

11.7: Negotiations

Learning OUTCOME

- Identify how a retailer can prepare for negotiations.

Let's begin this discussion with a definition of the term *negotiation*:

A negotiation is a formal discussion between two or more parties to reach an agreement.^[1]

As with many of the other topics we have discussed in this section, the principles of negotiation are the same for the retailer as they are for any business in general. Two obvious applications for negotiation are conflict management and procurement. These two examples illustrate the breadth of situations where negotiation skills need to be applied. Addressing personal conflict often involves emotional and cultural issues whereas procurement negotiation is usually about contractual terms and conditions.



Good Negotiator

Whatever the context, there are common factors that exemplify a good negotiator:

- the ability to describe common goals and boundaries;
- emotional control and equal treatment of all parties;
- good listening and communication skills;
- thorough knowledge of bargaining tactics;
- an ability to close a negotiation in a way that secures the outcome.

Negotiation Procedure

Regardless of whether the negotiation is competitive or collaborative, it usually follows a typical procedure:

- **Plan:** All parties should prepare thoroughly. This includes gathering as much information as possible; setting goals for the outcome and agreeing an escalation route if the negotiation is unsuccessful. Each party should attempt to understand the cultural, commercial and ethical background of the others.
- **Discuss:** Set the scene, identify the key issues and communicate the objectives. Listen, question and feedback regularly to confirm understanding.
- **Propose:** Propose a solution that is clear and unambiguous.
- **Bargain:** Discuss the proposal; communicate personal boundaries and areas of flexibility.
- **Agree:** Reach agreement on the core issues; document what has been agreed and record any peripheral, outstanding items with timescales for resolving them.
- **Implement:** Communicate the outcome of the negotiation as necessary, update management.

Negotiation is easy to get wrong. The cardinal sin is to enter into negotiations unprepared. This can easily lead to mistakes such as making opening offers that are clearly unacceptable to the other parties.

Specifically for a retailer, negotiations can be internally or externally focused. Internal negotiations typically are between departments. The merchandise buying office may negotiate for additional space for their product presentation with the store organization. The store organization may negotiate with the merchandise planning department for a larger allocation of certain goods.

External negotiations for retailers usually center around the procurement function of merchandise buyers. Typical buyer/vendor discussions would include issues like price, delivery, allocation, promotions, and allowances. Buyers should be thoroughly

prepared with hard data regarding recent sales performance of the vendor's products in their operation, actual product delivery versus contracted, markdowns taken by the retailer to clear goods, and any quality issues or returns.

Here is an excellent video from Margaret Neale from Stanford Graduate School of Business on some advanced negotiation skills.

Video -- Margaret Neale: Negotiation: Getting What You Want



Video -- Game Theory: Two Key Principles for Winning Negotiations



Practice Questions

<https://assessments.lumenlearning.co...sessments/9266>

1. <https://simple.wikipedia.org/wiki/Negotiation> ↵

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