

Know the Negotiating Process

The Context of Negotiating

The negotiation process takes place in a context of then and now. "Then" is the time when one party made a proposal that was rejected by the other. "Now" is the moment of renewed effort to find agreement the "let's negotiate" moment.

In the sales situation, the negotiators are not equals. The customer is in a position of power, because success for the salesperson depends on the customer's agreement. To reflect the customer's position of power, we use the term "demands" to designate what the customer wants.

What the salesperson initially wants is typically called a "proposal." Spoken or written, a proposal is a request. Once the customer has answered a proposal with a demand for changes, the salesperson either concedes to the demand or makes another proposal. The word "counteroffer" is used to designate a new or modified proposal.

Customer demands can occur at any time. For example, the customer may have accepted a proposal and been serviced according to the terms of the proposal for years. At a certain moment the customer demands a change. If the salesperson doesn't agree to the change, there's a need to negotiate. On the other hand, a customer may make demands before the initial sale is made. Customer and salesperson meet and discuss needs, the salesperson proposes a product or service, the customer demand changes in the terms of the deal and there you are - a negotiation is in process within a very short time.

A negotiation is not like a basic sales call, where the issues are how good is your company or how good is your product. In a typical negotiation, the customer wants to buy. When you negotiate, it means the customer likes your product. You're negotiating the terms upon which the customer gets the product.

Strategy and Adjusted Strategy

The negotiation process is like a game of tennis, in that you pursue strategy, you react to your opponent's play, and you adapt your strategy accordingly.

The game of tennis is more than just running fast and hitting the ball accurately. A skilled tennis player sees the process as it's happening. Knowing the process is like having a spectator's view of the game as the action unfolds.

Know Where You Stand

Preparation

A crucial part of preparation for negotiating is knowing where you stand on key issues. To know where you stand, ask yourself, "What leverage do I have in this negotiation? What are my goals? What are my limits?" Not everybody asks these questions. Some people try to wing it.

What happens if you negotiate with the customer without knowing the leverage you bring to the negotiation? Without clearly seeing the goals you want to achieve? Without considering the limits to what you can agree to? In short, what happens when you negotiate without preparation?

If you're not prepared, you just react. The reaction may be avoidance. If the customer goes in one direction, you counter by going in another. You close your ears to the customer's interests and concerns because they seem to get in the way of your own.

You convey inflexibility when you don't know where you should stand. You stay in a concrete bunker while you figure out what to do. Your defensiveness hurts the relationship.

An opposite reaction is to give away too much, either because you like the customer a lot or you're terrified of losing the customer.

Your Negotiating Leverage

Leverage is determined by two factors: the customer's appraisal of your strength, and the customer's difficulty with going elsewhere to find a deal. Note that both factors originate in the customer's point of view. The way the customer sees it creates the reality we call leverage.

The Customer's Appraisal of Your Strength

How strong a player are you in the customer's eyes? Well, that large factor depends on other factors:

- If this customer has done good business with you, that makes you appear a stronger player in the negotiation.
- If the customer likes you, you're even stronger.
- Even if it's a new customer, the name of your product or company may carry weight.

Of course, there may be other factors that give you an image of strength going into the negotiation.

Adding all these together, the greater your strength, the more the customer feels you're the best person to make a deal with.

The Customer's Difficulty with Going Elsewhere

The focus here is on the difficulty the customer would have with walking away from the table:

- If the customer has been talking to you for six months on this deal, that's time invested the customer doesn't want to lose.
- If getting a project going or solving a problem is urgent, again the customer doesn't want to start over with somebody else.
- If qualified competitors are few and far between, or if the customer doesn't know who else is out there, it's more difficult for the customer to walk away.
- Other reasons may compel the customer to stay and negotiate with you. The better you know the customer's mind, the better you can assess your leverage.

If you put the customer's point of view on a graph with *Customer's Appraisal of Your Strength* on the vertical axis and *Customer's Difficulty Going Elsewhere* on the horizontal, you would find yourself in one of four quadrants:

- **Upper Right - Your Best Case:** Your strength is high and the customer's difficulty with going elsewhere is great.
- **Upper Left - Tug-of-War:** Your strength is high but the customer has little difficulty going else where.
- **Lower Right - Hard to Tell:** Your strength is appraised as low but the customer has difficulty going elsewhere
- **Lower Left - Your Worst Case:** Your strength is low and the customer has littledifficulty going elsewhere.

