

This exercise is a two-party negotiation between the firm Master Yoga, represented by Daniel Thorp, and the influencer Bella Blog, represented by her manager Carsten Can.¹

Overview

In the last several years, Master Yoga has become one of the leading providers of clothes and equipment for yoga. The company wants to promote a more youthful image to broaden their customer base. To achieve this, their new marketing employee, Daniel Thorp, has presented a concept for influencer marketing: a special line of products advertised by the social media influencer Gaby Dee. While production was already underway, Gaby backed out. Now, Daniel is looking for a similar influencer to fulfil management's high expectations for the success of his first project with Master Yoga. His last-minute research has led him to Bella Blog, a famous fitness influencer with many active followers.

Bella seems like a good choice, but Daniel sees some red flags. It seems her following recently decreased when she did not stick to her posting schedule because of mental health issues (burnout). However, the rest of her community has remained loyal to her because of her ongoing transparency and educational work with regard to mental health. Since her return, she has been focused on her health and wants to promote products that also support well-being. Since her break, Bella's long-term manager, Carsten Can, has had trouble finding new sponsors. If Bella's reputation does not improve quickly, it seems she will have to let go of her dream job of social media influencer. For both parties, the opportunity to work together has come at a good time.

Teaching Points

Many negotiators tend to focus on *value distribution* at the expense of *value creation*. In this negotiation, there are several quantitative aspects, including the payment structure and campaign success and metrics. Limiting discussions to these distributive items can make this a less successful negotiation.

However, this exercise offers many opportunities for creative *value creation* if negotiating parties are able to identify common interests. Specifically, both parties are concerned with laying the foundation for a long-term partnership and implementing a successful campaign. It is not possible to achieve a positive outcome if they focus exclusively on distributive aspects. Instead, successful outcomes that are in line with both participants' interests require participants to uncover innovative options for joint value creation. Moreover, this exercise teaches lessons around how to deal with differing performance expectations. For more information about the key interests, BATNAs, etc. of the parties, please see the Appendix.

Procedure

Timing:

- Preparation: 15-20 Minutes
- Negotiation: 30 Minutes
- Debrief: 45-60 Minutes

Total: 90-110 minutes

Process:

- Provide a brief overview of the negotiation between Master Yoga's representative (Daniel Thorp) and Bella Blog's manager (Carsten Can).
- Divide participants into groups of 2 and distribute the confidential role information.
- Provide time to prepare, preferably outside the classroom and individually.
- Have participants negotiate.

¹ This simulation was written by Saskia Huthmacher and Karen Pieper with guidance from Dr. Alexander Hoeppe as part of the Digital Transformation Management course at Rheinische Fachhochschule Köln, Germany.

- Have groups submit their results and the instructor display them for the debrief.

Debrief

Discussion should start by participants stating whether they are satisfied with the negotiation. Typically, many negotiators are very content with their results. However, many do not consider any potential for expanding the pie but rather focus solely on the distributive aspects. Hence, instructors can ask the following questions to highlight key learning objectives while debriefing the exercise (See table below).

Category	Questions	Learning Objectives
Understanding interests	What were your key interests?	Parties will often impasse if they only focus on the monetary interests. If participants do not ask about the non-monetary interests, ask why not. These questions highlight the importance of knowing the parties' interests and analyzing one's own interests in order to uncover overlapping interests.
	What do you think were the interests of the other party?	
	Did you talk about interests beyond the financial aspects?	
	Why or why not? If yes, which ones?	
BATNA ("Best Alternative to a Negotiated Agreement")	What were your alternatives and how did you evaluate your BATNA before the negotiation?	Understanding the other party's BATNA is crucial for negotiation performance. These questions demonstrate why assessing one's own BATNA needs to be part of one's preparation in order to set a negotiation goal. Moreover, assessing the other party's alternatives helps negotiators better evaluate the other party's offers and can influence one's chosen strategy.
	What was your counterpart's BATNA? Were your alternatives better or worse than the other party's?	
Reservation Point (i.e., minimum acceptable agreement)	What would have made you walk away from the negotiation?	Instructors can highlight that determining a Reservation Point is also part of negotiation preparation.
Determining Metrics	Which units of measurement did you use when negotiating? (e.g., "cost per 1000 contacts" or CPM, total budget, etc.)?	This shows how framing can influence the negotiation: all things being equal, negotiating in CPM may be more convincing than negotiating the total budget. In a negotiation about costs, an increase of 3€ of the CPM sounds smaller than if the total budget is to be increased by 15,120€, even though it is objectively the same request.
Differing Performance Expectations	How did contrasting future expectations influence your negotiation and/or results?	This primarily functions as a way to show the difference in future expectations of both parties and how to handle such a situation.
	How did you deal with the different future expectations?	This teaches students to negotiate contingency clauses when there are different future expectations.
	What role does the relationship level play in this negotiation? How did this influence the choice of strategy during preparation?	Often, negotiators tend to focus on the distributive aspects of the negotiation. However, the relationship here is long-term and strategically significant.
Potential for Added Value	What is better? Bella Blog gets 89,500€ for the campaign or she gets 70,000€, 15,000€ will go into a Bella Blog fund for the treatment of mentally ill children and 5,000€ will be invested into joint marketing?	To ensure that participants understand the potential of added value, the debrief should be used to ask them for opportunities of added value. Questions like this highlight that results with added value components are beneficial for both parties.

