

Decision Logic Snapshot

A distribution account that became too big to lose

Sample case: UAE distributor - key retail client representing roughly one third of revenue

Please read first

This document is based on a simulated case. The company, people and figures are invented for training and product-development purposes. It is published only to show how a Decision Logic Snapshot is written. Nothing here is legal, financial, accounting or investment advice.

WHAT YOU ASKED ME

Should I accept the retailer's new terms, renegotiate them, or allow the client to leave?

MY SHORT ANSWER

Do not accept the current package as it stands, but do not walk away yet either. First define the minimum economics under which this account still creates value, ask your principals what support they will provide, and put a serious counterproposal in front of the retailer. Prepare for partial loss of volume at the same time. The deeper problem is not one negotiation: it is that one customer has become large enough to make an uneconomic deal feel safer than losing revenue.

What you came in with

You run a profitable Dubai distribution business with roughly AED 52m in annual revenue. One regional retail group now represents about AED 17m - close to one third of the business. After eight years together, the retailer has asked for materially worse commercial terms for next year.

Here is what you told me, and what each fact means in practice.

What you told me	What it means in practice
Revenue is about AED 52m; EBITDA about AED 3.4m	The company is profitable, but the overall EBITDA margin is only around 6-7%. A large commercial concession can move the whole business.
The key retailer is about AED 17m of revenue	One customer has enough scale to create a concentration problem. Losing it hurts; keeping it at the wrong economics can also hurt.
Current account contribution is only about AED 400-500k	The headline revenue is much larger than the economic value that actually reaches the business.
Under the proposed terms the account could lose AED 700-900k a year	Accepting the full package would turn a thinly profitable account into a structurally loss-making one.
A full exit could reduce first-year EBITDA by roughly AED 1.8-2.1m	Walking away immediately is not free. Supplier rebates, stranded costs and inventory effects make the first year painful.
You would accept roughly 1.5-2% positive contribution	You already have the beginning of a decision threshold. The negotiation should be built around economics, not around preserving turnover at any cost.

THE FIRST THING I WOULD CHANGE ABOUT THE QUESTION

You are asking: "Do we keep or lose a client worth AED 17m?" The more useful question is: "At what economics is this account actually worth keeping, and can we reduce the dependency without taking an unnecessary first-year shock?"

What is actually going on

1 - Revenue is doing too much psychological work

AED 17m sounds like a third of the company, so the account feels too dangerous to challenge. But the current contribution is only AED 400-500k. Under the proposed package, the same revenue becomes a loss. The top line and the economic value are no longer telling the same story.

2 - The retailer is using the leverage created by your concentration

The customer knows it is difficult for you to replace this volume quickly. Whether the 8% demand is a hard market benchmark or a negotiation anchor, your dependency makes the threat credible enough to change your behaviour.

3 - Your internal system is stronger at growing existing accounts than replacing them

You have commercial capability, but not a fully built new-account acquisition engine. That is why the loss of one client feels larger than the raw economics alone would justify: you do not yet have a predictable replacement mechanism.

4 - You have been treating your own margin as the only place the concession can come from

The principals also have an interest in shelf presence and volume. Supplier support, rebates, marketing funding, revised targets or payment terms may absorb part of the pressure. Until that conversation happens, the current model is incomplete.

Customer concentration -> retailer bargaining power -> accumulated concessions -> weaker account economics -> fear of losing turnover -> temptation to accept more concessions -> even greater dependency

That is the machine to break. The immediate negotiation matters, but the concentration problem survives even if this year ends well.

Where your own thinking is working against you

What you do	Why it costs you
You keep returning to the AED 17m turnover number	Turnover makes the account look more valuable than its contribution. It can make a bad economic package feel safer than it is.
You treat "keep" and "lose" as the main two outcomes	You may be able to keep profitable categories, lose unprofitable ones, or accept lower volume on better economics. The real choice may be partial, not binary.
You give significant weight to the fear of market signal	Some of that risk may be real, but it has not been quantified. A feared reaction from suppliers or competitors should be tested, not priced in automatically.
You look at the first-year shock more than the three-year shape	The CFO scenario you described is painful in year one but stronger by year three. That does not prove the forecast, but it shows how the time horizon changes the decision.
You do not yet have a repeatable replacement engine	This makes concentration feel inevitable. It is not inevitable, but reducing it will take time and a deliberate commercial system.

SOMETHING YOU SAID THAT DOES NOT ADD UP

You said you would be comfortable continuing if the account still contributed roughly 1.5-2%, or about AED 250-300k a year. You also said your instinct was to keep the client because losing AED 17m of turnover felt too dangerous. Those are two different decision rules. One says economics first. The other says volume first. You need to decide which one actually governs the negotiation.

What this means. I am not telling you that revenue does not matter. I am telling you to stop using revenue as a proxy for value when you already have evidence that the two have separated.

Your three options, and what each one really asks of you

Option	What you get	What could go wrong	What has to be true first
A - Accept current terms	You preserve the full account, shelf presence and headline turnover.	You lock in roughly AED 700-900k annual negative contribution and teach the customer that dependency works.	There would need to be strategic value large enough to justify the loss, or supplier support that materially changes the economics.
B - Renegotiate and keep only acceptable economics	You preserve the relationship and potentially most of the useful volume without automatically funding the retailer's margin.	The retailer may reject the counteroffer or remove some categories.	You need a clear margin floor, principal support, category-level economics and a willingness to lose some volume if the numbers do not work.
C - Managed partial or full exit	You stop subsidising unprofitable revenue and free capacity for better accounts.	Year one can be painful: lost contribution, rebates, stranded costs and inventory pressure.	You need a cost-reduction plan, supplier communication and a realistic replacement-revenue plan rather than a hope that sales will appear.

