

# Negotiation

How many times have you read, *“Must have excellent negotiation and closing skills.”* in a job advertisement? Well, let’s take a moment to ponder whether the recruiter could actually describe, precisely, what comprises great negotiation skills.

You see, negotiation is not a single skill but a suite of competencies that need to come together like a well-rehearsed orchestra. And these skills are actually ones that you should have already employed much earlier on in the sale.

Amongst our top three are **Listening**, **Silence** and **Timing**. They may not be the first three that you expected but, if the sale process has followed the Directional Selling path, correct deployment of these skills will ensure the successful close of any negotiation.

Let’s start by analysing what a successful negotiation looks like. What is the goal here? Winning the deal? Not quite. A successful negotiation is actually a ‘win-win’ for both parties. Your client leaves with what they deem to be a great deal and you return to your office with an order that represents good business for your organisation. Anything less will damage the future prospect of winning more business from the client as there is likely to be some inertia between the two of you. See our Double Your Sales Force management note for more detail on the importance of good customer relations.

So, let’s role play the **Listening**, **Silence** and **Timing** skills in a common sales negotiation scenario: price.

The buyer comes in with, *“Okay, I’ll order your machine but only at \$9,000, not your asking price of \$12,000. However, if it works well at this price we may well swap out all the other machines in the factory next year.”*

Here we have a typical buyer’s first pitch. Knock a chunk off your price whilst dangling the potential of a bigger order under your nose. Tempting, yes? A discount for a foot in the door and then, maybe, a 20 machine sale order. No! No, because at \$9,000 your company makes no money on the deal and the larger order is mere speculation at this stage. A ‘win-lose’ situation.

The first step here is to unravel what the client is asking for: a price reduction because they don’t rate your machine or because it is too much cash for a single invoice? Or, is it that the buyer simply holds a tradition of ‘getting a deal’ when they buy?

Firstly, establish the value for money. Ask the question, *“Do you think our machine is not worth \$12,000 or is it that your cash-flow would struggle with a single payment?”*

Note, you must fully understand where the negotiation lies and put to rest all other objections where possible.

If the client says it is the value for money, they think the machine is only worth \$9,000, confirm that the ability to pay is not an issue and therefore not part of the negotiation. Use it to start closing the deal.

*“Okay, so if we can reach an acceptable price for both of us, can I expect an order today?”*

Or, you may prefer to hold the price: *“If I can demonstrate that the machine is actually worth more than \$12,000 to your factory, can I raise an order today?”*

Or, add value to the offer: *“Right, if I can add to the package with the machine so that you are comfortable that it is worth more than \$12,000, can I raise an order today?”*

Negotiation on price must have a reason, with substance behind any discount. If you are at all ‘wishy-washy’, the client will keep knocking lumps off you! Ideally, add value to the deal such as a free service plan, accessories, etc.

Now we are in a position to negotiate around one single issue with a pre-agreed close once both parties reach a ‘win-win’ outcome.

So, having chosen the added-value option, here’s our sales executive’s response in this situation.

*“Okay, if I can add to the package so you are comfortable that the deal is worth more than \$12,000, can I raise an order today?”* **Silence.** We must wait for the client to agree to these terms.

*“Fine,”* replies the client, *“if you can prove it is worth this, we have a deal.”*

**Timing.** The executive should now reference their qualification notes. This is where the **Listening** skills first kicked in. We are building the credibility of the reply here. Remember, it has to have substance. Use the notes to run some maths, underline important points and matches again. Show them that you are working hard for a good deal here!

*“Mr Thomas, earlier on you pointed out that the greatest cost to your operation was when a production machine goes down, especially if you are supplying an OEM with ‘just in time components.’ For that reason, I am going to call my manager and request that we supply you with our Gold Star 24 hour callout service package, for 12 months at \$3,900, free of charge. The Gold Star package ensures that any machine that cannot be repaired onsite is swapped for a new one the same day, so you can pretty much stop worrying about production outage ever again. If my manager agrees, do we have a deal?”*

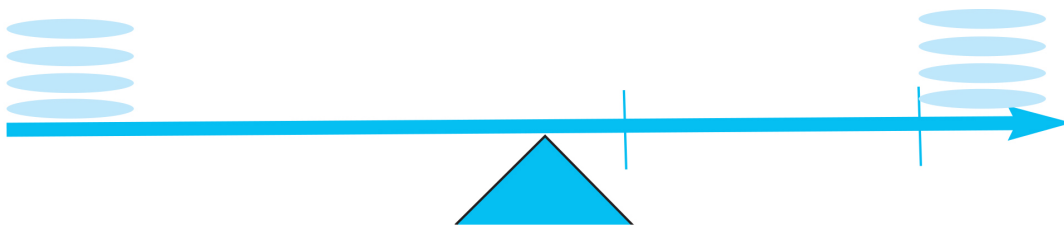
Now the **Silence** skill. Do not say a word until your client responds.

But what if the client isn't interested in added-value? What if they say, *"No, we trust and respect your machines, they are clearly better quality than the ones we are using right now. I just need a little bit off, that's all."*

It sounds simple, a bit off or some kind of deal, but remember what we said earlier. Your price must hold substance or you will continue to slide. This is also when the 'manager call' is extremely useful, even if you have a pre-agreed discount schedule. Again, refer to your notes, chew the end of your pencil, take the request seriously. **Timing**.

Now look at the reply where our executive offers to engage in some discounting but starts to bring in the downstream order to better both party's deal:  
*"So, you are confident that our machines are the future of your factory, it is just about the unit price."* [Assumptive close/d unless the client responds.] *"Well, I am authorised to discount by 5%, so that's \$600 right away, but I reckon I can get this down further, to \$1200 off, if we can start to look at replacing the other machines you spoke about too."* [**Listening**]. *"If I can get my manager to agree to the \$1200 discount per machine, could we kick off with three today and agree to a schedule for the rest over the next 12 months as you were planning anyway?"*

**Silence.** Now we are closing on 'how many machines?'. The client was considering swapping them out this year already and they are getting a much better price for a little more commitment. A 'win-win'.



Remember, negotiation is all about balancing the deal. It is not about one person winning. Do not start to negotiate whilst other objections are on the table. Close them down so that everyone is focused on the conclusion of the deal. Or, if you are in the middle of the *Directional Selling* path, make sure the client agrees to re-join you at your point once the negotiation is concluded.

And make sure you use your **Listening**, **Timing** and **Silence** skills to the full. These are extremely powerful tools.

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