

7.2: Collaborate to Negotiate

Learning Objectives

- Learn how to negotiate so that all parties win.

Now that you have learned about the role of closing in the selling process and techniques to close the sale, it's time to dig a bit deeper into the process of negotiating. Depending on the product, service, or prospect, some sales might be straightforward like, for example, buying a computer ("I'll take the MacBook Pro with the fifteen-inch screen"). The price is posted and there is no room for negotiation. However in many situations, especially in business-to-business (B2B) selling, the pricing, length of contract, terms, options, delivery dates, services, and other aspects of the sale can all be negotiated. Negotiation, like selling, is a process. Following the process helps improve your chances of getting what you want.

The Art of Negotiation

Simply put, "**negotiating** is the act of discussing an issue between two or more parties with competing interests with the aim of coming to an agreement." "Negotiation," *Entrepreneur*, <http://www.entrepreneur.com/encyclopedia/term/82556.html> (accessed May 24, 2024). While that might sound like an impossible task, it is not as difficult as you might think. Even people with differing positions or points of view share a common interest, which becomes the basis for finding common ground. It's these common interests—security, economic health, personal recognition, control—that motivate people. If you take the time to understand your prospect's interests in a negotiation, you can successfully collaborate and find a solution that supports the interests of all parties. "The best negotiators are also excellent communicators." "The Art Of Negotiation: 15 Tips For Business Leaders To Master", October 31, 2022, <https://www.forbes.com/sites/forbesbusinessdevelopmentcouncil/2022/10/31/the-art-of-negotiation-15-tips-for-business-leaders-to-master/>, (accessed May 24, 2024). It might be helpful to think about a negotiation like an iceberg. Although you can see the tip of the iceberg, it can be deceiving because it does not tell the entire story. The same is true when you are negotiating; your prospect may say something that appears to be obvious but really wants to achieve other things that are hidden below the surface. Using the process of negotiation to learn more about your prospect's motivations and interests, you can understand what is below the tip of the iceberg. It's usually the part of the iceberg that you can't see that is more substantial and has more impact than the portion that is visible. When you come prepared, listen, and probe during the negotiation process, you can learn a lot about what lies below the tip of the iceberg and use this information to collaborate and eventually reach a common ground on the issues. For example, assume you are selling advertising space for a men's magazine to the hottest new beer company. Your contact at the beer company wants to get the word out about this new brand but has a very small budget, so he doesn't want to pay the full published rate for the ads. You don't want to sell at less than the published rate because that will lower the value of your ad space. The tip of the iceberg shows that this is a price negotiation. However, if you ask the right questions and listen more, you will learn that his ultimate objective is to get people to taste the beer because that is the best way to get new customers. If he can get a major sampling opportunity, then he can use it to go to other media partners to get other sampling campaigns. Now you have gotten below the surface of the iceberg and understand his motivations. With this additional information that wasn't readily visible on the surface, you can offer him an advertising package that includes ads in the magazine in addition to sampling opportunities at three upcoming national events that the magazine sponsors. Now the negotiation is focused on all parties winning by getting something they want, rather than simply negotiating on price. Getting below the surface provides valuable information and insights for negotiating.

Negotiate to Win-Win-Win

A successful negotiation can be measured by its ability to deliver a mutually beneficial solution to all parties. Some people believe that negotiation is an act that yields a "win" for one side and therefore a "lose" for the other side. The win-lose approach usually ends up in a lose-lose deal that doesn't work for anyone. "The **win-win paradigm** (Franklin Covey) is the key to all successful negotiations, so infuse it into your being. Lay the foundation by discussing it at the start of every sales pitch and negotiation. It not only builds credibility and trust, it also relieves pressure and gives you the upper hand. Always remember that no deal is sometimes the best deal." "The Art Of Negotiation: 15 Tips For Business Leaders To Master", October 31, 2022, <https://www.forbes.com/sites/forbesbusinessdevelopmentcouncil/2022/10/31/the-art-of-negotiation-15-tips-for-business-leaders-to-master/>, (accessed May 24, 2024).

In selling, negotiating and closing go hand-in-hand. Just as closing is not a one-time event, negotiating is a process that has both short-term and long-term impacts. The best negotiations are collaborative in nature and focus on delivering mutual satisfaction. According to Leigh Steinberg, lawyer and sports agent, “The goal is not to destroy the other side. The goal is to find the most profitable way to complete a deal that works for both sides.” Alan M. Webber, “How to Get Them to Show You the Money,” *Fast Company*, www.fastcompany.com/magazine/19/showmoney.html (accessed May 24, 2024). Effective negotiating is based on respect and is seeded with open communication. Collaborative negotiating is dependent on the following three elements: Herb Cohen, *You Can Negotiate Anything* (New York: McGraw-Hill, 1980), 163.

The Three Elements of Negotiation

Every negotiation, whether it is in business, politics, or your personal life, includes three critical elements. Understanding the role of these elements can help make you a better negotiator.

