

NEGOTIATION – THE CORE OF SALES ACTIVITY

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"Let us never negotiate out of fear. But let us never fear to negotiate."

President John F. Kennedy

Abstract

In order to succeed in sales, we must understand the principles behind successful negotiation. Negotiation is more about finding a common ground you and your customer can agree upon, as opposed to simply trying to manipulate your customer into believing that your solution is the best answer to their problem. Take the time to understand effective negotiation and you will develop much stronger business relationships.

Negotiation is a specialized type of conflict resolution. We negotiate because we have to not because we want to. We negotiate because we cannot, otherwise, get what we want - not unless we enlist others. However, most people hate to negotiate. They dislike the confrontation that negotiation sometimes involves. They experience stress and fear. They worry that they aren't getting a good deal. Some people will do almost anything to avoid it.

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Negotiation is a powerful method for resolving conflict which requires skill, and experience. And, good negotiators aren't born they are made. Anyone can improve their skills and ability through practice and dedication. Which is worth doing because we engage in one negotiation or another everyday and many times a day.

Negotiation typically involves a tension between discovering shared interests - maximizing joint gains or maximizing our own gains at the expense of the other side's when interests seem to conflict. Many negotiators manage this tension poorly. Some overdo the opportunity for unilateral gain which often means sacrificing potentially more significant joint gains. Or some underemphasize the existence and importance of conflicting interests which can mean they do less well than they should have.

Negotiation is a process for mutually satisfying needs. We negotiate because we have to, not because we want to. For there to be a negotiation, each party recognizes that

s/he can't get what they want on their own and that they need something from the others. For negotiation to work each side has to walk away with at least some of its needs met.

An effective negotiator is when:

- Purposeful not reactive. We choose our objectives after careful analysis and reflection rather than being "run" by our emotions. We are well prepared and systematic.

- Explicit about process as well as substance. Some negotiators find the substance or "what" of the negotiation easy to talk about, but they ignore the process issues. How the negotiation should be conducted, what issues will be discussed and in what order? What methods might be used to reach a resolution. Often when discussions on substance bog down, switching the discussion to process can help move things forward.

- Know that managing shared, differing and conflicting interests is a joint problem which forms the core of any negotiation. This is an example of a process issue. Often negotiators focus only on their own concerns and ignore the other side's. This can be fatal for if the negotiation is to conclude with an agreement, each side needs to walk away with at least some of its needs met.



Principles of negotiation

Win/Win vs. Win/Lose

Distributive negotiation, or traditional negotiation, is the style which is familiar to most people. In this model the objective is to convince the other side that s/he wants what you have to offer more than what s/he has to offer. Negotiation means hard, tough bargaining. It is a win/lose model whose underlying assumption is the fixed pie. That is every time you take a slice there is that much left for the other side. But that is only true, if there is only one issue to decide.

Most people would consider the price for the sale of some object like a piece of art as one example. However, is there truly only one issue? Is it possible that the buyer would pay more if terms could be arranged or a payment plan, so s/he wasn't laying out the full price immediately? Would the seller take less if the buyer offered cash? Is delivery an issue that is important to one side? Does timing have an impact? Are there intangibles that are important to a side?

Whenever there is more than one issue to negotiate there is the potential for integrative negotiation. Differences in the parties' preferences make mutual gains possible. Integrative negotiation or win/win focuses on the parties working together collaboratively to produce an agreement that provides gain for each side. That each side does better due to having engaged in the negotiation process than s/he would have done on their own.

The principle of compensatory actions - govern any form of negotiation. The result is reciprocal concessions, the objections like "if I can do", "if up claims, and I will raise", etc.. Without concessions for the partner can not get concessions from him.

The principle of legality and morality. Law is law and most people comply to avoid unwanted consequences. Morality trade agreements, where the law does not occur often remains a matter of ethics. But is not enough to negotiate only within the limits of what is legal and moral terms of object and conditions negotiation, but must abstain from misuse of these procedures and techniques for handling and communication partially or completely escape conscious control of the partner.

Methods of negotiation

1) Learn to flinch.

The flinch is one of the oldest negotiation tactics but one of the least used. A flinch is a visible reaction to an offer or price. The objective of this negotiation tactic is to make the other people feel uncomfortable about the offer they presented. Here is an example of how it works.

A supplier quotes a price for a specific service. Flinching means you respond by exclaiming, "You want how much?!?!" You must appear shocked and surprised that they could be bold enough to request that figure. Unless the other person is a well seasoned negotiator, they will respond in one of two ways; a) they will become very uncomfortable and begin to try to rationalize their price, b) they will offer an immediate concession.

2) Recognize that people often ask for more than they expect to get.

This means you need to resist the temptation to automatically reduce your price or offer a discount. I once asked for a hefty discount on a pair of shoes hoping to get half of what I asked for. I was pleasantly surprised when the shop owner agreed to my request.

