

Rates Negotiations

Introduction

CRST Home Solutions agrees to standard SKU prices with our client. We then create rates schedules for our services that reflect a fair amount for the scope of work based on what the client is willing to pay. While it is our preference that all servicers complete all jobs at the standard rate, we accept that this is not always going to be possible given the individual challenges our servicers may experience. To ensure healthy partnerships with our service providers, Market Managers will engage in rates negotiations with new and existing servicers when those servicers raise objections about our rates.

There are generally three situations that can lead to a Market Manager negotiating rates with a servicer.

- A new service company joining the network
- An existing service company takes on a new client or a new area
- An existing service company requesting an excessive amount of trip charges

New Service Companies

Once the company is in the onboarding phase, we will start the rates conversation by providing the rates schedules for the client(s) the company has agreed to cover and allow the service company to bring up any objections they have. Do not open the conversation of alternative rates, instead present this as an informational discussion. If the servicer objects, then we will address those objections as they come.

Existing Service Companies

When an existing company takes on a new client, that client might have different rates and/or scopes of work. There might also be different travel considerations that need to be worked through. Additionally, a company may accept the standard rates originally and then discover issues that prompt frequent trip charges. This is especially concerning in primaries where the number of jobs requiring additional pay really add up! In both cases, we should investigate the reasons behind the servicer's objections to our rates and try to address them in other ways before agreeing to a higher rate.

Preparation

Successful negotiations hinge on the preparations you make before you begin a rates discussion. Understand the client you are recruiting for: What is the standard Scope of Work for the most common services? What are the client's expectations

around delivery, haul away, providing parts, upsells, etc? Be ready to look up more information if the servicer has an off-topic question.

Additionally, search out the going rate for the same types of services in the recruitment area. The price of a service varies across the country based on unique requirements or circumstances. It also allows you to know recognize when the servicer's requested rate is unreasonable.

Sell Benefits

A successful negotiation is one that is profitable for both the servicer and CRST. For that reason, focus on selling the value of joining the Home Solutions network - highlighting the specific ways the service company can benefit. Let's look at some of these possible benefits can you present service providers.

One of the biggest benefits about our network is the services themselves. Our clients sell services with a standard scope of work and educate the customer about the scope of work at point of sale. This allows the servicer to more efficiently plan for the time and tools needed for each job. In addition, the servicer is only responsible for the actions laid out in the Scope of Work. If the customer needs or expects anything outside the standard scope of work, the servicer may request additional job pay. In those cases, CRST takes responsibility for negotiating and collecting these additional charges from the customer and/or client.

Another benefit is that servicers are only responsible for the service portion customer interaction. Servicers will receive orders that are already pre-sold, pre-paid, and pre-scheduled. These are activities that have costs that effect the rates a servicer charges for direct services. With CRST, servicers can save on advertising and promotion costs as we will be sending them pre-sold orders at no cost to them. Servicers will also save on scheduling costs. Scheduling orders can take 10-20 hrs. a week and may even require the company to employ a person just for scheduling work. Instead, the servicer can provide their availability and we will take care of anything. This is especially important for servicers who have worked with Lowe's in the past. These servicers will no longer be responsible for checking and updating IMS - saving them time and money.

Targeting Values/Benefits

The benefits above can be used to turn a rates conversation in your favor; the trick, however, is in targeting the values that will be most impactful for *that* service company. Use probing questions to understand the service company's business, and target your approach based on the information you gain. Some questions that you may find helpful are:

- What are your goals for your company?
- What is your process?
- What are your worried about with these rates? What are you seeing as potential issue with these rates?
- What is normally included in your standard pricing?

Most of all, be aware of the servicer's emotional state and adapt as necessary. Promote a back-and-forth conversation that leads to a collaborative solution. Avoid presenting our processes as top-down requirements - explain why this process can work for everyone involved.

Selling Add-ons

Selling add-on SKU rates to the servicer may be difficult as many servicers are not familiar with this practice. Servicers often object that the service is the same no matter how many SKUs are on the order and should all pay the same. It is your job to explain the reasoning behind our add-on rates to the servicer. The rate for a single service includes the drive the customer's location, setup of the work area, and the product demonstration. When performing multiple services at the same site, these parts of the service will take less time and our add-on SKUs.

Mileage

When we are working with companies, we should aim to assign companies to stores that are within a reasonable coverage distance. However, volume and other circumstances do not always make that possible. We may have to engage in a rates negotiation when we need to bring a company that will have significant drive time.

- Be aware of the going rate in the expected coverage area – there can be local factors effecting the rates
- Our goal is to stay at around \$1 per mile for mileage reimbursement
- Keep in mind also that we are only reimbursing for miles over the standard coverage area of 35 miles, or 20 miles for Lowe's
- Work toward an amount per each trip to the area, rather than amount per job, and use Regions/Booking Rules in DOLI to reduce the number of trips to that area

Soft Skills

The tone and style you use in these conversations is as important as the information you provide. Always maintain a polite, but firm tone even when the servicer is escalated or pushing for a reaction. In addition to tone of voice, there are different styles or approaches that people make take when negotiating. Some people may even switch between different styles as their emotions shift throughout the conversation. Your job will be to recognize these different styles in both the servicer and you and react accordingly.

Helpful Style

Focuses on making the other party happy.

This style is not a collaborative style and can leave the "Helpful" party feeling taking advantage of as it only leaves room for one person to win. A person using this style will not voice their objections; you will need to use probing questions to reveal potential issues: Do you see any way this can cause issues? Do you feel this will benefit both of us? It is also important to be aware when you, yourself, fall into this style as this can lead to high market costs.

Compromising Style

Focuses on trade-offs.

Everyone gets something, but everyone may also need to give up something in return. For example: You may agree to a slightly higher rate on a particular SKU, but in return, the servicer agrees to the standard coverage area. This style requires you to be flexible and knowledgeable about our SKUs and processes so that you can make trades that will be good for both the servicer and CRST. If successful, these sorts of negotiations are highly satisfying for both parties.

Winning Style

Focuses on outcomes over relationships

A person using this style is likely focused on a particular outcome and is unlikely to be interested in compromising. You will often see this style when an issue is critical to a provider. It's important to be empathetic when facing this type of negotiation. Look for the underlying reasons this point is critical and address them as best you can. Additionally, this is a negotiation style that you yourself may employ when discussing critical points but do so sparingly as this can affect future working relationships.

Evading Style

Focuses on avoiding commitment

A person using an evading style will display a refusal to commit to a path or address the issue at hand. This style is a sign of uncertainty or a lack of interest. It is important to listen for this style and attempt to uncover the underlying cause. You may find yourself using this style when you need to take a step back from the topic and regroup.

Be willing to walk away

The key element of a successful negotiation is often the willingness to walk away from the deal. If a servicer feels that you need them so badly you can't refuse any request, you will always be on the "losing" side of the negotiation. Go into all negotiations in good faith, but always go in knowing the areas you are unwilling to compromise. If the servicer is unable or unwilling to cover certain services or areas. If the servicer insists on rates that will lead to heavy costs regardless of your best negotiation. If you notice the servicer is dodging your calls or refusing to commit to a requirement or rate. All of these can indicate it is time to walk away from a negotiation. It is important to secure coverage for our client's jobs, but it is equally important to make sure that coverage is going to meet the client's needs and be profitable for CRST.