



University of Navarra

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## PressClipping (D): The Negotiation

Florian Wällering, manager of the ING Bank's main office in Frankfurt, was preparing a proposal for PressClipping.

Press Clipping's CEO had asked the bank for a proposal of conditions, prices and services as part of a tender process. PressClipping's management had mentioned its lack of satisfaction with its present financial suppliers; it was looking for ways to reduce the number of bank relationships and its financial expenses. It also sought to increase bank financing and improve the quality of bank services.

The bank's German regional management had outlined an ambitious growth plan for 2004. To facilitate this growth plan, a salary bonus was in place, based on customer profitability. Customer profitability was measured using a business valuation model. Branch managers could set and negotiate prices and commissions for their clients. Central office would charge branches a specific cost for each product. These costs would be subtracted from the income generated by the customer.

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This case was prepared by Professor J. Santomá as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. December 2004.

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To implement credit product growth, the bank had implemented a special bonus to capture customers who were expected to produce more than €50,000 in interest spread. In such cases, a bonus of 20% of the interest spread obtained was additionally allocated to the customer's business valuation account (see product costs in Exhibit 3 and PressClipping's business valuation template in Exhibit 4).

Florian was advised that PressClipping was looking for more bank proposals. If the bank wanted to do business with PressClipping, the proposal had to be very well balanced. Profits from this customer would depend on three variables: the number of different bank products sold to the firm; the quantity of each product sold; and the price of the services.

The PressClipping financial forecast statements for 2004 can be seen in Exhibits 1 and 2.

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## Exhibit 1

### Balance Sheet Forecast 2004 (€000)

		ASSETS
Cash and Equivalents		25
Short-term Financial Investments		75
Accounts Receivable		1,961
A/R in Factoring*		1,897
Inventories		1,537
Fixed Assets		2,690
<b>Total Assets</b>		<b>8,185</b>
	Guarantees	511
		LIABILITIES
Credit Lines		1,533
Accounts Payable		902
A/R in Factoring*		1,897
Tax Provision		229
Long-term Loan		3,150
Equity		320
Retained Earnings		154
<b>Total Liabilities</b>		<b>8,185</b>
	Guarantees	511

\*With recourse to the beneficiary