

12.3: 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 November 20, 2009). 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. Stephanie Mojica, "The Art of Sale Negotiation Skills," Associated Content, December 26, 2008, (accessed November 19, 2009).

It is negotiating that provides profit for organizations. The collaboration between parties is what provides companies the opportunity to exchange goods and services for money.

Video Links on Negotiation

Margaret Neale: Negotiation: Getting What You Want

<https://youtu.be/MXFpOWDAhvM>

How To Negotiate Like A MILLIONAIRE

<https://www.youtube.com/watch?v=DZntD2KEJs0>

Salary Negotiation: 6 Tips on How to Negotiate a Higher Salary

<https://www.youtube.com/watch?v=iUAcoetDgH4>

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.

✓ Definition of Negotiating

Understand that negotiation takes place only *before* you agree to anything: “If you ask for something before a contract is signed, it’s called ‘negotiating.’ If you ask for something after a contract is signed, it’s called ‘begging.’ It’s better to be a good negotiator than an expert beggar.”RCM Staff Report, “27 Principles of Negotiating with a Meeting Facility,” MeetingsNet, February 1, 2003, (accessed November 19, 2009).

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. Robert J. McGarvey, “Covering the Bases,” *Entrepreneur*, June 1997, <http://www.entrepreneur.com/magazine/entrepreneur/1997/june/14260.html> (accessed November 20, 2009). This philosophy of negotiating is selfish and short term. In addition, this approach implies that negotiation includes some kind of confrontation or manipulation to “trick” one side into doing something that it doesn’t want to do. This is an unethical approach to negotiating which doesn’t have a place in the business world. Daniel Roach, “5 Simple Rules for Unbeatable Sales Negotiation,” Associated Content, September 29, 2008.

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. “Negotiating to Win-Win,” Selling Power Sales Management eNewsletter, January 6, 2003. 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*, October 31, 1998. 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.

1. **Building trust.** Herb Cohen, *You Can Negotiate Anything* (New York: McGraw-Hill, 1980), 163. You’ve already learned in Chapter 3 that establishing and building trust is key to relationship building. Negotiating is the ultimate extension of a relationship because you and your customer are agreeing to concede on some points to make the relationship go even farther. If your prospect signs a contract with your company for products or services, you are now even more dependent on each other to make the relationship work. It is the true win-win-win relationship. But if your prospect doesn’t trust you, or you don’t trust her, it will be difficult to enter into a negotiation that will work for both of you and both of your companies. Building trust is the precursor to all business transactions, especially negotiating and closing.

The best way to build trust during the negotiation process is to gain trust before the formal negotiation. And then, during the formal negotiation, focus on the ends rather than the means. Herb Cohen, *You Can Negotiate Anything* (New York: McGraw-Hill, 1980), 163. In other words, instead of focusing on going head to head on each issue to be negotiated, concentrate on keeping the end goal in mind. Take the time to listen and understand exactly what is motivating your prospect so you can deliver what is important to her. “Negotiation is needs based,” according to the online *Selling Power Sales Management Newsletter*. Understanding what is important to you and to your prospect drives your negotiation. “Negotiating to Win-Win,” Selling Power Sales Management eNewsletter, January 6, 2003.

✓ Power Player: Lessons in Selling from Successful Salespeople

Honesty: The Best Negotiating Tool

Marty Rodriguez, one of the top real estate brokers worldwide for Century 21, has a simple formula for successful negotiations. She feels strongly that the real estate business isn’t just about closing the deal—it’s about providing honest information to help customers make the decision that’s right for them. She tells prospects everything from the fact that there is structural damage on a property to whether she thinks a deal is out of their price range. “When you treat people that way they’re not only happy to give you a commission—they become raving fans,” according to Rodriguez. Polly LaBarre, “Saleswoman for the 21st Century,” *Fast Company*, December 18, 2007.

