Negotiation: The New Customer Standard

5 Strategies for Sales Negotiations

By Michael Leimbach, Ph.D., Wilson Learning

When customers decide to talk to a salesperson, they are expecting to have a different kind of conversation—a much more collaborative, professional, and respectful one—that does not necessarily start with a salesperson's presentation and end with the customer bargaining over price on an agreed-upon solution.

There is no doubt that business negotiations have become much more complex in today's environment, largely due to the availability of information that customers are able to access for every product and service in any industry. Customers have grown more sophisticated and they are often armed with all the information they think they need before even talking to a salesperson. Consequently, when they do decide to talk to a salesperson, they are expecting to have a different kind of conversation—a much more collaborative, professional, and respectful one—that does not necessarily start with a salesperson's presentation and end with the customer bargaining over price on an agreed-upon solution.

However, even though buyers have become more sophisticated, many salespeople still have difficulties, when push comes to shove, resisting the temptation to fall into a bargaining mode and reduce their price or throw in "value adds" in order to seal the deal. When the salesperson caves on pricing, rather than respectfully and intelligently negotiating for an agreement that would benefit both parties, margins and profitability suffer.

Is There a Better Way?

Fortunately, there are ways to avoid the bargaining trap. The shift in how buying decisions are made today presents a wonderful opportunity for salespeople who are willing to step up their game and truly collaborate with their customers during the sales process. Because business relationships today are as important as ever, sophisticated salespeople can and should shape the conversation in ways that will earn the respect of their prospects and customers and lead to high-impact solutions.

Wilson Learning Worldwide, in collaboration with William Ury (cofounder of the Harvard Program on Negotiation), has created a principled negotiation process designed specifically to help salespeople have respectful and intelligent conversations with their customers. These conversations focus on increasing the size of the perceived "fixed pie" and expanding the range of opportunities for both the salesperson and the customer.

By focusing on five simple strategies, salespeople can engage their customers in a give-and-take conversation to explore the interests behind positions and expand the options. This means moving out of the mentality of "hard bargaining" based on firm positions and into a negotiating mode based on a handful of powerful principles.

Applying these principles increases the likelihood of achieving agreements that benefit both the salesperson, who is no longer leaving business on the table, and the customer, who has more options for better solutions.

"By focusing on five simple strategies, salespeople can engage their customers in a give-and-take conversation to explore the interests behind positions and expand the options."

5 Strategies for Successful Negotiations

There are five strategies that can help salespeople better achieve their goals while bringing greater value to the customer's business.

1. Separate the People from the Problem

With traditional negotiating approaches, discussion can easily turn adversarial as the customer raises objections about price or other difficult issues. It is as if the parties are sitting on opposite sides of the table, conducting a tug-of-war to achieve a "win for our side." One recent example is a large retail organization, with a substantial social media presence, that was negotiating purchase of an online portal. When the portal provider presented the prototype, the solution was co-branded with both organizations having prominence. The Director of Marketing from the retail organization was livid, accusing the portal provider of trying to gain greater prominence by using his company's social media presence. The purchase hit an impasse, and significant "people" problems between the portal provider and the Director of Marketing took center stage.

In a traditional negotiating approach, the portal provider would defend themselves, pointing out that the co-branding was in the initial agreement and is an industry standard, and then would point to their own significant social media presence. With the principled negotiation approach, however, the portal provider's salesperson quickly recognized the need to "separate the people from the problem." She immediately apologized for the misunderstanding and assured the customer that their needs would be met. In the end, she was able to quickly refocus energy on addressing the problem—how to brand the site to provide the customer with the greatest benefit. They agreed that some form of co-branding would help both organizations, as each had

their own customer base, creating a stronger relationship between the two organizations.

By being hard on the problem and soft on the people, the salesperson was able to step to the customer's side and move away from confrontation toward collaboration.

2. Identify the Interests Behind the Position

In a traditional negotiation, people tend to take a firm position and stick to that position. The focus is on "what I want," and each side is intent on justifying their respective positions. For example, an organization wanted to hire a consultant but wanted to pay a fee that was lower than the consultant's daily rate. The consultant was unwilling to accept a lower daily rate for the work. Neither party truly understood each other's interests and the discussion focused only on the positions each took—the daily rate.

> "Whatever the customer's interests are, it is critical for the salesperson to keep asking questions to uncover them, and then align with them to smooth the path to mutual agreement."

In a principled negotiation process, your focus is on the interests behind the position. For example, the customer wanted to pay the lower rate because she has a limited budget. The consultant wanted the higher rate because of his own financial obligations. Paying attention to interests—uncovering the "why" behind a position—opens up more possible solutions than just the two positions will allow. There is only one option when you negotiate from the position of "I want to pay you less." But many more options occur when you negotiate around "I have a limited budget," such as delayed billing, commitment to future work, etc. While positions tend to be inflexible and fixed, interests open up different perspectives and opportunities.

When a salesperson does a good job uncovering the customer's interests, he or she is able to say, "Now that I understand what is really important to you, if I showed you a way you can meet that need, would you be interested?" Whatever the customer's interests are, it is critical for the salesperson to keep asking questions to uncover them, and then align with them to smooth the path to mutual agreement.

