

# Profit Accelerator Tool

## Effective negotiating skills

Whether you're trying to close a sale with a major customer or dealing with your landlord who wants to increase your rent, everyone in business has to negotiate with other people.

**This guide gives you some tips and skills to make you a more efficient negotiator.**

### *The goal of negotiation*

The underlying principle behind all business is to remain in business.

To remain in business, **you need to establish good relationships with others.** This means acting fairly and with integrity. The goal of integrity and good faith bargaining — “principled negotiation” — should therefore lie behind all business negotiation.

**The result of the negotiation should desirably have long-term benefits for both parties.** In driving a very hard bargain, you may gain a temporary financial advantage for your business, but you may also lose a customer or client.

There will be times when you “lose” a negotiation. **This is not something to be ashamed of, nor will you lose face.** It is no more than “one of those things” that happen in every part of your life, every day.

### *Fear of being thought a “pushover”*

Many business people fear being seen as a “soft touch” or a “pushover,” particularly in situations not involving customers or clients, such as supplier and landlord negotiations.

Yet, sometimes it is necessary to be very firm, particularly if you sense the other party is not interested in co-operative negotiation. **People respect a fair but firm negotiator.**

You will occasionally be confronted by someone who hates “losing.” This will test you to the limit, but you will have to deal with it. It will require of you all the internal strength you can muster and you must try, despite the barriers in your path, to get an outcome that meets your needs.

## ***Achieving fairness for both parties***

Some sceptics claim that there's rarely a win/win outcome in business. It's usually WIN/win or win/WIN. In other words, both may win something, but one side gains more than the other.

There will be times when this is true, but your task as a negotiator is to work towards a fair and balanced resolution for both of you.

On the principle of "deferred gratification" it is often makes good strategic sense to concede something now in exchange for a later gain.

***Example:** A concession now to a customer, such as a discount, might help you to retain the customer or client's business.*

**We cannot over-stress** that your business aim should be to retain customers because they have a "lifetime value" beyond the immediate sale.

You need to take "word of mouth" into account — **you need your customers to speak well of you.** A deal that leaves the other party feeling you have treated them fairly will help to generate a future source of revenue from people they have told favourable stories about you.

## ***Simple negotiation techniques***

### **Do your homework**

The more thorough your preparation the stronger your negotiating position. Trying to negotiate from a position of ignorance, and not understanding the real issues, is a recipe for failure.

**Never, never try to bluff your way through the problem!**

### **Work out your BATNA**

Always prepare to go into a negotiation by working out your **Best Alternative to a Negotiated Agreement (BATNA).**

In other words, have a "Plan B" before you start negotiating. Let this be your bottom line.

This allows you to walk away from the negotiations if you cannot get an agreement you can live with.

### **Work out stakeholders' interests**

Next, make sure you've considered all the stakeholders in the negotiation process.

***Example:** Stakeholders include your shareholders, your family, your directors, your suppliers, your customers, and anyone else who has a genuine interest in the performance of your business.*

These may not all be obvious at first. Try to identify and list the interests of the stakeholders and how these might affect the outcome. Knowing the real interests of the important stakeholders allows you to stress the benefits of the deal for that person. Try to work out *their* BATNA as well.

The balance of power, and your freedom to make concessions, often depends on the relative strengths of each party's BATNA.

## Separate the issue from the person

Watch out for the issue of becoming too closely involved with the person or the person's ego. **Emotionally charged issues can be the hardest to resolve.**

If possible, try to separate the issue from the person.

***Example:** An emotionally charged issue is an employee coming to you for a salary raise. An outright rejection might lead the employee to interpret this as a rejection of their personal worth.*

## Listen carefully for their real interests

**Good negotiators listen more than they speak.**

There's a good reason: the more carefully you listen the more you learn about the other party's real interests. The negotiator who fully understands what the other party really wants (which is not necessarily the same as what they say they want) gains an advantage in the negotiation process

***Example:** A person responding to an electrician's Yellow Pages advert might start by talking about price: "What do you charge for a house call to fix a broken light switch?"*

*A smart electrician might then ask, "Tell me, have you ever been let down by tradespeople not arriving on time?" If this touches a nerve, the electrician can then point out his key competitive advantage — "We guarantee to be there on time, or your money back!" **Now that the electrician has identified the real frustration, price becomes a secondary issue.***

## Anticipate demands

**Put yourself in the other person's shoes to anticipate what they want and prepare some responses.**

***Example:** An employee that walks into your office to ask for a pay raise. (This is a situation some business owners try to avoid - and a flat "No" is hardly likely to do much for staff morale!)*

*If you've anticipated the request you can say: "Yes, let's look at that." (Using "us" and "we" encourages the feeling of a co-operation rather than a confrontation. "Why don't you give me a one-page review of why you think a raise is justified and what you've achieved for the business so far. Have it in by Thursday and then we can meet on Friday to discuss it.")*

At the Friday meeting you might then set some objectives: "I'm happy with your work, but here are the goals we need to reach for me to grant you a raise." You could then list the training or skills to be acquired by the employee, the sales revenue targets, etc.