Your Mindset

Part of preparing for a negotiation is to take a measure of your confidence. Ask yourself, how do I feel about this negotiation? Is it *worst case* or *tug-of-war*? If it's helpful, talk with a colleague or your manager.

Take a measure of your comfort with your sales goals. For example, your company markets a product or service according to certain terms - price, services, and so on. Do you feel the terms of the sale match the value of the product? If not, the customer will sense your discomfort, and then make even greater demands.

Your Limits

In a negotiation a limit is that point where the deal becomes a bad deal. Some customer demands may break the deal. Better to negotiate and have no deal than to negotiate a deal that hurts you. You need to recognize what exceeds the limits.

What tells you to stop? Go back to the goals you set for yourself and your company sets for you. When customer demands put those goals out of reach, you may have to stop. That may be because the customer's demands involve higher maintenance and lower revenue. You may have to stop to safeguard quality. Alternatively, to safeguard the business you have with other customers.

Set a Positive Tone

First, Your Words

Set the tone by acknowledging that the customer has interests at stake - even though you may not yet know what they are - and stating your willingness to listen.

- By acknowledging that the customer has interests you show respect for their importance.
- By stating a willingness to listen you commit yourself to cooperation through dialogue.

Second, Your Nonverbal Physical Skills

Eye contact, facial expression, voice, and posture must support the positive tone.

Eyes

The negotiation is a dialogue. Look at the customer, unless you're looking down to take notes.

Facial Expression

Try to look open-minded and friendly, but do that in a natural way. Try not to show anger and frustration. Your face says more than your words. A negative facial expression cancels the best-chosen words.

Voice

When a negotiation typically puts a lot on the line, your tone of voice is the most important physical characteristic. That's because tone of voice conveys emotion. Your tone of voice can show enthusiasm for working together with this customer ... or it can show irritation with the negotiation process. Your

tone of voice can show commitment to getting a deal that's good for both of you, or a lack of confidence in working out anything good.

Posture

Sit up and lean in. Look involved.

By beginning with a positive statement and supporting your words with physical skills, you set a tone for the whole negotiation. It's a tone of confidence in the process and respect for the customer. Your firm commitment to listen to the customer's interests avoids a win-lose game approach.

By communicating that the negotiation is a fresh start, you leave behind any negative communication that may have occurred over the demands up to this point.

Handle Tricks & Ploys

Despite your effort to set a positive tone, at any point the customer may introduce a negative tone. The customer may have taken a negotiation course that teaches tricks and ploys!

Typical Ploys

A ploy is a maneuver intended to outwit or upset another person. To outwit the other person tricksters often give bogus information. For example, they cite a phony budget limitation or a nonexistent management policy.

To upset the other person tricksters will try intimidation. They'll give you an emotional outburst like shouting or walking out of the room - hoping to make you feel guilty. How about the ones that keep talking about your competitors. They know that gets on any salesperson's nerves!

Handle the Ploy

If it's bogus information, keep your vocal tone friendly, probe for specifics, and correct the errors.

Friendly vocal tone is difficult when you hear bogus information, because the attempt to deceive you can make you angry. But nothing's to be gained from an argument.

Probe for specifics of bogus information. Maybe the trickster will realize you're on to the game and begin telling it the way it is.

Correct errors. Politely. *Here are the facts as I see them*

If it's intimidation, an emotional outburst, for example, wait it out. Take a positive stance: *Look, we've agreed on many things...* Keep talking about benefits: *If we can go ahead, the benefit to you is*

Surface Interests & Concerns

Customer Demands, Interests, and Concerns

Customer demands are what the customer wants. Demands are like a door that's locked. When you face a locked door, you make concessions or get into arguments. You can say you'll concede anything just to get in or you can get upset and rattle the handle.

When you try to negotiate directly with what the customer demands, two things happen: either you make concessions or you argue. Either way, you lose.

Customer Interests and Concerns

Interests and concerns are why the customer makes the demands. Interests and concerns are like swinging doors. They're closed, but not in a way that prevents you from moving past them. They seem to invite people to give them a push. You know you can get through.

What is an interest? An interest is a benefit the customer wants to gain. The reason the customer makes the demand is to get that benefit.

A concern, on the other hand, is about a loss the customer wants to avoid. A concern on the negative side — it's about not getting hurt. The customer makes the demand to protect against some loss.

