

Negotiation skills

Negotiation tips and techniques for sales, contracts, buying, and selling

These negotiation techniques are primarily for sales, but apply also to other negotiations, such as contracts negotiating, buying negotiations, salary and employment contracts negotiations, and to an extent all other negotiating situations. Negotiation is vital for an organization's overall effectiveness. Organizational effectiveness is a product of activities within a system - internal and external. Negotiation is critical to establishing the internal system (structure, people, functions, plans, measures, etc), and the organization's relationship to the external system (markets, suppliers, technology, etc). Negotiation is also critical to optimising the performance of activities internally and externally (principally through communication, by people).

Good sales negotiation - the rules of which feature below - can easily add 10% to sales revenues, which arguably goes straight to the bottom line as incremental profit. Good purchasing negotiation can easily save 10% of the cost of bought in products and services, which again arguably goes straight to the bottom line as extra profit. Good negotiation by managers in dealing with staff can easily reduce staff turnover by 5-10%, which reduces recruitment and training costs by at least the same %, as well as improving quality, consistency and competitive advantage, which for many companies is the difference between ultimate success and failure. Good negotiation by executives with regulatory and planning authorities enables opening new markets, developing new technologies, and the choice of where the business operates and is based, all of which individually can make the difference between a business succeeding or failing.

Successful debt negotiation with creditors enables a business to continue trading. Failure to negotiate debts often leads to business closure.

Salary negotiation affects individuals and organizations, and good negotiation skills on both sides produce positive outcomes for all

These negotiation techniques deal mainly with sales negotiation and are written from the point of view of the 'seller'. If you are 'buying', or want to know how buyers tend to behave look at the note alongside the headings. Sales negotiation is an increasingly important part of the sales process. Negotiation starts when buyer and seller are conditionally committed to the sale (not sooner if you are the sales person; the sooner the better if you are the buyer). Negotiation generally results in a price compromise between seller and buyer - ie., the seller reduces and the buyer increases from their starting positions. Clever buyers will attempt to negotiate before giving any kind of buying commitment. Clever sales people will resist this. Here are the rules of sales negotiating, which imply also the rules for successful negotiating when buying.

Modern collaborative approaches to

In modern times, the aim of negotiation (and therefore in training negotiating and negotiation role-plays) should focus on **creative collaboration**, rather than traditional confrontation, or a winner-takes-all result. The modern and ideal aim of negotiations - which should be reinforced in training situations - is for those involved in the negotiation process to seek and develop new ways of arriving at better collaborative outcomes, by thinking creatively and working in cooperation with the other side. Negotiating should develop a 'partnership' approach - not an adversarial one. As such, negotiating teams and staff responsible for negotiating can be encouraged to take a creative and cooperative approach to finding better solutions than might first appear possible or have historically been achieved in practice.

Every negotiation, when viewed creatively, entrepreneurially and collaboratively, provides an excellent opportunity to develop and improve synergies between and benefiting both sides, within the negotiated outcome.

You might find it useful to refer to [Sharon Drew Morgen's concepts](#) regarding collaborative facilitation, which although developed primarily for front-end of the selling process, are also extremely useful for cooperative negotiating. Each side is uniquely positioned to see how the other side can more effectively contribute to the combined solution - it can be a strange concept to appreciate initially, but is extremely powerful in any situation where two people or sides seek to reach agreement to work together, which is essentially what negotiation is all about.

That said, it is still important to understand and to master the traditional techniques and principles of negotiation, if only to provide a defence and strategy where the other side is firmly committed to an old-style confrontational approach, and these techniques are explained below:

Negotiation tips, techniques and

First and most importantly, positioning is everything in negotiation. The way that the situation is initially approached, and when, are more influential on outcomes than all of the other negotiating tactics and techniques combined.

Rules 1 and 2 are absolutely critical even before you start a negotiation.

1. Have an alternative - negotiate with freedom of choice

If selling, be unique, and have lots of other potential customers, and so be able to walk away; if buying, definitely be able to walk away.