2. **Gaining commitment.** Herb Cohen, *You Can Negotiate Anything* (New York: McGraw-Hill, 1980), 163. Part of the process of closing is gaining commitment on every specific element of the sale. To do that effectively, strive to gain commitment long before you begin the formal negotiation. That means using every touch point you have at the company to help you. While you might think it is impossible to enlist others in your prospect's company to help you sell, consider the creativity of Art Fry, the creator of 3M Post-it notes. Fry stumbled upon the semi-sticky adhesive years before the product was introduced after creating the first version of the product as a way to mark hymns in his hymnal at church, he started giving his new invention to secretaries and coworkers at 3M. Soon secretaries were taking the pilgrimage between buildings on the 3M corporate campus just to get more of the sticky note pads. It was the demand from the people who used the product that ultimately generated interest in marketing the product to consumers. Fry successfully gained commitment from others in the company as a way to "sell" his new invention as a marketable product. Greg Beato, "Twenty-Five Years of Post-it Notes," March 24, 2005.

3. **Managing opposition.** Herb Cohen, *You Can Negotiate Anything* (New York: McGraw-Hill, 1980), 183. It's true that although a negotiation is a collaborative effort, it is inherently a situation that addresses opposing views. The best way to manage this is to be prepared and know what's important to you and your prospect.

✓ Power Selling: Lessons in Selling from Successful Companies

Searching for Common Ground

Microsoft wanted to be more dominant in the Internet search business and saw the acquisition of Yahoo! and the development of a new search engine named Bing as the way to gain market share quickly. Although Microsoft made a bid to buy Yahoo! in early 2008, it wasn't until July 2009 that a deal was closed. The original \$45 billion takeover bid was shunned by Yahoo! much to the dismay and dissatisfaction of the shareholders because senior management wanted the company to remain a separate company. Peter Burrows and Robert D. Hof, "Yahoo Gives in to Microsoft, Gives Up on Search," *BusinessWeek*, July 29, 2009. Then, newly appointed Yahoo! CEO Carol Bartz saw an opportunity for common ground and negotiated a deal that was a win for everyone. Under the ten-year agreement, Microsoft's Bing will be used to power Yahoo! searches. Yahoo! will receive 88 percent of the revenue from all searches done on Yahoo! Web sites. Customers and advertisers now have a viable alternative to Google. Negotiating a solution that lets everyone win, including the customer, takes creativity and time. David Goldman, "Microsoft and Yahoo: Search Partners," *CNNMoney.com*, July 29, 2009.

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).
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. RCM Staff Report, "27 Principles of Negotiating with a Meeting Facility," MeetingsNet, February 1, 2003, (accessed November 19, 2009).

Video: The 3 elements of power: Influence, negotiation, nurturing | Daymond John



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.

✓ One for All

Negotiations in B2B selling usually require multiple parties to be involved from both companies. You may find yourself negotiating one-on-one with a prospect or being a member of a negotiating team that works with a prospect team to negotiate a deal. Either way, the same principles of negotiating apply.

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, Banana Republic, or Abercrombie & Fitch, you decided that those retailers offered more value than Old Navy, eBay, or Wal-Mart for the item you bought. Price is a part of the value equation but not all of it. According to author Kelley Robertson, "Everything you say and do from the first contact with a prospect affects the value of your product or service in their mind." Kelley Robertson, "Let's Make a Deal: Negotiating Techniques," The EyesOnSales Blog, January 18, 2008, http://www.eyesonsales.com/content/article/lets_make_a_deal_negotiating_techniques (accessed November 19, 2009). 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? Kelley Robertson, "Let's Make a Deal: Negotiating Techniques," The EyesOnSales Blog, January 18, 2008, http://www.eyesonsales.com/content/article/lets_make_a_deal_negotiating_techniques (accessed November 19, 2009).

✓ Holding Firm

Forty percent of customers ask for a price concession not because they want it to close the sale but because "they had to ask."

Fifty percent of salespeople give price concessions on the first request.

The best salespeople negotiate on value, not price, and use creative negotiating to find common ground. Colleen Francis, "Negotiation Quick Hits," The EyesOnSales Blog, November 13, 2008, http://www.eyesonsales.com/content/article/negotiation_quick_hits (accessed November 19, 2009).