**The employee has had a fair hearing (in effect the meeting has been a performance review) and now knows exactly what is needed to get the raise.**

## Breaking a deadlock: find common ground

**A useful technique to break a deadlock is to resolve some easier issues.**

***Example:** If negotiations have ground to a halt over a major issue (such as, say, the final price, or some issue that's highly emotionally charged), bring the conversation around to some minor issues.*

*You might say something like, “Well, let’s leave that aside for the moment and deal with some other things. Would delivery in early October suit you?”*

**Your tactic is to gain agreement on smaller issues to build rapport with the other side.**

*By demonstrating a spirit of friendly negotiation you can move the other side towards thinking “Well, this person’s not so difficult after all.” It very often happens that you can now move back to the main sticking point in a far more co-operative atmosphere: “It seems we’ve been able to resolve these other issues without too many difficulties. Let’s have another look at the price issue.*

**Often, agreeing on one issue means many other issues just fall into place.**

### **“How can we move this forward?”**

When the negotiation is stuck, an alternative is to say, “Look, we’ve had our differences over this issue. But let’s put that behind us and think positively. How do you think we can move forward?” If the other party comes up with anything constructive, nurture the constructive part of the suggestion to build rapport.

If the negotiation really seems to have broken down, you can always suggest getting in a mediator. If there’s a real personality conflict then using a mediator could be the way forward.

### **“What would it take?”**

Sometimes it pays to simply ask the question, “What would it take from me for the deal to work for you?” You may be pleasantly surprised at how reasonable the demands are and how easily you can meet them.

### **Use visuals**

Communication is often easier if there is something for people to see. For example, diagrams on a whiteboard, charts, documents, etc.

### **Concede in order to “get”**

Parties in negotiation often like to end up thinking they have won an advantage over you.

A concession can often close the sale or clinch agreement. For example, if the other party wants an unrealistic discount and you’re determined to preserve your margins, you might say something like: “Our margins on this product are so tight that we really don’t have room to move, but I can offer you an extended warranty/free home delivery/bundle in some extra features.”

**Negotiation is often about trading concessions** and many people regard it as good customer relations to offer a concession in return for one made by the customer:

***Example:** “I certainly appreciate you being willing to wait an extra week for the product. In return we’d like to waive the normal delivery charge of \$12. We’ll courier the item to your home at no extra charge to you.”*

### **Know when to keep silent**

There comes a time in most negotiations where it pays to keep silent. When the other party becomes angry or emotionally upset, this tactic helps to modify their approach.

## Traps to avoid

### Avoid becoming emotionally involved

#### Stay calm!

Becoming angry or upset in negotiations is a sure road to deadlock or failure, because you tend to focus on the person rather than the issues.

Try instead to focus on the real issues and to be as rational as possible.

### Look past the personality

You might find the other party personally offensive or objectionable, but **the issues are what really matter**. Successful negotiators look past the person to identify the core of the problem.

### Case study: Two styles of response

#### Case study A. The emotional reaction

*When Steve learns that the landlord is asking for a 6% rent increase, he immediately phones to vent his anger: "That's just impossible! I can't make money with that kind of increase. We had an increase just the other day! You can't go on making these demands. You should know that business is bad at the moment and things are really marginal. I just can't pay it and that's that!"*

*This aggressive approach is likely to lead to a confrontational exchange of lawyer's letters and some counterproductive and heated exchanges, with both sides digging their heels in.*

#### And the landlord will probably win!

#### Case study B. The calm approach

*When Sue hears that the landlord is asking for 6% more, she says to him: "Well, we all need to keep up with inflation. Can I get back to you shortly?" She hasn't rejected the demand outright, but has bought some time for thought and research. Now she:*

- *Invites the landlord to call in for a cup of tea (keeping things friendly and cooperative).*
- *Looks for objective facts to support her case, not emotional argument.*
- *Finds out that the official rate of inflation has been only 3%. (This will be a major bargaining point.)*
- *Consults with the other tenants so she can provide supporting evidence of tight trading conditions. On the "divide and conquer" principle, landlords prefer to deal with tenants individually, so if Sue is able let him know she's consulted others and that they all feel very much the same (6% is excessive, 3% or 4% might be acceptable), he is more likely to concede than face a mass rent revolt.*
- *Is prepared to make some concessions (say, accept arbitration on the rent increase). Sue's co-operative and reasonable approach is more likely to reap results than Steve's.*

## ***Characteristics of successful negotiators***

People get better at negotiation with practice. For example, it takes practice to turn blame statements into depersonalised, impartial or shared statements.

Good negotiators:

- Are facilitators not blockers.
- Do their homework on the issues.
- Work out their BATNA and the other party's likely BATNA.
- Listen more than they speak.
- Can interpret the real issues that concern the other parties (not necessarily their surface positions). Can "read" body language as an aid to interpreting true positions.
- Are firm but fair.
- Look to build long-term relationships, not force confrontations.
- Look for options or ways to build mutual gain.
- Look for common ground on minor issues to build the rapport that will help with the major issues.
- Are willing to trade concessions.
- Use facts and figures to support a rational argument.
- Avoid getting into slanging matches.
- Can look past the personality to the actual issue.
- Think laterally and realise there's always another way.

## ***Resources***

### **Books on negotiating**

***Getting to Yes: Negotiating Agreement Without Giving In:*** Roger Fisher, William Ury, Bruce Patton.

A readable account of basic negotiation skills with many useful tips and ideas.

***Body Language:*** Allan Pease

A useful guide to interpreting what the other party is really thinking or feeling.

**Want to know more? At Zumo Retail we run negotiation skills workshops for retailers. For more information contact: [info@zumoretail.com](mailto:info@zumoretail.com)**