

**KELLAR**  
**SALES NEGOTIATING HANDBOOK**

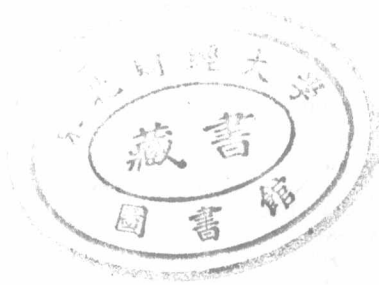




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# SALES NEGOTIATING HANDBOOK

Robert E. Kellar



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# SALES NEGOTIATING HANDBOOK

# How Using These Skills Will Multiply Your Sales Payoff

The moment you are given the discretion to grant (or to ask for) any kinds of concessions to your buyers you are in the role of negotiator. Since there are so many hidden areas of concession—like terms of sale, delivery, specifications, and dozens of others—where profits are impacted “right off the top,” it becomes critical for you to exercise a whole new set of skills, above and beyond the basic selling skills. That’s what this book is about.

Throughout these 11 chapters you will learn the skills, the discipline, and the easy-to-follow systems in each of the three stages of a sales negotiation. In Chapters 1-7 you will learn the fundamental steps in planning and preparing for a sales negotiation. In Chapters 8-10 you will learn the basic elements to be dealt with during the face-to-face bargaining stage of negotiation, and in Chapter 11, the critical follow-through skills which will enhance your profit margins and set the stage for future negotiations.

In a special section, I have included a comprehensive checklist summarizing many of the key points discussed throughout the book.

Salespeople often ask, “Why do I need this set of skills? My job is to sell.” For the past several years many buying organizations throughout the world have been teaching their engineers, purchasing agents, and middle managers systematic ways to negotiate more profitable deals with their vendors. Some sales organizations have attempted to meet this challenge, but there is far too little material available to the sales professional specifically designed to improve sales negotiating skills.

The skills described in this text are designed specifically to help you improve not just sales volume, but net profit margin on each sale

made. Using these skills will not only help you to achieve the best possible deal, but also provide you ways of doing that without causing win-lose results with your buyers.

Throughout these sales negotiating processes I have described methods of give-and-take so that the tradeoffs you arrive at with your buyers can usually result in a feeling of benefit to both sides.

If you are a seller of anything, these tools provide a systematic way of assuring that all the important bases have been covered and that others in your organization, who are important to the outcomes of your negotiations, have been included in a team effort approach. The bigger the stakes in the negotiation the greater the payoff in using these systematic practices.

The skills, the disciplines, and the simplified systems described are easily used by any sales representative in a wide variety of seller-buyer relationships. Sales managers should find these processes helpful, not only in improving results of individual salespeople, but also in building the team relationships so often overlooked in day-to-day negotiating. I am frequently reminded by sales professionals that the real culprits in "blowing" negotiations with buyers are higher management who inadvertently make concessions without taking time for adequate briefing—thus, the insights in this book might be profitably absorbed by executive levels as well. And, finally, these ideas could even benefit those buyers who could profit from a better understanding of the win-win potential of a more rational set of negotiating processes.

In fact, anybody who buys or sells anything would probably have better working relationships, while getting more profitable results, using these ideas.

The personal benefits to you, the sales professional, will come in many forms. Your personal income, immediate or long term, your esteem in an organization, your promotability, your working relationships, and your self-satisfaction are all bound to be improved.

This book has been written specifically for the sales professional, and in that respect is distinct from the majority of the literature written on the general subject of negotiating effectiveness. Throughout the text I have included easy-to-use formats and planning devices for applying the techniques described. Those salespeople who in the past have used these simple but vital negotiating tools have invariably achieved not only more sales but more profitable sales and more effective buyer relationships.

Use of these techniques, combined with your other natural selling skills, will add another level of depth to your sales professionalism. More importantly, it will add to your net results, by providing a framework with which to plan and conduct every sales agreement in which there are potential areas for tradeoff, whenever the buyer presses for concessions at any level or on any aspect of the sale.

**Robert E. Kellar**

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# CONDUCTING EFFECTIVE SALES NEGOTIATIONS

Buyer: "Your price is too high."

Seller: "Where are you getting these units now?"

Buyer: "We get them from Vermont for 20 cents less than your quote."

Seller: "These from Vermont don't seem to be color-coded."

Buyer: "We don't need them color-coded."

(Note: It costs the seller 25 cents to color code.)

Seller: "What coding do you need?"

Buyer: "We stamp a three-digit code on them."

