

STRATEGIES FOR HARD TIMES III: *Sales Negotiation in a Challenging Economy*

SELLING VERSUS NEGOTIATING

There's a reason why so many horror movies are filmed in shopping malls: Empty malls are eerie places, and it's easy to imagine something very bad happening there.

As the current recession deepens, the malls are becoming empty, and something bad is happening there: desperate retailers are slashing prices in a bid to survive until the consumers come back.

Corporate America is feeling that same sense of desperation, and many businesses see drastic price-cutting as inevitable. After all, it's a buyer's market now.

But let's not forget that even in a down economy, buyers are still shopping. They still want value, and value = benefits – cost. Smart buyers will not automatically choose the lowest price; they'll try to determine the best value.

This means that even in hard times, sellers can negotiate deals that both they and their customers can be happy with. The right approach, regardless of market conditions, is to sell first and negotiate later. Do not start discounting before you get to the bargaining table. Discounting is the refuge of the defeated seller.

When you are tempted to slash prices, resist, and know that you have not yet finished selling. You need to create more value for the customer. Negotiation is an effective strategic tool that is used during the sales cycle after the selling is done, when all the value that can be created has been.

DEFINING NEGOTIATION

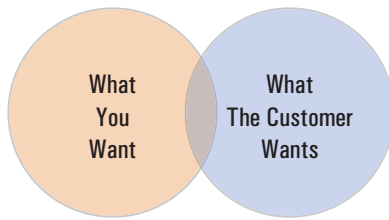
Negotiation is an attempt by two or more parties to reach an agreement when the following three conditions are present:

1. *Both parties can vary the terms.* That's the difference between negotiation and selling. If you cannot vary the terms, you must sell because you cannot negotiate.
2. *The resource is scarce.* When there's enough of something, there is no need bothering to negotiate about it. Time and money are negotiable because they are such scarce resources.
3. *Agreement and conflict exist simultaneously.* Every negotiation can be seen as two overlapping circles, as illustrated below. In one circle are the things you want; in the other the things that the customer wants. In the overlapping area there are needs in common to both of you. For example, the customer wants to solve certain problems. You also want to solve those problems—by selling your product or service.

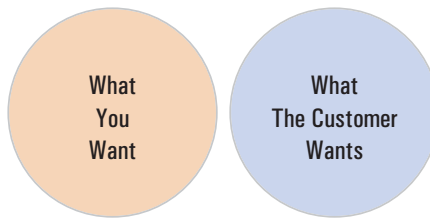
The two-circles diagram clearly shows one of the most important characteristics of negotiation. In every negotiation, potential agreement (the middle ground) exists side-by-side with potential conflict (the areas which don't overlap). One of the difficulties of negotiation is that you must deal with agreement and conflict in the same meeting. Negotiation simultaneously contains hopes and frustrations.

STRATEGIES FOR HARD TIMES III

Every sales negotiation looks like this.



Not a negotiation;
No common ground.



No need for negotiation;
total overlap.



It's not a negotiation if your circle and the customer's don't overlap at all. When that happens, you have a customer who doesn't want what you have to offer and isn't prepared to pay for it. Without common ground, neither party has anything to offer the other, so there's no basis for negotiation. If your circles overlap completely, then that's not a negotiation either. It means that you and the customer are in complete agreement. Just go ahead and do business.

NEGOTIATING IN HARD TIMES

Negotiating in turbulent economic times can be daunting for the seller, as the customer seems to hold all the cards. But this is an illusion. Just because times are tough doesn't mean the customer needs your product or service any less; it just means their decision criteria for acquiring it may have altered somewhat, and they may need different terms and conditions than they would in a better year. But remember, in hard times customers become not so much price conscious as risk averse. If you do a good job of selling, you will not need to discount when you get to the negotiating table.