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.
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. This win-win-win approach helps reach common ground and close the sale faster. RCM Staff Report, "27 Principles of Negotiating with a Meeting Facility," MeetingsNet, February 1, 2003.

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. Prenegotiation	<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 prenegotiation 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 prenegotiation 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.

Step 1: Prenegotiation

Start off in the right frame of mind. Be confident by knowing that you are one of the finalists for your prospect's business. If you are confident that you have the best product and represent the best value for the price, you already have the beginning of a good negotiation. On the other hand, if you're not confident or don't believe in the value of your product, chances are you will not negotiate well. Colleen Francis, "Negotiation Quick Hits," The EyesOnSales Blog, November 13, 2008.

Once you believe you are presenting the best option with the best value to your prospect, dig below the surface in research and conversation to learn what's really important to your prospect. Ask a lot of questions; negotiators report that they often have to ask five levels of "why" to get to the "root cause" or true motivator of the person with whom they are negotiating. John Hoult, "Negotiation 101," *Fast Company*, September 30, 2000.

Identify your **prenegotiation goal**, the minimum that you will accept during the negotiation. This is critical to your success as a negotiator so that you don't give away more than you want in order to make the deal. Prenegotiation goals should be realistic based on what you want to get out of the negotiation and what your prospect wants or needs to get out of the negotiation. This is where you have the opportunity to explore creative solutions that may address different aspects of the sale. (Are you willing to provide additional services rather than provide a price concession? Will shorter payment terms help your prospect be able to sign on the dotted line?)

It's a good idea to realize that your prenegotiation goals should not be the same offer you put on the table. Always allow some negotiating room as the first offer is rarely, if ever, accepted. Your prospect wants to feel as if she was able to get you to move from your original position. When you identify your prenegotiation goals, you know where you may end up, and also give yourself some room to negotiate. John Hoult, "Negotiation 101," *Fast Company*, September 30, 2000.

Step 2: Negotiation

This is where it all comes together—your preparation, prenegotiation goals, strategy, and understanding of your prospect's needs. Although you have done your homework and set your prenegotiation goals, hold firm on your initial offer. This allows you to learn more about what your prospect thinks is important and why. If you give in too early in the process, your prospect will feel like the negotiation was too easy and may have an expectation of getting even more concessions than you are willing to give. The general rule of negotiating is not to accept the first offer. That means you will need to reiterate the value you deliver and hold firm to your initial offer. Anthony Tjan, "Four Rules of Effective Negotiations," *Harvard Business Review*, July 28, 2009.

As the negotiation progresses, consider offering a concession to move toward common ground. But for every concession you give, get one in return. For example, "I'll be able to look at pricing like this if we were able to be your exclusive distributor in the Northeast." This is an example of using other "currencies" to make the negotiation work. In this case, the currency of exclusivity is used in exchange for a price concession. Anthony Tjan, "Four Rules of Effective Negotiations," *Harvard Business Review*, July 28, 2009.

Specificity is key in negotiating and closing, because once an issue is negotiated, it will be difficult to revisit it. Define each negotiated point in specific terms such as the number of days until delivery, specific payment terms, options that are clearly spelled out, and any other information that will clearly define your agreement. In most cases, all these elements are included in the contract that is signed as a result of the negotiation. It's always best to clarify each point during the negotiation and put it on paper to avoid misconceptions, bad memories, or surprises down the road. If there is no contract, it's a good idea to follow up the negotiation with a written summary of the agreed upon points. "Customers' Negotiating Tactics," *Selling Power Sales Management eNewsletter*, July 1, 2002.

If you encounter an issue during the negotiation that causes a **deadlock**, or a stop in the discussion, set the issue aside and revisit it after other elements have been negotiated. You may find a way to include the thorny issue in a concession for a different negotiating point. It's not worth getting held up on points during the negotiation; simply set them aside and revisit them at a later point in the negotiation. When you leave the most difficult issues until the end, other issues have already been resolved and both parties are motivated to find a resolution. RCM Staff Report, "27 Principles of Negotiating with a Meeting Facility," *MeetingsNet*, February 1, 2003.