Unless you find out what interests or concerns the customer, you won't understand the force driving the customer's demands.

Would you rather deal with customer demands or with the interests and concerns behind those demands? Some examples:

Customer demands a 10% price cut. You argue. You say 10% is out of the question; it really hurts your business. And so on. But wait. Why the 10% price cut? You probe and find that the customer is under pressure from management to cut costs. Maybe you can help the customer in ways other than knocking 10% off your price.

Customer demands delivery in 60 days. Impossible! You are about to shout, but wait. The reason is to boost morale. Can you help with that in other ways?

In response to the probe Tell me more, the prospect supplies key facts about a business problem and communicates a sense of urgency about solving the problem. To both prospect and salesperson, this information ultimately has a bearing upon closing the sale.

Listen for What's at Stake

Typical Dialogue to Surface Customer Interests and Concerns

- *I hear what you want. Help me see why?*
- *How did you arrive at that?*
- *Can you expand on the reasons why.*
- *Would you explain how this impacts on your company?*
- *I'm not getting the picture. Why is this critical?*
- *What else can be driving this?*
- *Why is that so important?*
- *What do you think would be fair?*

Defensive Listening

In a negotiation a salesperson may appear to be listening to the customer's interests and concerns, but the listening is only an appearance. The salesperson's thoughts are churning rebuttals, denials, strategies, questions! Defensive listening doesn't let in the customer's information.

If you allow defensive listening to become a habit, you miss the customer's interests and concerns. You dig in and fight those demands the customer is making.

By missing the interests and concerns you lose a key approach to making credible counteroffers. And by fighting your customer you damage the relationship.

Go behind the demands. At stake for the customer is the satisfaction of interests and the removal of concerns. Interests and concerns are not the enemy. The customer's interest is to gain a benefit; the customer's concern is to avoid a loss. You may be able to help the customer do so! Both of you can take added value from the negotiation.

Show That You Listen

By giving full attention you give full value to what the customer says. That doesn't mean you agree. It does mean you are living up to the tone you set at the beginning. Set aside your questions and rebuttals and just listen.

Play back the customer's ideas. You haven't listened until you can show you've listened.

Introduce Your Playback Statement

Some introductions show you are tracking with information as it comes:

- *If I understand you correctly*
- *Sounds like what's important to you is*

Others show you are about to summarize the customer's points:

- *Let's go over what you said so nothing gets left behind*
- *So, I'm sure about your interests and concerns, let me review*

These lead-ins make it clear that you are about to state the customer's ideas. You're not interrupting to jam your thoughts into the dialogue. The customer welcomes your playbacks, because whose ideas does the customer love to hear stated? Yours or the customer's?

Here are some examples of playing back:

- Playing back a demand: *So you want us to guarantee that our people will help you implement the project.*
- Playing back an interest: *The reason you need our people is to stabilize the project as your company goes through downsizing.*
- Playing back a concern: *You're worried that with a reduction in the number of your point people the project won't be managed effectively.*
- The benefits of playing back: Playing back generates information easily, confirms what's at stake for the customer, and builds the relationship.

Decline and Explain

After you have demonstrated to the customer that you understand the demands, and the interests and concerns driving those demands, you have to prepare the way for a counteroffer. First, you have to decline the demands. Not easy to say no to a person on whom you depend for business! Your decline statement should be clear, tactful, and credible.

Here's an example of a decline statement: "I want you to understand why that's further than I can go." This statement is clear because it's brief and direct. This statement is tactful because it does not criticize the demands, rather it sees the demands as beyond your reach. The words suggest a willingness to negotiate, to move, but not that far. The statement is credible because it shows your willingness to explain your reasons and introduces an explanation.

Another question is: *I'd like you to understand our position regarding your request*

For your counteroffer to get a hearing, your reasons must be compelling.

What is compelling? A case that focuses on your own company's capabilities and policies? Or a case that focuses on your customer and on the customer's stated interests and concerns?

You may have to tell the customer that certain demands go beyond your company's capabilities. For example, a demand for a rapid turnaround, complicated administration on your part, and so on. You may have to say that it's against your policy, for example, to absorb production costs. Focusing on your own company may be reasonable and fair. But don't expect the customer to be impressed. Your own interests don't build a compelling case.

Make a Case for “No”

What Is Compelling?