What I think today

I would not accept the current package and I would not choose a full exit before testing the negotiation properly. The strongest current option is B: renegotiate from a defined economic floor, involve the principals, and be prepared to accept a smaller but profitable share of the account. At the same time, start reducing the structural dependency regardless of how this negotiation ends.

What I would do next: use the remaining week properly

1. Define the walk-away economics.

Ask the CFO to model the account at several price, marketing and payment-term combinations. The output should be a clear minimum acceptable contribution, not simply "as much margin as possible."

2. Speak to the key principals immediately.

Show them what the retailer is asking for and what happens to their brands under those economics. Ask what support is available: discount, rebate, marketing fund, revised target, or payment terms.

3. Build the counterproposal as an exchange, not a concession.

Do not negotiate only the percentage. Trade price for volume commitments, marketing spend for named campaigns, payment terms for another benefit, and use different economics by category if needed.

4. Model a partial-loss scenario.

What if you retain AED 10-12m instead of AED 17m? What categories remain? What costs disappear? What supplier rebates change? What happens to contribution? The partial case may be better than either extreme.

5. Prepare the first 90 days of a new-account acquisition pilot.

Do not build a full department on day one. Assign one owner, create a target-account list, define pipeline stages and measure new-account contribution, not only new revenue.

6. Put a decision date on the negotiation.

You have about a week to respond. Use that deadline to force the missing analysis now, rather than allowing fear of losing the customer to become the default decision rule.

WHAT THE TEST TELLS YOU

If the retailer moves materially once you present a credible floor, the original 8% was not a fixed fact; it was a negotiation position. If your principals support the account, the economics can change without all of the concession coming from you. If neither side moves and the account remains structurally loss-making, then the problem is no longer "can we save the customer?" It becomes "how do we reduce the exposure in a controlled way?"

If they still say the terms are final

Do not answer "final" with either panic or pride. Before you accept or exit, get these points on paper.

1. The account economics under the retailer's full package, including the financing cost of longer payment terms.
2. The economics under your proposed package and at least one middle case.
3. Which categories or SKUs remain profitable and which become loss-making.
4. What support each key principal will provide and for how long.
5. The first-year cost of losing all or part of the account, separated into recurring cost and one-off transition cost.
6. What costs can realistically be removed, and over what time period.
7. How much new revenue can realistically be added in 6, 12 and 18 months, and at what contribution margin.
8. What operational work the retailer would face if it replaced you, and which parts of your portfolio are genuinely easy or difficult to substitute.

The part people get wrong

A large customer is not automatically a good customer, and a low-margin customer is not automatically a bad one. The correct question is what the account contributes to the whole system: direct contribution, supplier economics, fixed-cost absorption, working capital, strategic access and replacement cost. Make the decision on that combined picture, not on one headline number.

What the problem is, and what it is not

You said	What I think is closer to the truth
"We cannot afford to lose a third of our revenue."	You cannot afford to lose it carelessly. That is not the same as saying you should keep it at any price.
"The retailer says 8% is the market."	You have not seen evidence that 8% is a hard market benchmark. Treat it as a claim until the negotiation and competitor economics support it.
"A competitor will take the business."	A competitor may take some or all of it, but its cost base, supplier terms and strategic motive may be different from yours. That needs modelling, not assumption.
"If we lose the account, suppliers may lose confidence in us."	That risk may be real, but the principals have not yet been asked what they would do if the retailer's terms become uneconomic.
"The decision is accept, renegotiate or leave."	The more useful set is: full retention, partial profitable retention, staged reduction, or full exit - each with a different economic and operational path.

THE ORDER I WOULD DO THIS IN

1 - Set the economic floor -> 2 - Get principal support -> 3 - Build the counterproposal -> 4 - Model partial and full exit -> 5 - Negotiate -> 6 - Start the 90-day new-account pilot regardless of the outcome

What I am not sure about

This is what I think after one simulated conversation. Here is what could change it:

- I have not seen the CFO model. The account contribution and three-year scenarios are the figures you described, not independently verified numbers.
- I do not know how the retailer calculated the 8% demand, or whether it has real competing offers for your exact portfolio.
- I do not know the economics of the two or three distributors that could plausibly replace you. A larger competitor may have a lower cost base or stronger supplier support.
- I do not know how far your principals will move on price, rebate, marketing support, targets or payment terms. That conversation could materially change the account economics.
- I do not know how quickly a new-account acquisition process will produce revenue. Your estimate of 3-5m in year one is plausible as a planning case, not a fact.
- I do not know which parts of the AED 17m are genuinely strategic and which are simply low-quality volume. Category-level economics could change the recommendation.

One last thing.

The most dangerous sentence in this case is not "we may lose the customer." It is "we cannot afford to lose the customer." Once that becomes true, the customer is no longer only an account. It has become a source of leverage over your decisions. Whatever happens in this negotiation, I would treat reducing that dependency as a strategic objective in its own right.

Based on a simulated session. Any recommendation would change if the facts change or documents show a different picture. Strategic and analytical advisory: not legal, financial, accounting, tax or investment advice.