Whether you are buying or selling, if you can't walk away because you need the deal so badly or because the other side is the only game in town, then you are at a serious disadvantage. If the other side believes you are the only game in town then you have the advantage. No other factor is so important: the more you need to secure the deal, the weaker your position, so avoid negotiating when you need the business badly (for the same reason, never find a new house and fall in love with it before you sell your own). The same will apply to your customer, which is why buyers almost always give you the impression that they can go somewhere else - even if they can't or don't want to.

This also means that when selling you must create an impression that there is no alternative comparable supplier. You have to create the impression that your product or service is unique, and that the other person has nowhere else to go. The way you sell yourself and your product must convince the other person that he has nowhere else to go, and that he cannot afford to walk away.

This positioning of uniqueness is the most important tactic, and it comes into play before you even start to negotiate.

If your product offer is not unique remember that *you* are part of it. You can still create a unique position for yourself by the way that you conduct yourself, build trust, rapport, and empathy with the other person.

Establishing a position (or impression) of uniqueness is the single most effective technique when you are selling, whereas denying uniqueness is the most powerful tactic of the buyer.

2. Negotiate when the sale is conditionally agreed, not before (if buying the opposite

Negotiate when the sale is conditionally agreed, and no sooner (buyers tend to try to negotiate before giving you any commitment - don't let them)

Or, put another way, don't get drawn into negotiating until you've got agreement in principle to do business.

If you start to negotiate before receiving this commitment you'll concede ground and the customer will attain a better starting point. This would put pressure on you to find more concessions later, and ensure a better finishing point for the customer.

If you are not sure that the customer is conditionally committed to the sale, then ask (a conditional closing question), e.g. "If we can agree the details will you go ahead?"

If you're buying, then the opposite applies: start to negotiate for concessions before agreeing you want to buy (try this when you next buy something - you'll be amazed at what you can secure without giving any commitment in return).

3. Aim high

Aim for the best outcome (buyers aim low, and they tend not to go first either)

(If you're buying, aim very - even ridiculously - low - but do it politely.) Whatever you're doing, your first stake in the sand sets the limit on your best possible outcome. There's no moving it closer to where you want to go; it'll only move the other way. Your opening position also fixes the other person's minimum expectation, and the closer your start point is to the eventual finishing point the more difficult it is to give the other person concessions along the way and ultimately arrive at a win-win outcome.

Many negotiations are little more than a split-the-difference exercise. They shouldn't be, but that's often the underlying psychology and expectation. So it's logical that to achieve the best possible finishing position you should start as ambitiously as you can (without losing credibility of course).

If you have the option to hear the other person's offer first, then do so. It's a fact that whoever makes the opening offer is at a disadvantage. If you go first, the other person can choose to disregard it and ask for a better offer. And the other person avoids the risk of making an offer themselves that is more beneficial than you would have been prepared to accept. It's amazing how often a buyer is prepared to pay more than an asking price, but avoids having to do so because they keep quiet and let the seller go first.

Vice-versa, the seller can often achieve a higher selling price than he anticipates if he hears what the buyer is prepared to offer first.

4. Let the other side go first

Try to avoid 'going first' on price if you can. (Buyers will often be trying the same tactic.)

If you know the other person's starting point before you have to give your own, then this is clearly an advantage to you. For example, if selling, ask the other side if they have an 'outline budget'.

Sometimes you will be pleasantly surprised at what the other side expects to pay (or sell at), which obviously enables you to adjust your aim. Letting the other side go first is a simple and effective tactic that is often overlooked.

Letting the other side go first on price or cost also enables you to use another tactic, whereby you refuse to even accept the invitation to start negotiating, which you should do if the price or cost point is completely unacceptable or a 'silly offer'. This then forces the other side to 'go again' or at least re-think their expectations or stance, which can amount to a huge movement in your favour, before you have even started.

