

Negotiating and Closing Outline

I. Negotiating

Rule: Don't negotiate until you've created value and created a differential competitive advantage.

Rule: Don't discuss price until you're ready to negotiate and close.

A. The Five Elements in the Negotiating and Closing Process

1. Your Negotiating Approach

a. Information-Based

- i. Information about your customers and their competitors
- ii. Information about your competitors
- iii. Information about the other side's cultural background
- iv. The attitudes and tactics of the other side

b. Relationship-Based

c. Ethical

d. Flexible

2. Preparation

a. Assess the Situation

- i. Balanced concerns
- ii. Relationships
- iii. Transactions
- iv. Tacit coordination

b. Assess Negotiating Styles

- i. Competitors
- ii. Accommodators
- iii. Narcissists
- iv. Cooperators

Rule: Match the other side's style (cooperative or competitive).

c. Identify Interests, Set Objectives, Determine Targets

- i. Identify both sides' interests.
- ii. Set MADCUD objectives (Measurable, Attainable, Demanding, Consistent with company goals, Under control of the individual, and Deadlined).

Rule: When selling a perishable product, always set a deadline on your offers.

iii. Determine Targets

Rule: Make a commitment to your objectives and targets, write them down, and tell someone about them.

d. Assess Leverage

i. BATNAs

Rule: Always go into a negotiation with a BATNA.

ii. Tit-for-tat

Rule: Use tit-for-tat to teach the other side to cooperate.

iii. Warning

Rule: Never threaten, politely warn instead.

iv. Bluffs

Rule: If you bluff, use a mixed strategy and occasionally bluff on a random basis.

e. Estimate the Ballpark, Commit to walk-aways, and Set Anchors

i. Estimate a ballpark

Rule: Most settlements are close to the mid-point.

Rule: Always go into every negotiation with a commitment to your walk-aways.

Rule: During negotiations, you must focus on your highest legitimate expectations, not your walk-aways.

Rule: Always have a well-thought-out anchor.

f. Determine Bargaining Tactics

i. Acceptable: Auction, cherry-pick, crunch, flinch, good guy/bad guy, limited authority, nibble, price tag, red herring, silence, split the difference, take-it-or-leave-it, and throw-aways.

ii. Unacceptable: Big bait, blackmail, change of pace, deliver garbage, renege, starvation, threats, and walk-out.

Rule: Never split the difference when it is in the other side's favor or is not close to your HLE; have patience and continue negotiating.

Rule: When faced with unacceptable or unethical bargaining tactics, name them and tell the other side the names so the other side knows you are not fooled.

Rule: Never respond emotionally; respond calmly, politely, and firmly.

3. Maneuvering for Dominance and Control

Rule: The other side only has the power you give it.

a. Tactics to get you frustrated: Interruptions, hurry-up, delay, keep-you-waiting, and bring in the boss.

Rule: Check your ego at the door and don't let your fear or emotion get the better of you; patience always wins.

Rule: Whoever controls the negotiating agenda, controls the outcome.

Rule: In order to avoid negotiating on each element individually, package all the elements in a deal so that the prices of the individual elements always add up to more than the package price.

Rule: Negotiate only after you have created value, early in a customer's planning cycle, and well before your imposed deadline.

Rule: Negotiate at the highest level possible—only with the buying decision maker.

Rule: Don't negotiate with your boss present if you can avoid it.

Rule: Negotiate on your own turf if possible.

Rule: Negotiate face-to-face whenever possible.

Rule: If you have to negotiate on the phone, you be the caller.

4. Bargaining

a. Warm-up

Rule: Listen and get information 66 percent of the time, give information only 33 percent of the time.

Rule: Get the other side to state what they want at the beginning, and tell them what your issues are—get everything on the table.

b. Open

i. Open first?

Rule: Open first to set an anchor, except when you don't know the other side.

ii. Open optimistically or realistically?

Rule: When in doubt, open optimistically and have room to come down.

Rule: You never get anything you don't ask for, so ask for more than you hope to get.

Rule: When you know the buyer well, open realistically.
Corollary: Also, open realistically when you have no leverage, when in a tacit coordination situation, and when people say they won't negotiate and mean it.

Rule: Get the bad news out of the way early.

Rule: Don't include most of the other side's requests in your initial offer.

c. Frames

Rule: Always frame all of your offers appropriately.

d. Signaling Leverage

Rule: Confidence is everything; whoever blinks first, loses.

e. Making Concessions

Rule: Never begin with a major concession.

Rule: Don't just concede, try to trade; if you give up something, always try to get something in return.

Rule: Give the first concession on an unimportant issue, and get a concession from the other side.

Rule: Make the other side work hard for everything; they will appreciate it more.

i. Develop an effective concession pattern that signals when you get close to your walk-away.

f. Building Agreement

Rule: Summarize agreements and restate the other side's position on a regular basis.

Rule: Be patient—with patience and hard work in exploring alternatives, you can make the deal better for both sides.

II. Closing and Gaining Commitment

Rule: Expect to close.

Rule: When you walk away, always leave the door open.

A. Trial Closes: The Direct Close, the Assumption Close, the Summary Close, the Silent Close, the Pin-Down Close, and the t –Account Close.

Rule: Use trial closes throughout the negotiating process.

B. Choice Closes: The Choice Close and the Minor Point Close.

C. Clincher Close (have a big concession in your back pocket and use it at the end to clinch a deal)

D. Last-Resort Closes: The “Make-Me-an-Offer” Close, the “What-Will-it-Take” Close, and the “What-Did-I-Do Wrong” Close.

E. Bad, Never-Use Closes: The Poor-Me Close, the Now-You-See-It-Now-You-Don't Close, the For-You-Only Close.

Rule: Don't close too aggressively; always keep the relationship in mind.

Rule: When closing, confidence is vital—you cannot signal your fear of losing or need to close fast.

Rule: Have confidence that you can give the other side a “good deal”—their definition of a good deal.

F. Types of Good Deals: Got a low price, got something someone else wanted, got high quality at a reasonable price, got the last one, got a warranty or guarantee: low risk of dissatisfaction, got a discount, got something else thrown in, got a win: feel like they won something important to them, got good result from advertising, got a good deal compared to other media.

G. Get Commitment: Social Ritual, Public Announcement, Accountability, Simultaneous Exchange

Rule: Once you get commitment, say “thank you,” shut up, and leave quickly.

III. Putting It All Together: Create a Negotiating and Closing Plan

Rule: Always rehearse your negotiating and closing plan.

Rule: After every negotiation, debrief.