The Golden Rules Of Negotiation For Sales Professionals

by **MARTY LATZ**

What's the difference between negotiating the merger or acquisition between two large corporations, the bread and butter of investment bankers and lawyers around the world, and a sales professional selling a product or service?

In many ways only one real strategic difference exists: Sales professionals represent only one party in the transaction — the selling party. Investment bankers and lawyers, on the other hand, may represent the purchasing or the selling party.

So what lessons can sales professionals garner from the most effective negotiation strategies taught to and used by thousands of successful executives and lawyers?

Follow the Golden Rules of Negotiation, specifically applied to the sales context.

Information is Power — So Get It!

Self-described "expert" negotiators often enter negotiations with arguments intended to persuade the other side of the legitimacy of their positions. Unknowingly, they're giving up power from the first time they open their mouths. Negotiation power goes to those who listen and learn. Thus, it's critical to ask questions and get as much relevant information as you can throughout the negotiation process. With information in your pocket, you have power. Without it, you'll be scrambling.

Successful sales professionals know this well, as the best start the sales process by getting as much information as they can about their potential customers. They do this by building rapport, developing relationships, asking questions (especially open-ended ones like what, how and why), researching the substantive issues, finding out their customers' reputations, and eliciting their customers' fundamental interests and needs.

After this critical information has been obtained, they then evaluate how their product and/or service might satisfy their customers' interests. In other words, the best sales professionals and negotiators first find out what their counterpart really wants and needs. Then they explore how their product or service satisfies those needs.

Maximize Your Leverage

How much do you want or need that deal, and how much does your counterpart need it? What are your and your counterpart's alternatives if you don't reach agreement? What can you do to strengthen your leverage before and during the negotiation, and what can you do to weaken your counterpart's lever-

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age? What might your counterpart be doing at the same time? Finally, are you exercising your leverage in an appropriate fashion? Finding the answers to these leverage questions — as early as possible in the process — can be the key to success. Ignoring them can be a recipe for failure.

Maximizing leverage can be especially challenging for those in sales. Why? Sales professionals often have — and outwardly exhibit — a significant need for their next sale. The stronger your level of need (if you are desperate), the weaker your leverage. Likewise, the weaker your level of need (if you just don't care), the stronger your leverage. Sales professionals' level of need thus often translates into weaker leverage.

What can you do about it?

- One, don't just focus on your level of need. Instead, since leverage is a relative concept, focus on your counterpart's level of need. The more they believe they need what you provide, the stronger your leverage.
- Two, improve your best alternatives to a deal with your counterpart, and lessen the attractiveness of your counterpart's best alternatives to a deal with you.

Do this by constantly developing more leads and possible customers (if you don't sell to Company A, your best alternative would be selling to Company B). Help your counterparts understand the benefits and relatively unique nature of your product and/or service compared to their alternatives (emphasize the upside to buying from you and the downside to buying from your competitor or not buying at all).

Employ "Fair" Objective Criteria

The quest for fairness and the perception of fairness are key elements in many negotiations. Fairness, in most instances, boils down to a matter of relatively objective standards, like market value, precedent, efficiency, costs/profits or expert opinion. If both sides can agree on a fair and reasonable standard, your deal will likely close. If not, it's far more difficult to reach an agreement.

In sales, standards play a critical role in helping your customers independently and objectively determine the value you provide. Use them liberally.

"The reason our price is fair and reasonable," you might suggest, "is because it's in line with the market and because it's the equivalent of what you paid last year, factoring in inflation." Or, "It's worth paying extra for our product because it will increase your efficiency and profits by five percent. This will more than pay for itself in the long run." Or point out that an independent survey research association just released a study giving your company the top customer service rating.

Focus on standards; it will give you credibility and help keep that "fair and reasonable" hat on your head — a critical factor in many sales environments.

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Design an Offer-Concession Strategy

No one wants to leave valuable items on the table gratuitously. The best way to avoid this is to design the right offer-concession strategy. Doing this will require you to understand the psychological dynamics underlying concession behavior, as well as improve your ability to evaluate your counterpart's "flinch" point. It's not an exact science, but you can learn to draw out and recognize certain signals that will give you the edge in your negotiations.

A crucial offer-concession element in the sales arena involves making sure your counterpart walks away feeling like they got a good deal. How can you make sure of this?

Build in sufficient "room to move" with your prices so your counterpart will feel like they got a good deal. How often have you left a negotiation feeling you achieved a good deal based on how far you were able to get the other side to move? "I know we got a great deal on the sale of our house," you might say, "because John increased his offer by $10,000 and we only moved down $2,000." This is common.

So don't just start at one price and refuse to move. Instead, start higher and give them a discount. Make them feel special. Provide them with the ability to walk away feeling like they got a really good deal.

Control the Agenda

Effectively managing the negotiation process — overtly or covertly — is one of the most challenging elements in striking the perfect deal, even for the most expert negotiators. Understanding when to use deadlines, how to effectively operate within them, and the psychological tendencies underlying them will give you a leg up in your negotiations.

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Controlling the agenda can make or break your sale. Early in my career, I set up an appointment for an hour with a prospective client and arrived promptly at our scheduled time. She kept me waiting for 30 minutes, and then escorted me to a conference room where she told me she was running late and that I had 15 minutes to explain what I could provide to her and my fee. "Cut to the chase," she told me.

I did. And it was a big mistake. A more effective response would have been, "Wait a second. Before we discuss price, why don't you tell me a bit about what you want, why and how you think we might be able to help each other? Then we can discuss the value we add, which provides the basis for our fees. If we run out of time, I'll be happy to come back or put together a written proposal for you based on your needs, what we've discussed and include my fee."

In short, control the agenda. And if your counterpart tries to control the agenda, negotiate it — not in an overly aggressive way, but in a way that satisfies both parties' interests.