Appendix

Daniel Thorp's (Master Yoga) Key Information

Positions (and Interests)

Master Yoga	Daniel Thorp
Expand to more youthful demographic group.	Daniel has an interest in meeting the basic goal of expanding the target group in the best possible way, as this is his first own project at Master Yoga. As he is a new employee, he must prove himself with this project.
Maintain brand reputation: It is important to avoid alienating existing customers.	This is also important to Daniel since he has proposed the somewhat risky approach of influencer marketing in order to achieve the set goals, although this campaign is the company's first attempt in this area. Therefore, he really needs to prove that influencer marketing will help to achieve a high revenue for the new products and to increase the popularity of yoga, while not alienating existing customers.
Increase the popularity of yoga overall: The more people engage in yoga, the more they will need yoga gear.	
Generate highest possible revenue for the new products.	

Alternatives

- Postpone the marketing campaign. This would be a loss of face with management, but he would have more time for research.
- Find a different social media influencer. This may not satisfy management's expectations and could endanger the success of the project (less reach, no connection to the brand, etc.).
- Launch the campaign without a social media influencer. Instead of using an influencer, find another way to advertise the new line.
- Launch the product line without a campaign. Use some of the marketing money to make an even better product and hope that it will be purchased without advertising.

Carsten Can's (Bella Blog) Key Information

Positions (and Interests)

Bella Blog	Carsten Can
Improve her reputation; otherwise, she would have a hard time continuing her dream job.	Carsten wants to prove that she is still good at her job and can gain new clients, which will be financially beneficial for both Bella and Carsten. In addition, they have grown close through their long-term cooperation, so Carsten also has an interest in restoring her reputation at the level of their almost friendly relationship.
Focus on promoting health and wellness as well as her educational work regarding stress-related illnesses.	Bella was one of Carsten's first accounts. Therefore, he has already invested a lot of time and effort here. This investment would be lost if Bella does not continue to be successful.
Advertise only products that are beneficial for people and their health: Being a role model to her followers is more important than ever.	Carsten wants to make Bella even more successful: based on her ever-increasing authenticity and exemplary role, Bella has the potential to become an outstanding influencer, which would do well in Carsten's portfolio as a manager.

Alternatives

- Seek Alternative Clients. Carsten could attempt to find Bella other clients to restore her reputation and offer her community value. This also means Bella may need to decrease her expectations about maintaining her new identity.
- Get a New Job. Completely focus on the community and earn money elsewhere (new job).

Financial Criteria and Potential for Added Value

The negotiation results change depending on which criteria were used for the (financial) compensation of Bella Blog. Since there are several pieces of information mentioned it is helpful for participants to reflect on how they have assessed information in the negotiation

Some criteria for evaluating the financial aspects

The campaign consists of 14 stories over a period of eight weeks (therefore a story should be posted every fourth day).

The ‘Cost per Mille’ or CPM for example is a key figure from media planning: It is the average cost for reaching 1,000 contacts in the target group and depends, for instance, on the fit with the brand (values, looks...), the strength of the connection within the community and the standing of the industry. In regards to the CPM, one needs to focus on the reach of an influencer and on how active his or her followers are. In this case this is as follows:

10.00€	The standard market term of the CPM in the area of sportswear.
12.00€	The CPM Daniel Thorp estimates for Bella Blog. As she has a reach of 600,000 followers and the number of active followers, who regularly view her stories, is 60%, one can expect 360,000 story views. Accordingly, a story with 360,000 views at a CPM of 12€ is valued at 4,320€, which adds up to a total value of 60,480€ for Bella Blog’s campaign.
13.50€	The CPM Bella received on similar jobs until the start of her disease.
14.50€	The negotiated CPM with Gaby Dee. As she has a reach of 1.1 million followers and the number of active followers who regularly view her stories is 40%, one can expect 440,000 story views. Accordingly, a story with 440,000 views at a CPM of 14.50€ is valued at 6,380€, which would have added up to a total value of 89,320€ for Gaby Dee’s campaign.