Negotiator and author Herb Cohen says, "Negotiation is just a game. You care about the outcome, but not that much." You have to avoid getting emotionally involved in the negotiation because the more emotionally attached to the outcome you become, the more you push to get what you want. Danielle Kennedy, "Let's Make a Deal," *Entrepreneur*, October 1996. Getting emotionally involved in a negotiation makes it extremely difficult to walk away from it. That's why many professional people such as actors

and actresses, professional athletes, writers, and others have agents negotiate their contracts. Christina Novicki, “Secrets of a Superagent,” *Fast Company*, October 31, 1996. It’s a good idea to remember that it’s not personal, it’s business. Alan M. Webber, “How to Get Them to Show You the Money,” *Fast Company*, October 31, 1998. Not all negotiations end in a deal. Based on your pre-negotiation goals, you may need to walk away from a deal if it isn’t mutually beneficial. Keep in mind that your ability to negotiate is directly linked to your ability to walk away from the deal. If you don’t have any other options, you have given up any power you might have. It’s a good idea to always keep your options open. RCM Staff Report, “27 Principles of Negotiating with a Meeting Facility,” MeetingsNet, February 1, 2003.

Video: 3 Negotiation Secrets To Always Get What You Want



Step 3: Postnegotiation

At this point, every element of the deal has been negotiated, agreed to, and documented on paper. It’s a good idea to take some time to celebrate a successful negotiation including all appropriate people at dinner, cocktails, or another get-together. This is a good way to recognize everyone’s contribution to making the negotiation a success and to look forward to enjoying the benefits of the partnership. Alan M. Webber, “How to Get Them to Show You the Money,” *Fast Company*, October 31, 1998. There’s one thing that’s true about every negotiation—it will surely lead to other negotiations in the future. Christina Novicki, “Secrets of a Superagent,” *Fast Company*, October 31, 1996.

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—prenegotiation, negotiation, and postnegotiation.
- Avoid getting emotionally involved in a **negotiation** as it makes it easier to walk away, if need be.

? Exercise 12.3.1

1. Assume you are buying a used car from someone. If your prenegotiation goal is \$10,000 and he is holding firm at \$12,000, how would you find common ground for a successful negotiation?
2. Assume you are buying a house from someone. She has indicated that the chandelier in the dining room has sentimental value. You think that the chandelier makes the dining room, and you want it included in the sale of the house. You are willing to increase your offer to reflect the inclusion of the chandelier. How would you approach this negotiation?
3. Assume you are selling medical supplies to a doctor’s office and the doctor says, “I won’t pay anything over \$3,000 for the machine, take it or leave it.” How would you respond?

4. Imagine that you are a sales rep for a paint manufacturer and you are selling to Home Depot. The buyer provided positive responses in all your previous meetings and is ready to narrow down his choices for paint suppliers.
 - Identify three ways you could prepare for your negotiation to make it as productive as possible.
 - How would you go about identifying your prenegotiation goals?
5. You are trying to sell accounting software to a regional grocery store chain, but negotiations have stalled. How can you get back on track?
6. Think about a negotiation in which you have been involved that yielded a win-win-win resolution. How did you get to the win-win-win solution? Think about a negotiation in which you have been involved that didn't result in an agreement. Why do you think the negotiation wasn't successful? What would have made it more successful?
7. How would you handle a situation in which a prospect wanted a guarantee that your company will not raise the price of the product he was buying for the next five years? Would you agree to hold the price to get the sale?
8. Contact a local law firm or company that specializes in negotiating. Invite a person from the firm to come to class and share tips and techniques that she uses in successful negotiations.

This page titled [12.3: Collaborate to Negotiate](#) is shared under a [CC BY-NC-SA](#) license and was authored, remixed, and/or curated by [Anonymous](#).