

Power Negotiating Skills for the Tough Times Ahead

By

Roger Dawson, author of “Secrets of Power Negotiation.”

If the financial pundits are right about the upcoming recession, the year ahead will be a challenging one for US corporations. Customers are going to be more challenging negotiators and you're going to watch every penny you spend. As Garth Brooks sings, “This old highway's getting longer and the competition's getting younger.” It's time to expose your people to some training in negotiating skills.

Make no mistake about it, the business climate in the US is seriously troubled. A nationwide chain of auto stores had me spend two days with their buyers, teaching them how to Power Negotiate. They told me, “We've been working at this company for 30 years and we've never seen anything like this. We're used to suppliers trying to pass on 10 percent price increases, even 20 percent. But now our suppliers are talking about passing on 50 percent increases.” I call this business climate the “perfect storm.” We have a dollar that has seen some improvement recently but is still weak. We see increased demand and pricing for raw materials because of the astounding growth of the middle class in India and China, and increased cost of labor in Asia causing the price of imported goods to soar.

In this challenging business environment nothing affects the bottom line of your company more than the ability of your people to negotiate well. Both on the buying side and the selling side of your business. Remember that a negotiated dollar is a bottom line profit dollar! You will never make money faster than you will when you're negotiating.

Here are some tips that you should share with your sales force and purchasing people:

Never Say Yes to their First Offer. When your salespeople are negotiating and say Yes to the first offer, they automatically trigger two reactions in the buyer's mind: Reaction One: We could have done better: If they are eager to accept our first proposal, we could have gotten more. Reaction Two: Something must be wrong. If they are saying Yes to a proposal that we didn't think they would, there must be something going on that we don't understand.

Ask For More Than You Expect to Get. Henry Kissinger called this the key to success at the bargaining table. It's deceptively simple but there are many profound reasons for doing it:

You might just get what you're asking for, and the only way you can find out is to ask.

It creates some negotiating room. This makes it easier to get what you really want.

When you're selling, it raises the perceived value of your product or service.

It creates a climate where the other person can have a win with you. This is the key reason for negotiators.

It prevents deadlocks when dealing with an egotistical negotiator who is determined to have a win with you.

Options Give you Power. This principle underlies all power in a negotiation. The side that has the most options has the most power. Work to let your suppliers know that you have options. And when you're selling your product or service to new customers, limit their perception of options by positioning yourself as different from competing companies. Convincing the other side that you have options is the source of your power in a negotiation. Always work to develop options before you go into the negotiation.

Flinch At The Other Side's Proposal. This is the number one mistake that poor negotiators make. They don't flinch at the other side's proposal. Always react with shock and surprise that they would have the nerve to ask you for a concession. The other side often makes a proposal to you that they really don't expect you to agree to. When you don't flinch, they start believing that they could get it from you. It makes them tougher negotiators. Practice your flinches before you go into a negotiation because a concession often follows a flinch.

Play Reluctant Buyer. When you are negotiating with a supplier, you can squeeze the seller's negotiating range with this three-stage tactic. Stage One: listen very carefully to their proposal and ask all the questions you can think of. Stage Two: tell them that you appreciate all the time that they have taken with you, but tell them it's not exactly what you're looking for. Stage Three: At the last moment, call them back and say, "Just to be fair to you, what is the very lowest price you would take?"

Use the Vise Technique. Listen carefully to the supplier's proposal and then say, "I'm sorry, you'll have to do better than that." Then be quiet! The next person to talk loses. The next person to open their mouth will make a concession. If the supplier uses this tactic on you, reply with the counter-tactic "Exactly how much better than that do I have to do?" Pin them down to a specific.

Retain your Resort to Higher Authority. Don't let the other side know that you can make a decision in the negotiation. Tell them that your buying committee or board of directors that has to approve the final deal. You can put a lot of pressure on the other side without creating confrontation by blaming your Higher Authority. "I can never sell this to

my board at this price. You'll have to give me a better price." Don't make your Higher Authority an individual (such as a vice president or sales manager) because they will want to go around you to deal directly with the decision maker. Make your Higher Authority a vague entity such as a committee or board of directors. That makes them appear unapproachable.

Never Offer to Split the Difference. Instead, try to get the other side to offer to split the difference. You say to a customer: "How far apart on this are we? We're not that far apart. There must be some middle ground on which we can both agree." When they offer to split the difference, you can reluctantly agree to their proposal, which services their perception that they won. Get the other side to offer to split the difference. You may be able to get them to split the difference again. Even if you don't, you still make them feel that they won.

When You're Asked for a Small Concession, Ask for Something in Return.

Whenever you are asked for a small concession in the negotiation, ask for something in return. A customer might say to you, "Can you deliver at 7.30 AM this Monday?" Reply with, "If we can do that for you, what can you do for us?" Often they will make a concession to you, and you will be pleasantly surprised at the size of the concession. More importantly it stops them from constantly grinding to get more from you.

Put these negotiating tips to work for you and the troubled waters ahead will seem a lot smoother.

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