3) The person with the most information usually does better.

You need to learn as much about the other person's situation. This is a particularly important negotiation tactic for sales people. Ask your prospect more questions about their purchase. Learn what is important to them as well as their needs and wants. Develop the habit of asking questions such as;

- "What prompted you to consider a purchase of this nature?"
- "What was your experience with...?"
- "What is most important to you about this?"

It is also important to learn as much about your competitors as possible. This will help you defeat possible price objections and prevent someone from using your competitor as leverage.

4) Practice at every opportunity.

Most people hesitate to negotiate because they lack the confidence. Develop this confidence by negotiating more frequently. Ask for discounts from your suppliers. As a consumer, develop the habit of asking for a price break when you buy from a retail store. Here are a few questions or statements you can use to practice your negotiation skills:

- "You'll have to do better than that."
- "What kind of discount are you offering today?"
- "That's too expensive." Wait for their response afterwards.
- Learn to flinch.

Be pleasant and persistent but not demanding. Condition yourself to negotiate at every opportunity will help you become more comfortable, confident and successful.

5) Maintain your walk away power.

It is better to walk away from a sale rather than make too large a concession or give a deep discount your product or service. However, it is particularly challenging to do when you are in the midst of a sales slump or slow sales period

Negotiating is a way of life in some cultures. And most people negotiate in some way almost every day.

Types of negotiation strategies

Direct strategies

Direct strategies are used when the turning point is clearly in favor of a party and bargaining power will require easily the strongest, with a short and decisive battle. Direct strategy is easy to practice when one opponent is strong, facing relatively weak opponents.

Indirect strategies

When the ratio of forces and circumstances are not conducive to party wear to choose solutions, and side kicks are mainly psychological means to limit freedom of action of the opponent. Indirect or lateral strategy is used when the opponent is stronger. To use this strategy means to hit your opponent in its weakest points.



Conflicting strategies

Clarification cooperative or conflictual nature of negotiations is important for choosing tactics and techniques used at the negotiating table. Strategies of force, applicable under conditions of conflict, are simpler than cooperative.

Conflicting or competitive strategies are those that seek to obtain benefits, without making any concessions in return. Are hard and tense and is based on a disproportion of bargaining power between parties. Established business relationships through such strategies can be profitable, but not for long. They are strongly influenced by the changing of the market situation.

For example, on the international market there is strong demand for Apple's new tablet. Supply is insufficient and production is controlled by a single supplier. Taking advantage of its market position, it requires an exorbitant price. Some potential buyers will accept to pay that price as a pressure of the single provider that doesn't allow delivery in other conditions. When the market changes its position, with a large number of other manufacturers as good as the first one, the bargaining power between parties is changed. Customers will seek to settle accounts with the old provider, be imposing low prices, or leaving it. The conflict still remains open.

In the conflicting strategies is essential to petition for nature and type of conflict of wills. It can be:

- Conflict of beliefs and preferences
- Conflict of interest
- Conflict of investigating

Conflict of beliefs and preferences is generated by the cultural and perceptual differences. It can be political, religious, ideological or psycho.

It is a conflict between fundamental values that partners join and not a rational nature. It is deep, high intensity and very difficult to reconcile. It is useless trying to convert an arab fundamentalist to another religion or the Gulf War between Saddam Hussein and the U.S. where today they still feel effects of the conflict. Typically, such conflicts are increasing, leading to exhaustion lasting and opponents. Effects may be irreconcilable positions.

Conflicts of interest are those of the base material and financial resources related to sources of raw materials, the division of earnings, competition, etc.. Behavior remains largely rational negotiating parties and their positions can be easily expressed in operational terms.

Investigating conflicts are those in which opponents adhere to one and the same ultimate goal, but disagree with the ways, methods and means used to achieve it. Biases are procedural.

Competitive strategies generate negative affect and aggressive tactics such as warning, direct threats and reprisals.

Cooperative strategies

Are those that follow a balance between benefits and concessions, and to avoid open conflict, refusing to use aggressive means of pressure. We face a partner and not an adversary.

In early discussions, the strategy seeks to identify common points and interests in order to enable as many opportunities to agree with your partner and give satisfaction. Resistance to more easily defeat your opponent, not answering his challenges, encounter no counter attacks, do not apply the principle "eye for an eye". Moreover, pass on his side, give it right whenever you get a chance, you listen carefully, show him respect, etc.. If you want to understand your partner, must be understood first. If you speak calmly, it increases the likelihood of you just talking.

Cooperative strategies is based on positive influence tactics and promises, recommendations, concessions and rewards.

Basic rules in personal negotiation

A. Pass immediately to the point. Start with "The purpose of my visit is .." and formulate it as succinctly as possible. Potential customer wants to know why you are in office. On how quickly you make, the atmosphere in which you discuss will be more relaxed.

B. Be friendly and relaxed. Should establish an inter-human communication channel, otherwise there will be no sale. At the same time you can get personal information to be stored for future contracts.

