

## The Rating Wars

### Business Circumstances

ABC is a company which obtain little return from the past year. Because of that, the requirements for this year are to reach 80 million in revenue.

In order to reach that goal, the company has to its disposal three different themes: Violence, Sitcoms and Drama, being this last one the preferred one to the American public, so if we get to choose this one, our revenue will be a 25% higher. However, Drama is also the less powerful theme, as its preference compared to the other two themes is much lower. Basically, where there is violence and sitcom, the public won't choose drama. Something which we can see in this table:

For- mat	ABC ↓ V	ABC ↓ S	ABC ↓ D
BBC ⇒ V	ABC: \$5 million BBC: \$5 million	ABC: \$5 million BBC: \$15 million	ABC: \$5 million BBC: \$20 million
BBC ⇒ S	ABC: \$15 million BBC: \$5 million	ABC: \$10 million BBC: \$10 million	ABC: \$5 million BBC: \$25 million
BBC ⇒ D	ABC: \$20 million BBC: \$5 million	ABC: \$25 million BBC: \$5 million	ABC: \$15 million BBC: \$15 million

On top of this, we have eight weeks to decide which is going to be our programming, always considering the other company's interest. However, there is something important for us, which is that during the **first, third and seventh week**, the American public is on holidays, and our revenue will be a **25% higher**.

At last, we cannot communicate with the other team unless it is through email, which we have done, being an essential part that will build our strategy, as we have acknowledge the minimum required income, the holidays week for their audience and the best theme for their revenues.

### Define the goals to be achieved

Our overall goal is to reach the maximum revenue possible. Even if we do not have a maximum number, we have a minimum, which is 80 million dollars. However, at the BATNA, clearly, we explain why this minimum for us is not enough, stablishing another minimum of **131,25 million dollars**, as it is the minimum result we would get if there is not an agreement.

However, the best result would be to gain **218,25** million. We would get that by always using the third line and second column. So, we would broadcast Sitcoms while BBC broadcast drama. However, this is unrealistic, knowing that the best positioning for BBC is the other way around.

### Assessment of own interest and needs

The issues are that for BBC, their interest is different. On the basis, their public holidays are in **weeks 1,2 and 8**, were they will get an increase of **25% in their income**. Then, our holidays collide in week 1 only, leaving weeks 3 and 7 for better benefit.

At the same time, they need to get at least **80 million dollars** of income in this negotiation, like us, if they do not reach that number, the consequence will be severe for them.

At last, they preferred **genre is Sitcom**, which is more attracting than drama and reports more revenue as we saw in the table above.

While the first issue only affects in terms of the first week, as in the 2 and eight week we could try to potentiate their income, the other two issues are essential as they will determine the terms to reach a win-win situation. At the same time, the 80 million dollars of revenue will be our evaluating system, as it is the only metric which is mandatory for both teams to reach. As for the preferred, we can only define it through the table, evaluating its importance towards reaching the final objective (the 80 million dollars).

In order to reach our interest, we need to avoid the other teams from reaching the conclusion on:

- **Sitcom against Drama:** Both teams know that the best combination for them is to broadcast Sitcom against Drama.
- **Not negotiating:** Not even consider it, we need to negotiate to reach the other minimum, (131,25 million dollars)
- **Aggregate:** We need to be the ones making notes, we have the possibility to do so through the table provided in the pdf. If we are the only ones doing so, and have the information, we might probably end up with the bigger revenue, while satisfying the needs of the other company.

### Identified your BATNA

When an agreement is not reached, the most probable consequence is that both teams look for their interest. Even if the first though could be to both use violence as their public preferred chose, seeing that it has more potential income when the other team chooses drama or sitcom, it would damage both teams as they would end up only gaining 5 million dollars each week when both doing violence.