You have a compelling case if you can show that a customer demand works against the customer's interests or concerns - and so hampers the outcome desired by the customer or leads to an unwanted result.

Make your case for saying *no* to such a demand with evidence. Four places to look for evidence:

- 1) An interest or concern stated by the customer. Show that the demand goes against what is important to this customer. Here's an example of how a salesperson might say it to a customer who wants a research project: *You've made it clear that accuracy and completeness of the data are important to you. But your request for me to cut the project from 90 to 60 days may hurt the quality of the research. Let's look at another approach.*
- 2) A corporate strategy statement of the customer's company. Show that this customer's demand does not fit with a corporate strategy of the customer's company. If your company and the customer's have worked as partners to put the strategy into action, you can make an insider's case for *customer demands versus corporate interests*.
- 3) Your industry's standards and practices. Show that the demand is out of line with the way your industry achieves excellence. Efforts to go against an industry's expertise and know-how often fail, and the story is told in the business news, trade journals, or by word of mouth. Cite an example.
- 4) Your experience with *This didn't work* Show how this customer's demand is similar to what another customer wanted - and got - and then wasn't happy with the results.

In some cases, it may not be easy to find negative outcomes for the customer. But in preparing to negotiate it's worth the effort to look for them.

Trade, Don't Concede

Concessions May Hurt the Deal

In a negotiation the salesperson's instinctive response to a demand may be to make a concession. Say yes, so you won't lose the customer! As a result, you diminish the deal for yourself, which very often means the deal will have less value for the customer also.

In a sales negotiation there's potential for a bigger and better deal for both. That potential is destroyed by automatic and unnecessary concessions. What can you do to avoid shrinking the deal, hurting yourself for sure, and perhaps hurting the customer as well?

Create Trading Options

Instead of negotiating to get less, trade. Trading introduces variety and flexibility into the exchange of values between salesperson and customer.

See past the demands. Identify added values. Shop at the supermarket for options. Options are the antidotes to single-issue negotiation, the type of negotiation that boxes you in and often leads you to concede.

For options to work, you need many of them. That's the supermarket idea. Look at all that stuff on the racks. Some of the options can improve the outcome for both of you. Increase the number of items on the table. Each item can generate terms of a deal that provide value for you, for the customer, or both.

By expanding the options you increase the number of gains and benefits in the deal. The more options you create, the more latitude you have to work out an agreement satisfactory to you and the customer.

Package the Options

The Get List

Typically, salespeople think only of the get as getting the sale itself- whatever concessions that may take. Why not get something you didn't ask for in the original proposal? A "Get" list aims at getting the sale itself, of course, but it also upgrades the value of the sale for you.

Making a get list may be difficult. To be sure, the customer isn't going to help you with the list. The customer has reshaped your proposal with a framework of demands. To break out of that framework you have to think of getting before you think of giving. Each "get" on the list is an option that makes the deal more appealing to you.

One way to think of getting is to review the terms of the original proposal: when, where, who's to be involved, what features are included, how extensive is the deal, and so on. Many of those terms were dictated by the customer in the discussion that led to your proposal. Now it's time to consider how the terms can be modified to add value to your side. Timing, for example: Maybe you can benefit from more lead time to prepare for delivering the product or service. Maybe you can shorten the time it takes to put the sale into action and to receive payment. Consider who can help you: Maybe you can access other buyers or key people within the customer's organization. Your "get" may involve service features: Have the customer take on some of your administrative load.

The Give List

You may put one or more of the customer's demands on your give list. Once you have begun to package options, your give list items are not concessions. You are trading with the customer for items on your get list. Can you see the wisdom of completing a get list first?

Combinations of Options

Combine the options on the Get and Give list in different ways. You might call your preferred package Counteroffer # 1. But you don't know whether the customer will go for it.

So you make an alternative package. Counteroffer #2 may rearrange some of the options in number 1 put them into different combinations. Counteroffer #2 will have more impact if you introduce some new options.

Remember these key ideas:

- Create options by rearranging your original proposal and the customer's demands
- Add new options
- Use different combinations of options for alternative counteroffers

Use "Get-Give" Counteroffers

If You, Then I

However tactfully and credibly you decline the customer's demands, you are refusing to take a step the customer wanted. The negotiation is at a sensitive juncture. Fortunately, you've been thinking creatively and have a few counteroffers. Make it easy for the customer to say yes to discussing your first counteroffer:

- *Would you like to discuss what I think might work?*
- *Here's an approach that you might like better.*

Remember, the customer wants a solution, and each counteroffer is another proposed solution. Invite the customer to join you in talking about your counteroffer.