C. Put the problem in terms of the benefits you offer, rather than strung a lot of boring information about product / service you sell. Talk to potential customers about the use those product / service you could bring himself or his clients. People do not care what you do, but suddenly become interested if what you can bring them their benefits. Therefore, present your product start position "I am here to help you".

D. Be dynamic and enthusiastic. These moods are contagious, and a tonic atmosphere is an atmosphere conducive to sales

E. Try to pluck a customer smile. The available of him to you will automatically become a favored one.

F. Use sentences of strength and specific terms of the scope of the client. Use a proper language - preferably even trade jargon - gives potential customers the assurance that not only you really know what you're selling, but needs specific to that he held. Sentences of force, safe and positive, inducing message that the current acquisition is safe and profitable.

G. Tell why you are different, instead of saying what you are, plain and simple. If someone buys, for example a plasma TV, he believes that all TVs are the same. Show him that what you offer is not exactly like the other products in the same range, but do not use the word "competition"! Replace it with terms like "standard manufacturer" or "regular product". Make it the customer to feel that if they buy from elsewhere would be the mistake of his life, but for this be imaginative, not a liar!

H. There is one person that matters: the potential customer. Speaking of the needs and interests are automatically sets the right tone of conversation, able to smooth the way for the transaction.

I. Ask intelligent questions. This is the surest way to build credibility and trust to get the other party. By simply addressing some questions, you can get important information, you can create interest, you gain confidence, you can estimate the extent and manner in which the prospective client can be addressed. But questions must be carefully prepared in advance

J. Identify personal desires and ambitions of the client's business. You can build such a solid enough interpersonal relationship. Sometimes, between the two categories of goals there is a strong connection.

Negotiation methods of a Call Center

While some people think of call centers as being potentially fraudulent telemarketing schemes, some legitimate businesses and organizations use call centers as a way to stay connected to their customers. Legitimate sales call centers are essentially phone banks whose operators work from a phone list, contacting potential customers who already have an established relationship with the business. A sales call center's representatives promote a variety of products and services, using a number of techniques.

Limited-Time Offer

Call centers may negotiate with reluctant customers by using the "limited-time offer" technique. In the case that a customer is on the fence about making a purchase on the spot, the sales representative may offer a special, lower price if the customer will make a commitment to buy the product right away, rather than taking time to think it over.

Limited Quantity

Much as in the case of the limited-time offer approach, a call center employee may negotiate with a hesitant customer by insinuating there are only a few products left to buy. This approach is designed to make the prospective customer feel that she must buy the product immediately or risk losing out on the opportunity.

Buy-One-Get-One-Free

A ploy of call center sales negotiation may include an offer of "buy-one-get-one-free." In this instance, a customer who balks at the price of a product or service may be enticed to make the purchase when he's led to believe he's getting double his money's worth.

Buy a Donation

In the event a call center customer argues that she doesn't have a need for the product or service being offered, a sales representative may negotiate a sale of an item that will then be donated to the customer's charity of choice. An example is purchasing a magazine subscription to be donated to a hospital or library.

Up-Sell

Up-selling, or getting a customer to buy more than he originally intended, is a common sales technique. Savvy call center sales representatives may use this approach as a negotiating tactic. An example is a call center selling vitamins; the sales representative would tell a prospective customer that he can have a free diet book with the purchase of the next-largest bottle of vitamins. With this approach, the customer may feel he is getting a deal, while the call center is actually making an up-sell.

Freebies

Freebies are commonly used in negotiating technique by sales call centers. With this approach, potential customers are offered free “extras” for making a purchase on the spot. These offers may include free shipping, an upgrade to a better version of the product or an extended warranty.



In Romania there are famous cases where negotiation has failed. One such case was when the company selling Copper Min Abrud. Canadian Roman Copper, just one day after the Canadians had

announced that they agree with the terms of the contract.

Copper Roman won in March, auction, with 200.8 million euros. Low copper has estimated reserves of 900,000 tonnes of copper, which represents 60 percent of the country's total reserves.

Officials said the deal fell because it could not reach agreement about the terms imposed by the Romanian government. These terms were divided into three stages: transparent investment environment and rapid payment worth 30 million euros.

Roman said, finally, that agrees with the conditions imposed by the Romanian state, but he said the sale will not occur.

From my point of view, negotiations collapsed because there were procedural flaws. Prior to participation in sell Copper Min, Canadian firm tender dossier should be checked properly and this would have noticed that this company does not even have the necessary financial resources to pay for this acquisition. Besides asking price of copper resources is very small compared with the price of the stock exchange and this strategy, the sale at low price to the detriment of strategic interest can not be accepted by Romanian Government. During the negotiations are on to the Canadian company issues listed above and has not agreed to new conditions because profit from the sale has played an important role. Canadian company wanted to invest little money and get a bigger profit from copper resources of our country.

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