3. Invent Options for Mutual Gain

The path to a win-win agreement lies in creating a bigger pie, not just dividing the existing pie. That requires exploring ways to create new options. Knowing the customer's interests, not just positions, will help achieve this objective. For example, suppose the offer on the table is a bundled solution for internet and phone service in multiple locations at a certain price. The customer, however, has an interest in keeping costs low because of budget. If interests are openly explored, the salesperson has an opportunity to help solve the problem. The salesperson can offer an unbundling option in some low priority locations, or allow the company to purchase elements of the solution in smaller increments or slower speeds, or install at fewer locations. The solution has now been altered to align with the customer's key interests. The point is this: unless you understand the interests behind the position, you may not think of creative options that allow for an "expanded pie" solution.

4. Introduce Independent Standards

Regardless of all the other preparation, almost every negotiation will have areas in which the customer and the salesperson will not be in agreement. Whether it is price, terms, or conditions, there will be times in which the gap between the two seems just too wide. This is where independent standards play a critical role in bridging this gap.

"When at an impasse on an interest or option, the salesperson and the customer can agree on an independent standard to provide a path toward a solution from neutral ground."

Independent standards are unbiased, objective information that can be used as a measuring stick for choosing among alternatives. For example, we have all experienced trading in an old car. The dealer wants to pay one price for your old car; you think it is way too low. Kelley Blue Book and multiple websites are well-known independent standards in this case. In a business-to-business relationship, there are a number of independent standards you might be able to use:

- Competitive offers/bids
- History—for example, past contracts
- Legal case law
- Industry benchmarks—for example, standard salary rates
- Scientific research studies
- Credible third-party references

When at an impasse on an interest or option, the salesperson and the customer can agree on an independent standard to provide a path toward a solution from neutral ground. Both parties can now view the options on the table from the same perspective. If you suggest an independent standard, it should be something that is perceived as neutral to the customer, not something you provide or control. Independent standards should never be used to show the customer that he or she is wrong but to reinforce your shared interest in an outcome fair to both parties. For example, if the customer's interest is to demonstrate to a manager that the price for the deal is a good value, then an independent standard such as market value can be used to justify or reinforce the customer's choice.

5. Know Your BATNA

Everybody knows that "no deal" is better than entering into a "bad deal." The trouble is that salespeople don't always recognize what a "bad deal" looks like.

Preparing a Best Alternative To a Negotiated Agreement—a BATNA—helps you avoid a bad deal and secure a winning agreement.

A BATNA is something you prepare outside of the negotiation. A BATNA answers the question, "If I walk away from this deal, what is my best alternative for meeting my needs?" For example, can you sell this to the potential customer's competitor at an acceptable price? Can you approach another division of the company?

When you get a group of salespeople together, conversations often turn to the topic of "the customer you wish got away." Salespeople often don't think they have a BATNA and can easily get fixated on getting a deal, any deal, and then end up accepting too low a price or terms and conditions that are expensive to fulfill. They accept these deals because they have not thought through their BATNA ahead of the negotiation.

Consider the automobile trade-in example above. When a dealer offers a trade-in price that is too low for the customer, the customer's BATNA might be to: visit other brands' dealerships, look at a less expensive car that meets most of his or her important interests, or sell the used vehicle on his or her own to a third party.

Preparing a good BATNA eliminates the pressure to achieve just one ideal outcome. It also prevents the feeling that you are losing if you don't win that one outcome. The BATNA takes emotion out of the picture and increases the likelihood of rational and effective decision-making.

Conclusion

Traditional "us vs. them" approach to negotiating with customers—your time has passed.

Today, sophisticated buyers want sophisticated selling—selling that values long-term relationships and principled negotiation over the "winning at all costs" approach. They want collaborative conversations, fair outcomes, and a process that ensures their needs and interests are met.

To do this, salespeople must develop the confidence and the skills to:

- Separate the people from the problem to remove emotions from the buying process.
- Identify and focus on the customers' interests, not just their positions.
- Generate options to expand the pie, not just divide it.
- Use independent standards for objective decisions.
- Know their BATNA so they know when to walk away.

If they are able to master these five strategies, salespeople will increase the probability of outcomes in which value is created and everybody wins.

To learn more, contact NuVue at 1.800.688.8310 or visit our website at NuVue.com.

About the Author

Michael Leimbach, Ph.D.

Michael Leimbach, Ph.D., is Vice President of Global Research and Development for Wilson Learning Worldwide. With more than 25 years of experience, Dr. Leimbach provides leadership for researching and designing Wilson Learning's diagnostic, learning, and performance improvement capabilities. He has managed major research studies in sales, leadership, and organizational effectiveness. Dr. Leimbach developed Wilson Learning's impact evaluation capability and ROI models. He is Editor-in-Chief of the ADHR professional journal and serves on the ISO Technical Committee on Quality Standards for Learning Service Providers. Dr. Leimbach has authored six books, published numerous articles, and frequently speaks at national and global conferences.