5. List all

Get the other person's full 'shopping list' before you start to negotiate (buyers usually do the opposite - they like to pick concessions up one by one - indefinitely)

Establish in your own mind what the other person needs, including personal and emotional aspects. Everything that is part of or related to a deal has a value. Everything has a cost to you or your organization, even if it's not on the price list. Negotiation isn't just about price and discount. It's about everything that forms the deal. It's about specification, colour, size, lead-time, consumables, contract length, penalty payments, get-out clauses, delivery dates, stock-holding, re-order lead-times, after-sales support product, product training, technical back-up, breakdown service, call-out costs, parts costs, parts availability, payment type, payment date, payment terms. All these and more are called variables, and each one affects the cost. Some affect the cost more than others, and buyers and sellers nearly always place a different value on each. It's critical therefore to know exactly what your buyer wants before you start to negotiate. Get the full list of issues written down and commit him to it. This is vital if you are to keep a track on the values of the deal and the eventual outcome. You also avoid your position being eroded bit by bit by the late introduction of concessions required.

Your buyer's personal and political requirements are important too, and the bigger the deal the more significant these factors are. You need to understand what they are, particularly the political and procedural needs within the other person's organization or situation that affect the deal. These issues will concern the way that the organizations relate to each other; who talks to whom; how justifications and reports are prepared; arrangements for future reviews; provision of information; product development collaboration; issues involving intellectual property, future mutual business opportunities, etc.

Remember that when you sell to someone in an organization or group, your buyer is staking his personal reputation within his situation on you, and will not do so lightly, so you need to understand all of his needs and concerns.

Only then you can begin to understand what the implications, costs and perceived values are.

6. Trade concessions - don't give them away

Never give away a concession without getting something in return (buyers tend to resist giving any concessions at all)

This is a matter of discipline and control. It's simple. Never give anything away without getting something in return. If you do you are not negotiating you are simply conceding.

A commitment from the other person can be a suitable concession to get in return for something of relatively low value. The simplest and most elegant concession to secure is agreement to proceed with the deal now - use it to close.

7. Keep the whole picture in

Keep the whole package in mind all of the time (buyers tend to divide and erode your position, bit by bit)

The buyer's tactic will be to isolate and deal separately with single issues, or introduce new ones later. If you allow this to

Think about the knock-on effects to the whole situation every time a concession is requested. The overall value and profitability of a deal or contract depends on its component parts. When you change one element, you change the whole, so keep the whole situation in mind - keep assessing effects on the total arrangement, understand the effects, and explain how each change or demand affects the whole

8. Prepare and keep looking for

Keep searching for variables, concessions, 'bargaining chips', incentives. (Buyers will look for your concessions but will tend not to offer their own)

A variable or tradable is any factor that can be altered and which has a real or perceived value. You are not a mind-reader and the other person may not be totally open, or even fully aware of all the possible variables that are of interest, so keep looking for them.

Prepare and estimate values of real and perceived variables before the negotiation, and keep looking for new ones during the negotiation.

If the other side is cooperative involve them in looking for variables too - for both sides.

The more variables you find the less you will have to give on price, and the more added-value you can build into the deal. The buyer will not offer his own concessions normally, so you can look for his possible concessions as well as your own (ie variables within the buyer's situation as well as your own).

9. Keep accurate notes

Keep accurate notes, and show that you are doing it (the buyer stands to benefit from any lack of record, and some buyers conveniently forget things that are not in their favour, even concessions you've won from them)

Controlling the negotiation is vital. The other person may forget, misunderstand, or attempt to distort interpretation of what was discussed and agreed. Keeping notes shows that you are in control, professional, can't be out-flanked, and enables you to summarise and assess continually.

10. Summarise and clarify the negotiation as you go

Summarise and confirm understanding continually (see above - it's your loss, not the buyer's, if you allow misunderstandings to develop)

This avoids misunderstandings developing, accidentally or otherwise. Misunderstandings can be catastrophic, not so much because of the way they affect the financial structure of the unfolding deal, but because they undermine the rapport and the trust, which is critical to

Getting positive agreement throughout the process also is psychologically important; it strengthens trust and commitment, and helps to ease the other person into an agreeable frame of mind.

After the negotiation obviously it is essential to give the other person clear written confirmation of the deal.

Negotiation - more information

These days we are much more determined to press for concessions and the best possible price. Buyers, particularly consumers, are more confident and financially aware.