(Note: It would cost the seller two cents to stamp a three-digit code.)

Seller: "How much does that cost you?"

Buyer: "I don't know, but it's a pain—slows us down."

Seller: "We can lower our price by ten cents and give you the three digit-code."

Buyer: "You're on. We'll take 10,000 as soon as you can deliver."



## EFFECTIVE SALES NEGOTIATIONS

The importance of negotiating effectively in our competitive world of business is so critical that organizations literally rise and fall

on the fortunes of both formal and informal sales negotiations. The significance of the negotiator of effective sales agreements is probably underrated in many business firms. In terms of complexity, psychology, and skills required, negotiating goes well beyond the process of day-to-day selling.

To be an effective negotiator you certainly use many of the same skills required in the standard selling process. You need at least the same depth of knowledge, the persuasion skills, the disciplines and positive attitudes needed to be an effective sales professional. But in addition you must have an awareness of the process of "give and take" that so frequently goes on, particularly when larger stakes are involved. When the sale involves a range of complexities beyond a simple buying decision and when the decision involves commitments at different points throughout the organization, give-and-take must occur. Each year buying organizations are becoming more and more sophisticated in the bargaining processes posing a greater demand on the negotiating skills of today's sales professionals.

One of the most critical elements in successful negotiations involves the commitment you make to yourself in terms of goals, frequently referred to as your "aspiration level." This becomes a particularly important consideration when the negotiation is a team effort and several individuals must be committed to a high, but realistic, goal or outcome. In larger negotiations millions of dollars are at stake, and the difference of one or two percentage points one way or the other can translate into several thousands of dollars. In case after case, organizations fail to achieve anything near the full potential results in major negotiations simply because they do not set their sights high enough.

The art of negotiating seems to be practiced with more vigor in many parts of the world than in the United States. In both business and government we have frequently been outbargained seemingly due more to our failure to appreciate the nature of the negotiating process rather than any weakness in our bargaining position. The negotiation process is as old a practice as the conduct of business itself, probably originating with the early cave man who wished to barter tools and weapons for food and shelter at a mutually agreeable exchange. In our society, negotiating has been viewed by many as a win-lose process whereby one party often takes unfair advantage of the other through various devious means. This is not the essence of the negotiation proc-

ess as practiced in healthy business relationships today. On the contrary, it is a means of arriving at a win-win outcome for both parties.

Unfortunately, when one side fails to do its homework or fails to learn the necessary skills, it can indeed fail to achieve a win-win outcome. Despite all the scientific systems we employ today in the conduct of business, the success or failure of negotiations often boils down to the human element. The strength of conviction, the bargaining skills, the tenacity of the personalities pitted face-to-face, more often than not determine the results of the negotiations. Not that the effective gathering of detailed information is anything less than critical to a complex negotiation, but of equal importance is the skill with which you, the negotiator, conduct yourself or your team in moving the bargaining process in a desired direction.

### **Negotiating: An Art or a Science**

A salesman is on the verge of closing a deal with a customer for a \$20,000 piece of machinery. The purchasing engineer asks for a 2% discount in addition to the 5% he is confident of getting anyway. There is a long pause, some calculating, and the salesman concedes. He really wants to close this sale. Before they are finished, the buyer has managed to get \$300 worth of spare parts, \$50 worth of technical manuals, and 90 days credit extended beyond the normal terms. Each time the salesman made a concession, the buyer asked for something in addition—and got it. The salesman made no counter-offers because each request seemed “reasonable.” And, after all, he did make the sale.

An effective salesman? Perhaps. An effective negotiator? No. This salesman may be the highest volume producer around. But his impact on profits could be very marginal.

The moment you as the salesperson are given the authority to make concessions you assume a new and broader role. You are now a negotiator, and how well you perform that role can vitally affect the health of your organization.

In the case we have just described, the salesman had done a superb job of preparing for the sale. He had done his homework, had developed the need and desire to buy in the customer's mind, had made an excellent presentation, had probed for useful information, had overcome all objections and resistance raised, and had led very smoothly into an almost automatic close. But despite his thorough cost

analysis, and attention to technical detail, and effective use of selling skills, when the chips were down he sacrificed over 50% of the potential net profits because he failed to negotiate effectively.

### **Time and Effort**

Not all sales negotiations are as simple and straightforward as the one described above. Team negotiations involving several people on both sides are frequently employed in larger and more complex sales, or in licensing or distributorship types of bargaining situations. Sadly, but all too often, these negotiations are entered into haphazardly and are only superficially thought through. Although face-to-face negotiating skills are extremely important, as we saw above, there is no substitute for the time and effort required for effective preparation.