Each of these numbers can be chosen as a reference for the distributive negotiation.

Some opportunities for Added Value

Using financial criteria can be difficult as there are some subjective metrics. Therefore, focusing on financial aspects can often lead to impasses. There is also potential for added value, based on:

- both parties being worse off without an agreement,
- their interests overlapping widely,
- the financial aspect not being the most important factor, and
- the high budget leading to a broader spectrum of possibilities, which can be used by both sides to their advantage.

Successful groups consider adding issues that meet both sides’ interests. Instead of focusing the negotiations on the strategic dimension of pushing through (which would not be prudent for the collaboration) both parties should slowly open up and strive to optimize. Possible outcomes would be:

- Bella Blog does the campaign for Master Yoga for free so the majority of the budget can be used for mental health initiatives. A small part will be reserved for PR work. It will be publicly announced that Bella Blog forwent her salary for her charitable dedication. Thus, Bella Blog cannot only reach her goal to help other people but will also benefit from the positive coverage and can boost her reputation. Master Yoga profits from this via an image boost as well as an increase in popularity for yoga as a healing method. The attention in the media will increase their visibility while the brand is closer associated with Bella Blog—and thereby a younger audience.
- Bella Blog and Master Yoga open a yoga studio that is accompanied by social media. Bella Blog can use her expertise here while Master Yoga can use their network as well as the opportunity for vouchers, special offers/goody bags for certain activities. This can be expanded to digital courses and meditation via YouTube, events in real life, retreats, live streams on Instagram and YouTube, educational offers, breathing exercises, and additional content marketing. The approved budget can be used as a starting capital instead of just investing in the campaign. Depending on the financial agreement, a cheaper option would be a digital yoga studio on YouTube, which could be complemented with studios locally.

Differing Performance Expectations

Parties in negotiations often have different expectations for the future. Carsten views Bella's strong relationship with her community (which was established during the crisis) as an important advantage that will help re-establish her engagement numbers. She is very authentic, and this is valuable for brands who want to work with her. On the other hand, Daniel is not sure if Bella will be able to deal with the stress of a new collaboration, especially given time pressure of this project. Apart from this, he worries that Bella will not be as successful as Gaby Dee, who has a much larger following.

One way to avoid this dispute is to bet on the different scenarios to form a contingency contract. For example, the CPM could be increased in a progressive way depending on the levels of engagement: The investment of the entire budget of 90,000€ in the campaign with Bella Blog would be covered from a conversion rate of 1%. The average value of an online purchase is 50€, and the margin is 50%. If 1% of all followers reached results in a purchase (this is referred to as a conversion rate), the campaign has already almost refinanced itself (60% of 600,000 followers are 360,000 followers; 0.5% of 360,000 are 1,800; if all 1,800 buy at the average price of 50 €, 180,000€ in sales and 90,000€ in profit have been generated). If she scores a conversion rate far beyond that (for example a conversion rate of 1.5-3%) the CPM could increase. Another way would be a profit-sharing model: If the break-even point is reached, Bella Blog receives 10% of the additional revenue.

Potential Negotiation Results

- If Daniel Thorp drives a strong bargain, or when he anchors first, he could settle in the low area at approximately 50,000-60,000€
- If Daniel Thorp finds out, that financial remuneration is not the most important aspect for Bella, he could anchor even below 45,000€. However, this would endanger the relationship.
- If Carsten Can drives a strong bargain, or when he anchors first, he could settle for 80,000-90,000€
- If Carsten Can asks about the interests of the opposition, he could anchor higher than the 80,000€ he aimed for. However, this would endanger the relationship.
- If the negotiators both focus on the financial goals, they could reach a compromise at around 80,000€
- If Carsten Can is very convincing with his attempt to get the best possible financial result for Bella Blog, Daniel Thorp could transgress his mandate to save his project.
- If the additional interests of Bella Blog are not satisfied, the negotiation could fail even with the large Zone of possible agreement, or ZOPA.
- If Daniel Thorp insists that Bella Blog's services are not worth more than 60,000€ at the moment, an agreement could be reached at the usual market terms. However, it could also lead to Carsten Can terminating the negotiation because he sees no basis for a good collaboration.
- If one or both parties cannot find a basis for a good collaboration or cannot establish trust, the negotiation could fail.
- If at least one of the negotiators sees the chances in a long-term collaboration based on their overlapping interests, financial and other opportunities for adding value could be discussed.