

## **Camp Codman Case**

*Adapted from Howard Raiffa (1982) The art and science of negotiation (Chapter 3).  
Background*

About 30 years ago, several wealthy people who had grown up in Codman Square, a poorer section of Boston, decided to give back to their community by creating Camp Codman, a summer camp providing a low-cost, week-long rural camping experience for inner-city children. It is located on a lake in central Massachusetts.

The Camp, which was not in good condition when it was bought, is now in dire need of reconstruction and repair, and while the lake itself is lovely, the area around the camp is a mix of small (mostly run down) cottages and a few larger summer homes. Some areas near the Camp have experienced significant development for second home buyers from Boston and New York.

You joined the Board of Camp Codman a year ago hoping that your experience and education might “make a difference.” The issue of moving and selling the run-down camp has come up frequently over the past year. Another member of the Board actually recently identified some potential sites on the market that would represent a dramatic improvement for the organization if the camp could afford to move. The three sites were on Savin Lake, Hyde Pond, and Roslin Lake. Each site would be a major improvement but seemed to exceed the camp’s resources, so the search was not pursued.

Then last week, totally unexpectedly, Mr. Jonathan Samuels, a local business executive, approached Codman’s Executive Director and suggested that his firm might be interested in purchasing the property. This contact was surprising. The search into other properties was confidential, and there was no apparent connection between Mr. Samuels and anyone on the Board.

In the discussion with Mr. Samuels, Codman’s Director did not say anything about the organization’s earlier search for new properties but did express willingness for further discussion. Mr. Samuels said he would like to talk with the Board, and the Director said she would discuss his interest with the Board.

The Board could not see a downside to talking with Mr. Samuels and felt that you were the best person to conduct the potential negotiation. You agreed and with a little research found that Mr. Samuels was a respected and legitimate business person. You contacted Mr. Samuels, said you needed a little time to prepare, and arranged for a meeting in 2 weeks.

Please read the background. You’ve been asked to take over negotiations.

Question:

1. How should Codman determine its walkaway?
  - a. How do you figure out your walkaway?
  - b. What is your BATNA?
  - c. What other issues you need to consider?
2. Given its alternatives, what should Codman's walkaway be? Looking at the three options and adding in the cost of moving and renovations, we calculated that the cost of moving to each property is (the cost includes both the cost of the house plus cost of moving):
  - a. Roslin Lake: \$320k
  - b. Hyde Pond: \$355k
  - c. Savin Lake: \$375k

Note: A realtor estimated that your current property is worth about \$225k.

3. Why is it critical to estimate Mr. Samuels' walkaway? How to determine if there is a positive ZOPA?
4. What are the phrases of a negotiation?
5. What is likely to happen at the first meeting with Mr. Samuels? Who makes the first offer and why?
6. How do negotiators know whether or not they have reached a good deal? Identify the hardball tactics which can be used in negotiation.

## Exhibit A: Case “Going for a Ride”

1. It was a beautiful summer day, typical of early June in Cleveland, when Judy Berne pulled into Lee Road Chevrolet. She came directly from her service station, where the mechanic gave her twelve year old Chevy Cavalier two to three months left to live. Without much thought, she got out of her rusting heap and began to peruse the new cars. Within seconds, a nicely dressed, middle aged man approached her, introduced himself as Ed Wargo, and asked, “What can I do for you today?”

2. “Well, I just started looking because my car is about to fall apart. I’m not really sure what I want,” Judy replied honestly.

3. Seizing the opening, Ed whisked Judy away from the practical into the sporty. He showed her the red Crystal GT, a little sports coupe with a not-so-little price. “This baby’s loaded: sunroof, A/C, power steering, power brakes, AM/FM Quad stereo with CD, magnesium hubs, full options package. They’ve been very popular with your “young professional” customers,” he added, knowing full well that there would be a \$400 bonus waiting for him if he unloaded this overloaded model that had been stuck on the lot for weeks.

4. Judy could hardly contain her excitement. “I’ve always wanted a car like this!” she exclaimed, her eyes reflecting genuine enthusiasm.

5. “Hey, take it for a test drive and tell me what you think.” Ed tossed her the keys and sat back to prepare his strategy.

6. Judy returned, her hair tousled (she had obviously tried out the sunroof) and looking as if she had genuinely enjoyed the drive. “How did you like it?” Ed asked, knowing full well how the Crystal would outclass a 1987 Cavalier. “Nice...really nice,” she responded, “but it’s a little more than I need.” It was obviously wise to guard her true feelings. “How much is it?”

7. There, the question had finally been asked. “The sticker price, including all options and dealer preparation, is \$19,750.” Ed noticed the immediate slumping of her shoulders. “Of course, there is a \$1,000 factory rebate or 2.9% manufacturer’s financing available.” She was still looking at the ground. “And you do have a trade-in. Let’s have a look!” With that, the wind was returning to her sails,

and something of her previous smile returned to her face.

8. “Not too bad. I think that we could give you \$1,000 for it. Of course, I’ll have to have my “trade-in specialist” look at it. Can I give him your keys so he can check it out more closely?” Ed asked. Judy handed them over and they walked back over to the Crystal GT. This time Judy looked more closely at the sticker. “I know what Suggested Retail Price, options, and rustproofing are, but what are the charges: \$300 for A.D.M. and \$200 for N.D.A.?”