Once you have done an effective job of selling, it's time to negotiate. Expert negotiators exhibit five specific skills:

- Focusing on areas of maximum leverage
- Establishing and narrowing ranges
- Planning and using questions
- Separating understanding from agreement
- Rigorously testing for misunderstanding

FOCUS ON AREAS OF MAXIMUM LEVERAGE

Skill at focusing on areas of maximum leverage is directly related to how good a job you have done at uncovering and prioritizing the customer's decision criteria. Price is not always (and in hard times, not even mostly) the chief consideration. The better you understand a customer's decision criteria, the easier it will be for you to decide which concessions will have maximum leverage during a negotiation. It is almost always easiest to work out a customer's decision criteria during the selling process by simply asking the question: "In order of importance, what Criteria will you use to evaluate your options?" It's that simple. A customer rarely has any reason to keep it from you, as it is in the interests of both parties to quickly figure out whether a deal is possible.

In any case, understanding the customer's decision criteria will greatly help in planning for a negotiation when you ask the hopefully obvious question: "How important will the concession be to this customer?" Focusing on concessions that will have maximum impact on the customer separates great negotiators from the merely average.

ESTABLISH AND NARROW RANGES

Skilled negotiators think in terms of ranges rather than absolute limits as it gives them more flexibility in offering incremental concessions. Follow these four simple steps:

- Set your ballpark upper and lower limits.
- Refine your upper limits in terms of customer expectations and competitive strength.
- Refine your lower limits in the same way in order to arrive at a realistic range.
- Negotiate, starting at the top of your realistic range and making concessions in increasingly smaller increments until you reach agreement.

PLAN AND USE QUESTIONS

In any form of persuasion, questions are central to success. Skilled negotiators ask lots of questions. Questions expose problems; they reveal strategic information; they allow you to control the discussion; they are an alternative to disagreement; and finally, questions give you thinking time. Of all the tools and techniques which a negotiator has available, questions are probably the most important. A negotiator who doesn't ask questions is at a severe disadvantage.

SEPARATE UNDERSTANDING FROM AGREEMENT

In most negotiations, people are reluctant to agree with points made by the other side because they are afraid that acceptance will weaken their case. As a result, when one side puts forward a point, the other side rarely shows any positive reaction to it. This is often interpreted as failure to listen or failure to

understand. Skilled negotiators prevent this barrier from arising by continually expressing understanding of what the other side is saying, but doing so in a way which doesn't suggest agreement or acceptance. So they tend to frequently summarize their interpretation of what the other party has said. They use phrases like "If I'm understanding you correctly..." or "What I hear you saying is..." By doing this they show they are listening.

TEST FOR MISUNDERSTANDING

The object of a negotiation is an agreement which works. That is, an agreement which leads to a mutually beneficial outcome, and successful implementation of the agreement. It's no good signing a contract if there are misunderstandings regarding the particulars. Mutual understanding is vital to successful implementation. For this reason, excellent negotiators spend a lot of time clarifying points of agreement, and, equally importantly, areas of disagreement. They continually probe and test to ensure that both parties are on the same page. This leads to much smoother implementations.

CONCLUSION

The place for the price slasher is an empty mall—not a world-class sales organization. By clarifying and developing the value you can offer the customer and by skillfully negotiating after that value is established, you can shift the customer's emphasis from "lowest price" to "best deal." This means that by negotiating from a position of strength, even in hard times, sellers can negotiate deals that will satisfy both themselves and their customers.



SPIN[®] Solution Suite



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Win the Call

Develop your clients' needs, demonstrate capabilities, create competitive differentiators to advance the sale



Sales Strategy

Win the Deal

Increase competitive win-rate by aligning your selling strategies to your clients' buying behaviors



Negotiations

Optimize Outcomes

Execute winning negotiation strategies that optimize outcomes and foster long-term business relationships



Prospecting

Fill the Pipeline

Differentiate yourself from competitors and fill your sales opportunity pipeline



Sales Management

Improve Performance

Drive your sales team to accelerate and achieve results by coaching how to implement sales training skills