second person to give an offer and feel like that is something I should do differently. The two parties don’t exactly know what each other has in terms of leveraging power, so if the first number comes out and it is way off of what I had in mind, then I find myself start to wonder what information they have
that is changing the numbers so much. If I throw the first anchor, then I could possibly start the negotiations off on the better end of the bargaining zone for me rather than my counterparties end.