1. **Information.** When you do your homework, research, and ask questions about what is important to your prospect, you may be able to avoid negotiating on price all together. If you have information, and share information at the appropriate time, you can make a negotiation a huge win for everyone. Herb Cohen, *You Can Negotiate Anything* (New York: McGraw-Hill, 1980), 19.
2. **Power.** According to Herb Cohen, known as the world’s best negotiator, power is based on perception. If you perceive you have the power to influence your situation, you do (conversely, if you don’t believe you have the power, you don’t). Herb Cohen, *You Can Negotiate Anything* (New York: McGraw-Hill, 1980), 20.
3. **Time.** Time is the great negotiator. Ninety percent of all negotiating occurs during the last 10 percent of the set time frame. Deadlines force decisions to be made and negotiations to come to fruition. Use time to your advantage by never revealing your deadline. Don’t negotiate when you’re in a hurry; chances are you won’t get the result you want.

Everything Is Negotiable

Many salespeople are afraid of negotiating. They are worried that they won’t be up to the challenge to persuade someone to do what they want or to pay their price. Confidence and preparation go a long way to achieving a satisfactory result on both sides. Negotiating and closing are ways of gaining agreement. The old saying goes, “Everything is negotiable,” and it’s true. Your prospect believes the same thing so be prepared to negotiate about virtually every aspect of the sale. For less complex sales, the close might come as a result of a simple question at the end of the presentation. However, for more complex sales, there are various elements of the sale that must be agreed upon to close the sale. Elements such as price, length of contract, service, terms, and options are common points to be negotiated as part of the close.

Many salespeople are concerned about negotiating price. They think that lowering the price will make the sale. In fact, price is rarely the motivating factor behind any purchase. That’s not to say that price isn’t important, but customers buy *value*, not price. If price were always the determining factor in purchases, premium brand such as Porsche, Apple, and Neiman Marcus would not exist. If you’ve ever shopped at Nordstrom, Macy’s, or Abercrombie & Fitch, you decided that those retailers offered more value than Old Navy, Target, or WalMart for the item you bought. Price is a part of the value equation but not all of it. That means establishing value with your presentation, demonstration, testimonials, follow-up, and everything that comes before the actual negotiation. How is your product or service different? What advantage does it offer? What is the most important problem it will solve for your prospect?

If your prospect wants to negotiate on price, use your creative problem solving skills to get to the end that will work for all parties. Use **concessions**, something that you are willing to compromise, to create value during the negotiation. For example, use length of the contract, payment terms, service, delivery date, training, or other elements to demonstrate to your prospect that you are willing to work with him and give him something that has value to him.

You:	I’m not able to meet that price, but I can offer you three months of training worth \$3,000 at no charge.
Prospect:	How many employees would be included in the training?

The following is another example:

You:	That pricing is only available if you carry the entire product line. If you add all ten of the products into all your stores, I can meet that pricing.
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Prospect:

We can take a look at that.

The bottom line is that it's best not to make a concession without getting a concession. In these examples, the salesperson always used another part of the deal to give something and get something in return. Think of it as "yes, if..." This win-win-win approach helps reach common ground and close the sale faster.

Steps of the Negotiation Process

While negotiation has some elements of being an art, there are three specific steps that can be followed to help ensure success with each negotiation.

✓ Three Steps of the Negotiation Process	
Steps	Activities
1. Pre-negotiation	<ul style="list-style-type: none"> • Get in the right frame of mind; be confident about the value of your product. • Do your homework; know who's sitting on the other side of the table and what's important to him. • Set pre-negotiation goals; identify the minimum that you will accept for the deal and be ready to walk away if you can't get it. • Identify an offer that is higher than your pre-negotiation goals to allow some room for negotiating.
2. Negotiation	<ul style="list-style-type: none"> • Make your initial offer and hold firm. • Identify other "currencies" with which to negotiate to reach common ground. • Be specific and identify every element of the deal in detail; put it on paper to avoid surprises later. • If you encounter a deadlock, put the issue aside and come back to it at a later time in the negotiation. • Avoid getting emotionally involved; be ready to walk away if you can't make a deal that is mutually beneficial.
3. Postnegotiation	<ul style="list-style-type: none"> • -Celebrate with all appropriate people; consider dinner, cocktails, or another get-together. • Use the negotiation to build your relationship. • Record what you've learned. • Be ready for the next negotiation.

Key Takeaways

- Many times closing includes **negotiating**, the act of discussing an issue between two or more parties with competing interests with the aim of coming to an agreement.
- A successful **negotiation** is one that focuses on open, honest communication and yields a win-win resolution.
- **Negotiations** require building trust, gaining commitment, and managing opposition.
- Every **negotiation** includes three elements—information, power, and time.
- **Negotiating** starts long before the formal exchange; it begins with your first communication with the prospect and includes every contact you have had with her. Those communications establish the value of your product or service.
- While price is a common **negotiating** point, it is rarely the deal breaker that most salespeople perceive it is.
- Every **negotiation** includes three parts—pre-negotiation, negotiation, and post-negotiation.
- Avoid getting emotionally involved in a **negotiation** as it makes it easier to walk away, if need be.

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