One of the greatest lessons we can learn from the great football coaches, the great orchestra conductors, and the great trial lawyers is their unwavering attention to preparation. Football, music, and trials are experiences of emotions—built on a base of preparation. Negotiating is an exercise in human interactions—built on a base of preparation.

### **Characteristics of Effective Negotiators**

None of the characteristics of an effective negotiator are in conflict with those basic skills of an effective sales professional. There are, however, some different perspectives and emphases. For example, in major negotiations we are often dealing with much larger organizational issues, systems, and plans, frequently involving a “team” of individuals drawn from sales, engineering, cost accounting, and the like. This suggests a broader set of skills required by the negotiating team leader. The following five areas of characteristics generally address those traits that have been found to be of most importance:

#### *Goal Orientation*

To be an effective negotiator we need a high level of intrinsic motivation to set and achieve high performance targets. A willingness to take reasonable risk is an essential ingredient in this achievement motivation. We will be more effective negotiators if our confidence and patience prevails over pressures from either our own organization, or the other side, to lower our goals too readily as the negotiation proceeds.

*Preparation*

The combination of knowledge plus anticipation enables us to plan more effective negotiating targets, strategies, and tactics. The more information we can gather in a systematic way, about each element in our own product, systems, costs, and the people (as well as about the other side), the better able we are to plan—and planning is the keystone of successful preparation. Good planning involves in-depth probing, and often some internal negotiating, with people in our own organization. Learning everything possible about the strengths and weaknesses of each key influencer, on both sides of the negotiation, is a vital step in preparing and determining the attitude and “climate” we need to establish early-on in the face-to-face bargaining.

*Skills*

When the head-to-head maneuvers begin, there are certain fundamental skill characteristics any good negotiator needs. First, we need to grasp quickly the difference between real bargaining strengths versus assumed strengths on both sides. We need the ability to express ourselves clearly and to think clearly under pressure. We also need to have a feel for how far to bend, especially when the situation is not clearly defined. And most important, we must have confidence and self-esteem as well as an ability to gain the respect of the other party. There are six skills areas which are generally required in all face-to-face negotiating situations:

1. Making the opening offer (or demand).
2. Gathering and using new information during the discussions.
3. Establishing a credibility or legitimacy in the eyes of other party(s).
4. Employing effective tactics to control the situation.
5. Using effective counter-tactics.
6. Gaining a desirable commitment.

*Follow-Through*

Since the whole concept of negotiation suggests that both sides may be modifying their original proposals, we need to assure that anybody affected by the modifications be brought into the picture. There are three areas to attend to following the handshake and signatures that conclude the formal negotiation:

1. Documenting the details of the agreement.



2. Defining and clarifying all modifications.
3. Building on the relationship for future negotiations.

Despite all the attention given to documenting meticulous detail, the success of many negotiations frequently rests on the “good faith” of the negotiating parties to carry out the commitments commensurate with the spirit of the formal (and informal) agreements. Thus, time and effort at communicating and clarifying post-bargaining activities is an essential ingredient in the total negotiation process.

#### *Perspective*

There are many varieties of sales negotiations. In practically all cases it is the duty of each side to achieve the very best deal for its respective organization. However, to carry it to the extent of letting the other party lose significantly is about as wise in modern-day business as a “let-the-buyer-beware” attitude by a large retailer. We may win the battle and lose the war. Our reputation can spread. And, if we are dependent upon long-term working relationships, it is wise to strive for win-win outcomes in negotiations. But it is equally important to realize that not all parties with whom we negotiate are as skilled or as aware of negotiating principles as we are. Thus, it is important to be alert for negotiating opponents who are thinking only in terms of the most expeditious way to achieve their own goals, while we are pursuing a cooperative win-win philosophy overall. (See Model for Effective Sales Negotiations on page 8.)

Operations

Controller: “We won’t have any equipment available there next week. It will all be on the West Coast.”

Sales Rep: “Oh boy. This request is from North American Tractors. They’re one of our top three customers.”

Operations

Controller: “Wish I’d known yesterday. We committed three of the big babies to Alpha.”

Sales Rep: “Thank goodness I checked with you. Is there anything we can do?”

Operations

Controller: “Can’t think of anything now.”

Sales Rep: “If I could just have one for a couple of days, I think I could talk North American into delaying the rest for a week. Any chance Alpha could let us use one of the three if we have it back to them by next Thursday?”