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16A Journey, Suite 200  
Aliso Viejo, CA 92656-3317

toll-free 877-626-2776  
local calls 949-859-4040  
fax 949-855-2973

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Whether negotiating with principals or  
customers, the quality of your relationships  
is a major factor in determining your success.

# The Truth About Negotiating

BY JACK FOSTER

If you provide customers and principals with what they want and need in order to perform their jobs better, they'll never walk away from you. In fact, they will follow you anywhere.

That's the view of consultant Ross Reck, who serves on the faculty of MRERF's CPMR program, and it's a philosophy supported by reps who work in the trenches on a daily basis. According to Reck, once you give a customer or principal what they want by identifying and offering a solution to their problem, you will be the successful negotiator that you hope to be.

Reck, the author of *The X-Factor: Getting Extraordinary Results from Ordinary People* and the best-selling *The Win-Win Negotiator*, goes back more than four centuries as he dissects the notion of what constitutes effective negotiating. "I've spent a

good deal of time studying some things that we take as facts, and I've learned that many things we accept aren't what they seem. For instance, when the word 'negotiate' was first translated into English back in 1580, it was translated incorrectly. As we read the word in the dictionary it refers to 'working out details.' Going back to the Latin roots of the word, it means to 'carry on business.' I've always maintained that there's a lot more to carrying on business than simply reaching an agreement."

He continues, "Whenever I'm speaking on the subject of negotiating to a group of reps, I emphasize the importance of staying away from the agreement part of it. For me – and for them – it should be all about people. Negotiating is at its very [basic] a people activity. A rep's repeat/referral business comes from building and maintaining personal

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relationships. To be successful in the process of negotiating, you’ve got to be able to look at the big picture and connect the dots between people and their desire to conduct business with other people that they know, like and trust.”

## Don’t Forget Self-Interest

The importance of relationships is of prime importance when it comes to being a successful negotiator, and Reck advises that acknowledging the importance of self-interest comes in as a close second. “Here’s what it all comes down to – we’re simply trying to influence people to do what you want them to do. If you expect to influence people, you must understand what motivates them. You and I are motivated by self-interest – so too are your customers and principals. Everyone really knows this. It’s no big mystery.

“At the same time, if we are to accomplish anything of note (e.g., getting the order, making the big sale), we must acknowledge that we can’t accomplish anything alone. We need all the help we can get. And that help must come from your customer or principal. The difficulty arises when

they fail to care about that which is important or of interest to you. Why? Because they’re more interested in what’s important to them.”

What must be done to put the pieces of this puzzle together is to get them to care about the same things as you. “While this looks a bit like *Mission Impossible*,” says the consultant, “what you’ve got to do is to take a step back and ask them what’s important to them. Determine what problems they need solving. Then, you solve their problem. You simply tell them how you’re going to help them and that’s all they want to hear. You’ve presented them with a ‘win/win’ situation. Once you’ve done that, they’re going to follow you anywhere you go.”

Once the relationship is established, however, he believes it must be nurtured and maintained. “Surprisingly, this doesn’t take an awful lot of time,” he says. “But if you’re going to do it, you’ve got to do it right. Simply making calls and following up really won’t cut it in today’s business and economic environment. And speaking of today’s environment, which is very challenging, there’s no better time than now – when no one

is buying – to firm up relationships. Take advantage of the economy and stop trying to sell. Instead, focus on cultivating relationships. Help customers and prospects get through these tough times. Just a quick look at history will show you that this recession will end – just as others before it have.”

To show how such an approach can work for a rep, Reck cites the experience of a client who asked for help with his discouraged sales force. “I spoke to his salespeople and let them know they were annoying prospects by trying to sell when [the potential customers] had no intention of buying. When things turned around, this company cleaned up because [they heeded my warning, and] the customer remembered the company helped them through tough times instead of always trying to get the order.”

## Principals vs. Customers

Finally, Reck notes that there is a bit of a difference between how the rep negotiates with his principals vs. how he negotiates with the customer. “I don’t think the rep manages the negotiating process as well as he could with principals. The prime factor that’s missing is the maintenance of the relationship. If anything, I’d advise a rep to be proactive with his principals. Instead of waiting for them to contact you for updates or market information, take the initiative and you call them. It’s not about making sales reports; rather, it’s about communicating and letting them know what’s going on. If you do that and do it well, you’ll set yourself up for success in negotiations.”

Reck is hardly speaking in a vacuum when he emphasizes the importance of relationships to success in negotiations. As a matter of fact, he’s found a couple of true believers in his put-relationships-first philosophy when it comes to crafting a successful negotiating process.



First up are members of the Denver, Colorado-based Marshall Rodeno Associated team. Tom Rodeno maintains, “Relationships are the single key ingredient allowing the rep to negotiate successfully.” He continues, “Reps build those relationships by being able to provide products and services as they are needed by the customer. These elements combine to allow the rep to become the ‘value-added’ supplier.”