However, the most probable income would be for ABC to use Violence while BBC chooses Sitcom. The reason for this is that Sitcom provides a 25% extra income to the BBC company, while, if they chose Violence that 25% won't be reached. But, for ABC, the 25% comes from Drama, which is the less powerful theme. While this would leave us with no possibility to choose Drama, we would turn towards Violence, earning 15 million dollars a week, much more than the 5 million dollars we would be reaching with the 25% increase. In the end, while ABC would end up with 131,25 million dollars, accomplishing our final objective, the BBC would end up with 54,68 million dollars, not reaching their final objective. **So, we can conclude that the power of the negotiation is in ABC's hands.**

So, this would be our last negotiation resource and our limit at first. While not external partners are needed as the negotiation and broadcasting is only done by these two companies, nothing

must be search from our side. However, there is much more potential when negotiating and reaching an agreement, so it is likely we look for a win to win.

### Determined RP

What we won't consider as a possible outcome are two situations:

- **Not reaching the 80 million dollars**
- **Reaching an agreement where we win less money than the other group**

While the first point is mandatory by our executives, the second one comes from the idea of us having the bargaining power in the negotiation, something which has been explained earlier.

### Final possible outcomes

#### **1. Conservative option.**

The first week is really important for the both of us as we are going to get a 25% increase. Because of it we thought about sharing the money we win through the highest combination:

**Drama – Drama**

The second week would be essential for BBC, as they have a 25% increase, while we have nothing to increase our income. We decide that, in order to gain the trust of them, we would let them get this through the combination of: **Sitcom – Drama**

However, in the third week the pieces turn around, with us wanting to get the best of this and offering a combination of: **Drama – Sitcom**

In the fourth, fifth and sixth week, with the position of power that we have we believe we can choose how the combination of this three days are going to be: **Drama – Drama**

In the seventh week, knowing the increase in % from the seventh week, we will ask for the combination of: **Drama – Sitcom**

However, in order for us to have more revenue than them we would ask for a combination of: **Drama – Drama**

#### **2. Aggressive option**

For the aggressive option we won't let the other team have any situation higher than us, always pushing our benefits higher or reaching combinations which leave the same amount for the both of us. While the previous one we won't use the justification of having more bargaining power, in this one we will use it straight away to turn down the other team.

In the first week we will use the same combination than the conservative option. We will do this as we find it really difficult for them to let a week with a 25% increase slip with only 5 million dollars: **Drama – Drama**

As for the second week, we will play it different, fighting for a combination like the previous one. This is due to not letting ourselves having a week with only 5 million dollars: **Drama – Drama**

For the third week, our team has an increase of 25%, which makes it essential for us to get the most of it, so we will push for a combination of: **Drama – Sitcom**

For the next three weeks we will push for a favorable combination that allows us to win as much of possible while allowing the other team to reach the 80 million minimums. So, the result would be: **Drama – Sitcom**

As for the seventh week we expect to combine again the formula used for the third week: **Drama – Sitcom**

While in the last week we will do a combination of: **Drama – Drama**

### **3. Violence option**

This strategy is based on almost equal gain by both part as well as using the violence genre.

The first week is very important for both because it has an increase of 25%. For this reason, we would pick an option that is equal and with the highest amount possible, which leads us to choose: **Drama – Drama**.

The second week is very important for the other team as they get the 25% again. We would choose an option that benefits them to gain their trust and let them know that we want to cooperate. The combination would be: **Sitcom – Drama**.

The third week is very crucial for us because we will get the 25% again. So, following the same strategy that we gave them, we are going to do it again: **Drama – Sitcom**

The fourth, fifth and sixth week are not important as none gets the bonus. However, we will follow different strategies which leave us a higher amount than them for these weeks. For the fourth week a suitable option would be: **Drama – Drama**

For the fifth week, as none has chosen violence and we came up with the strategy and this idea, we would pick violence and the other team must select drama. This week is so relevant for us because here is where we gain the advantage from others: **Drama – Violence**

For the sixth week. Both parts should pick drama as it's the ones that have more benefits for both. Here it is very important to argue that the other team can't pick violence because then we would lose the advantage and because there may be too much violence: **Drama – Drama**

For the seven week is very important to us as we gain again the 25%, so we would follow again the same strategy used before by picking: **Drama – Sitcom**

The last week as it is very important for the other team and following the rules we would choose drama and they sitcom: **Sitcom – Drama**

### **Link for video**

<https://web.microsoftstream.com/video/62aa8448-2606-44fe-bc60-1000e4afdfea>