Where competitive pressures exist, prices are driven downwards. Where one supplier offers a certain concession or discount, customers expect all others to follow suit.

Suppliers' prices are more visible, so customers know what's on offer elsewhere, and they use this knowledge to secure the best possible deal.

In the face of these increasing pressures we need to have:

- very good negotiating skills
- Commercial understanding (to appreciate the value and implications of each element within a deal, and for giving justification and explanation, etc.)
- very good communication skills - empathy - (so as to able to communicate a commercial position whilst maintaining a good relationship)
- a consistent corporate policy and authorisation structure covering discounting and giving concessions

Organizations that have several points or people through which negotiations can take place must perform well in these areas. A chain is only as strong as its weakest link.

Organizations with inconsistent or vague negotiation practices are vulnerable. Customers are able to find and exploit weaknesses and precedents to drive prices down, force concessions and discount levels up, resulting in erosion of margins for the company. This happens because the company loses control over its starting positions (first stance), and unwittingly provides precedents for generous finishing positions.

Negotiating a deal, whether you are buying or selling, is a strange business.

In a selling role for a company, good negotiation requires a careful combination of empathy for the other person's situation and feelings, with our own responsibilities to secure the best possible commercial outcome for the company.

On occasions there can be a personal dilemma, particularly if our selling style is one that uses a lot of relationship-building and trust. We can feel torn between the interests of the customer - with whom it is of course essential to build an understanding - and the needs of the company.

So it is essential to remember our fundamental responsibility as a sales person, which helps to avoid being drawn into the dilemma territory; remember:

You work for your company, not for the customer.

By the same token, **the customer is out to secure the best possible deal for themselves and their organization, not for your company.** (Have you ever known a customer refuse a discount or concession on the basis that it isn't in the best interest of the supplier? Of course not.)

Another factor is our responsibility to existing customers. We undermine our relationships with existing customers if we offer preferential terms to new customers, just to get the deal.

Giving too much away, or referring a negotiation to a higher authority has a demoralising, undermining effect, and customers don't respect it - they take advantage of it. The urge to sustain a friendly, highly amenable relationship with the customer above all else is a trap that we must be alert to, it's human nature, but lots of customers will use it to their advantage. It is entirely possible to maintain a friendly helpful relationship while at the same time being very firm in negotiating the business.

Deep down we all respect someone who takes a firm approach to business, as long as it is delivered in an understanding and empathic way, with proper explanation and justification for the stance taken.

Good negotiating builds our own confidence and natural authority, not to mention the fun we can have outside work, when we are the buyer.

It's extremely important to make an assessment of where the other person is coming from; what the real and perceived issues are, and to separate the psychological factors from the practical ones.

A person's need to feel that they've succeeded in squeezing out a good deal is far different from the practical issue of simply whether they have enough money to afford the transaction, or whether the timings and availability can possibly fit together.

The purpose of negotiation is to reach a fair and reasonable compromise, not to try to do the impossible.

If a reasonable and commercially acceptable compromise is within reach we must use all our skills to achieve it through negotiation.

If the other person's demands are not reasonable, commercially acceptable, or if any aspects of each side's position do not fit, negotiation is not the answer.

This is why at times the most important word to use in any negotiation is 'NO'.

When not to negotiate (ways of

People say a lots of different things when they really know the answer is "No."

"I'll see what I can do."

"I'll let you know.""

"Maybe."

"I'll ask."

"I'll find out."

"You could call head office and ask; they have more authority than me."

If the demand or request is not possible, too commercially demanding, or not reasonable for any reason we must kill it there and then, or it will come back to haunt you. Do not negotiate if there are unrealistic demands being made at any stage. This is for three reasons.

- It prevents you having to concede substantial ground unnecessarily.
- It avoids raising false hopes, which would make it difficult for us later to satisfy later.
- It stamps your personal authority and professionalism on the situation.

A clear and honest "No, I'm afraid not," with suitable explanation and empathy for the other person's situation is all it takes.

Taken from www.businessballs.com