Brian Rodeno supports this view by adding, “It’s critical for the rep to know his customers and learn his needs by asking the right questions and listening to the answers. Unless the rep does that, all you can talk about is price – and anyone can do that.”

Jim Smith, also with Marshall

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Rodeno, notes, “Relationships have to be established at all levels, including the engineer, contractor and even the end user. I’d compare that to the ‘old days’ when all you really had to be concerned with was the wholesaler. Times have changed, and it’s critical for the rep to change and establish those relationships at all levels.”

### Using Street Smarts

It’s not just relationships that the Marshall Rodeno team emphasizes when it comes to negotiations, however. “In general terms, I’d say that not all reps are blessed with the ability to negotiate effectively,” says Tom Rodeno. “Naturally, given the fact that good reps survive and thrive, they have that ability. But whether



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you have the ability or not, it can be a matter of ‘street smarts.’”

Those street smarts can be learned on the job, maintains Smith. “Basically, we communicate to our sales people that if you show up every day, do what you’re supposed to do and don’t lie to the customer, you’ll be able to pick up [on] what the customer needs and then meet those needs.”

All three men agree that the current challenging economy makes it a little more difficult to effectively negotiate. According to Smith, “What we and other reps constantly face is the Wal-Mart mentality in that

all we’re talking about is price, and the customer wants nothing but the lowest price.”

Smith explains, “As little as five years ago, I’d say there was a 60%-40% ratio between the trust the customer had in his rep and his willingness to pay more for a product or service. In other words, the customer was saying trust is the most important aspect of our relationship. That’s why he’d pay more. Now, however, that ratio is about 20% to 80%. Only 20% put the trust in a prime position and are truly looking for a solution to a problem. The majority (80%) are simply looking for the lowest price.

That’s what we’re competing with.”

Brian Rodeno concurs. “Given the presence of that type of thinking, arriving at a ‘win-win’ situation for all concerned is more difficult today than ever before. Something that can help the rep in his job, however, is the existence of that solid relationship with customers. Relationships are the key to everything we’re talking about in negotiations.”

Mike Kozak of Kozak, Lynx Associates, Inc., Oakland, New Jersey hardly discounts the importance of relationships when it comes to negotiating effectively. Rather than elevating relationships to the prime position, however, he sounds a little like the Nike slogan when he stresses that reps should “just do it,” with the “it” referring to negotiating.

Kozak stresses, “It’s great to negotiate with anyone of sound mind and body, especially if they’re looking for something other than just the lowest price. If it’s the low price they’re

looking for, however, don't be afraid to walk away. If you don't do that, you may get the order this time, but next time when you're not the low man, you won't get the business."

The rep warms up quickly when the subject of negotiating with principals is introduced. "Basically," he says, "negotiating with principals is very similar to negotiating with your customers. Not surprisingly, quite a bit of the process is conducted over the phone. I always find it interesting how much you can learn about a company when you just ask some basic questions on the phone. But whatever you accomplish during the initial conversation, it's still mandatory for the rep to visit the manufacturer in person."

#### **Avoid Handshake Agreements**

Kozak cautions that it is very important to be in that negotiating mode as your deal with principals – especially in the beginning of a relationship. For instance, take something as basic as the rep's length of contract, commission rates, or their cooperation and participation in trade shows. "With any of these subjects, one of the problems we have is that we're up against other rep organizations that may not present themselves in the same manner as we do. Or, even taking it to an extreme, we're competing against some rep firms that will operate on the basis of a handshake. That's something we'll never do. Operating in that manner can be the very root of disaster. The frequency with which manufacturer sales managers change positions makes any type of handshake agreement very unprofessional.

"And, how about the rep who accepts a 30-day agreement to represent a line? Doesn't that willingness on the part of some reps make it just about impossible for the rep who recognizes the fact it's going to take 18 months to two years to establish business in the territory

# During the negotiation process... if you don't ask for something, you're not going to get it.

for the manufacturer? All of these concepts have to be kept in mind as the rep negotiates. We've found that the more we negotiate with our principals, the better we get at it and the more confident we become."

During the negotiation process, Kozak and other reps agree that if you don't ask for something, you're not going to get it. "The principal, just as the customer, wants to work with you at the lowest price. That's why I've learned how important it is to be willing to walk away from something. I learned the wisdom of this by listening to reps at our local MANA networking chapter. I'd tell the group about three or four absolute requirements that I'd insist upon with a principal. The other reps would ask how I got the principal to agree, and my answer was I asked for it, and I wasn't afraid to walk away. As the meetings went by, more and more reps would follow a similar path, and eventually they'd reach better agreements with their principals – by negotiating and asking for what they needed."

When the Marshall Rodeno team was asked where reps can gain the necessary negotiating skills that they and other successful rep organizations possess, they said a lot of the skill was innate or had evolved out

of street smarts. When Kozak was asked the same question, he good-naturedly advises anyone looking for some help in negotiating to "Just dial 1-800-MIKEKOZAK."

More to the point, it's a good idea to make use of the resources of MANA, MRERF's CPMR program and fellow reps. And perhaps if all else fails, call that 800-number. ☞