9. “Well. A.D.M. is a dealer prep charge; for instance, cleaning and checking the car out,” he admitted, acting a bit annoyed at such an obvious question. And the N.D.A.?” Judy persisted. “That’s the National Dealer Advertising charge, for those ads on TV. Advertising is very expensive for us, you know.

10. Judy paused a minute. \$19,750 was a lot of money for her budget. Finally she began to speak, “even with the trade-in, the price is .....” Sensing that the intoxicating new-car aroma was beginning to wear off, Ed interrupted, “I’ll give you the rustproofing, fabric finish, and floor mats at cost. That’s \$300 off, only \$17,450 for the car after trade-in.”

11. “I don’t know,” Judy said, with Ed’s arithmetic going by pretty quickly.

12. “Come back into my office and we’ll work this out.” With that, Ed led her into a small office near the rear of the dealership. He spent the next fifteen minutes convincing her that she could not find a better deal on such a popular car.

13. Suddenly, Judy interrupted with conviction. “I really don’t need the magnesium wheels, quad stereo, or most of the options.” Ed was surprised by her sudden assertiveness. He explained that the car was a package and that they just couldn’t take the options out of it for her. Judy was beginning to feel claustrophobic.

With no windows and the door shut, she wondered if she would ever get out of this small office. With a mental start, she realized that even if she escaped, she no longer had her keys.

14. Seeing that he wasn’t getting anywhere, Ed decided to go for broke. “Since you’re such a nice

person, and I would like to help you out, I'll give you the wheels and the stereo at cost if you take the car today. That's another \$400 off, \$2,700 off the sticker price, or \$17,050 with your trade-in."

15. I'm not sure that I can afford that much," Judy responded.

16. What if I told you I can sell you this car for less than you are paying monthly now?

17. "That sounds pretty good," responded Judy.

18. How much can you spend per month on your car?" Ed asked.

19. Under \$450

20. Well, Ms. Berne, I will keep my word. All we have to do is stretch the payments out to four years and that make it only; let's see...\$437 a month. We did it. What do you say?" As Ed leaned over his desk awaiting her response, Judy began to reconsider buying a new car, especially without shopping around first. She got up to make her escape and to thank Ed for his time when he blurted out, "Are you a first time new car buyer?"

21. "Why....yes," Judy answered.

22. "I almost forgot," Ed announced, "I can offer you \$300 off invoice just to get your business and begin what I'm sure will be a long term relationship with this dealership. Even if we don't make anything on this car, we're in it for the long haul. This will bring the payments down to \$429. You can't beat that"; the car you want at your price. But we have to make the deal today. There has been a lot of interest in that particular car and I'm not sure how long it will be around." That was just enough to halt her exist; besides, at this point, Ed was really trying to help her out. Judy took the deal.

23. "Just let me clear this with my sales manager," Ed explained as he left the room. When he returned, he was solemn. "He didn't go for it. He got after me for getting carried away, especially with the new buyer discount. Bottom line, he says you can't have the new car buyer discount and the options at cost." Judy was angry with the sales manager, but empathized with Ed's predicament and agreed to his suggested solution of giving up the magnesium wheels. After a quick check, Ed indicated with evident relief that the sales manager had accepted.

24. Now it was time for the paperwork. Ed began by filling in the sales discount. Judy noticed an \$80 processing fee, but she did not mention it because it was printed on the form and therefore must have been a standard charge. She also noticed the \$120

"etching" fee. Ed filled in the proper price, \$19,870, and the \$1,000 factory rebate, but then wrote in a mysterious \$105 charge. "What's that?" Judy inquired.

25. Oh, I forgot about that. That's the paint sealant we put on all our cars to protect our customer's investment," Ed answered.

26. And what is the etching fee?

27. That's for theft protection; it gets you a major discount on your insurance

28. Judy responded, "I think I remember my employer having a program last year where the police come to the parking lot and do the etching for \$15.

29. Ed countered, "it's pre-printed on the sales sheet here; we provide the service and it's standard; all our customers get it. Your insurance company needs this.

30. The next line was the trade-in value of which Ed had to check with his trade-in specialist. Ed left the room and returned with the specialist who stated that the 1987 Cavalier was in worse shape than Ed had thought and the dealer could only offer \$500 for it and would probably lose money even at that price. Judy thought back to the morning. Five hundred dollars was close to what her mechanic said it was worth, so she had to agree.

31. Ed said that he felt terrible. "I thought that we could get more for it, but he's the expert." Ed added, "You know, with a new car like that, you really should have an extended warranty. I have a 6 year/60,000 mile warranty available on the Crystal. We usually sell it for \$750, but since I was wrong on the trade-in, you can have it for \$500." Knowing that she would have the car for a long time (the payments alone would last four years), she took him up on the offer.

32. "Now just take this over to the finance department and I'll meet you out front with your new car. It's been a pleasure." With that, Ed smiled and led Judy to the finance window.

33. The finance manager looked over her papers and asked Judy to sign on the dotted line. A last check of the forms revealed a \$230 life insurance fee, which would pay off her auto loan if she died before she could. Angered by this late addition, Judy thought back over her three hour ordeal and, not feeling too well, reasoned that life insurance might not be such a bad investment after all. So with a sigh of relief, she signed the papers not knowing how much she really paid for the car or whether or not she got a good deal.