The Get-Give counteroffer follows the *If you, then I...* formula.

The counteroffer lays down a condition beginning with the words *If you...* The condition is the customer's commitment to one or more of the "gets" from your get list. Which of the *gets* you choose depends, of course, on your negotiating leverage, your goals, and what you have learned from probing and listening.

The counteroffer finishes with a commitment on your part to deliver one or more of the "gives" on your give list. Again, what you choose to give depends on your negotiating leverage, your goals, and what you have learned from probing and listening.

The key idea here is that you seek commitments from the customers as a trading partner. The get/give process benefits both parties, because it creates options that were not on the table at the outset.

Use Stall breakers

When the Negotiation Stalls

The customer made demands. You made a counteroffer. The customer either rejected your counteroffer or came back with more demands. 'You made another counteroffer. Still no go. What now?

Find hidden value. Get the customer involved. Do something to get the process going again. Do something to regain momentum.

Hidden Value

Go back over the whole dialogue and look for ideas that bring value to the customer but somehow got lost along the way.

Look for features or benefits that you have not highlighted in prior discussions. An example might be a feature of the service contract that is exceptional for the industry. Another example - the expertise or credentials of the personnel you will send to install a product or launch a service. Hidden values bring to the surface benefits the customer isn't aware of and so doesn't expect to receive. Seeing the value is a reason to agree with your counteroffer.

What you're doing is giving the stalled customer a gentle push. You're giving the customer an excuse to buy. You're saying, "We're so close to a deal. what would you say if you had..." Of course, the customer will have it; it's already there.

Customer Involvement

Another stall breaker is to ask the customer to get the negotiation back on track and the wheels turning again. Involvement on the customer's part can have various psychological impacts on the customer:

- Combined energies. Did you ever have a stalled car? You ask someone to steer and shift gears as you push the stalled car. It's hard for the person to say no.
- The appeal of a deal emphasizes the satisfaction both of you would get from closure. How near a deal is! You are just "this much" away from a handshake. All it takes is one last effort.
- The face-saver aspect positions the customer as the one who saves the deal rather than the one who kills it.

Close on Agreements

Agreements and Specific Times

So you have packaged the options in a way that your customer can accept, you have nudged him into agreement with a stallbreaker, what's left? You have to close the negotiation. How do you close?

What remains is to examine the agreements and attach them to a point in time. Time gives the agreements reality. No tricks, no mystery, no fancy moves. Closing is a straight line.

Benefits

Hammer down the peg with a few brief words of congratulations for both of you. Both of you have worked hard toward the agreement and deserve to benefit: *I think this agreement we've negotiated works. It gives you It gives me.*

Confirmation of Agreements

Make sure neither of you misunderstands what you have agreed upon. You've worked too hard at sound dialogue to let anything sour the close. Confirm the main points: *Let's make sure we're together on what we've agreed to do*

Next Steps

Tie the agreement to follow-up action marked on the calendar as next steps. *I would like to put our next steps on the calendar.*

You have four ways to identify next steps:

- Actions the customer offers to take
- Actions the customer wants you to take
- Actions you offer to take
- Actions you want the customer to take

Summary of Skills

Know Where You Stand: Identify your leverage, your goals, and your limits.

Set a Positive Tone: Acknowledge customer interests. Express a willingness to listen. Support your words with appropriate vocal tone.

Surface Interests and Concerns:

- *Would you explain how this impacts on your company?*
- *I hear what you want. Help me understand why.*

Use Playbacks and Summaries: Confirm what's at stake for the customer.

Say No Tactfully and Credibly: *I want you to understand why that's further than I can go.*

Make a Compelling Case for Declining: *You've said [a stated interest or concern is important to you. But what you are asking for may work against that. Here's what I mean...*

Create Trading Options:

- Add new options
- Package the options from a Get list and a Give list

Use *If you, then I...* Counteroffers.

Try Stallbreakers:

- Highlight hidden value.
- Get the customer involved.

Close on Agreement:

- *This agreement gives you the benefit of*
- *Let's confirm what we've agreed to...*
- *Our next steps are...*