



LET'S MAKE A DEAL

FIVE LESSONS FOR SUCCESSFUL SALES NEGOTIATIONS

By SELESTE LUNSFORD

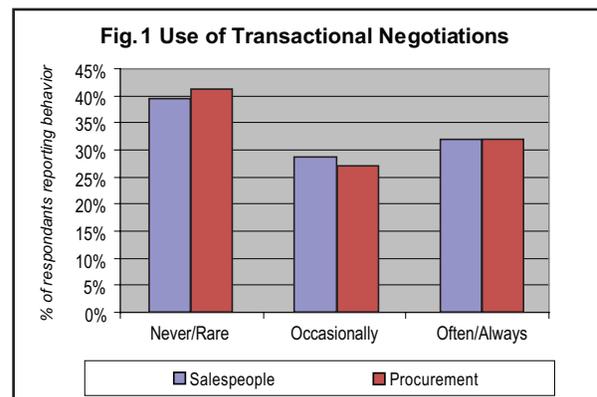
Most sales cycles end with a negotiation phase, and over time, this phase of the sales process has become increasingly complex. Recently, Achieve-Global conducted research to identify what contributes to this increased complexity and what salespeople need to do to navigate it more successfully. The research results included feedback from more than 715 professionals involved in sales negotiations. This included not only salespeople and account managers, but also procurement professionals. While not all industries and customers utilize such functions to manage their purchases from suppliers, insights from these professionals are helpful to all involved in negotiations, particularly since procurement-managed negotiations are often characterized as the most challenging. Lessons learned from complex, formal contracting can be applied to a myriad of negotiating situations.

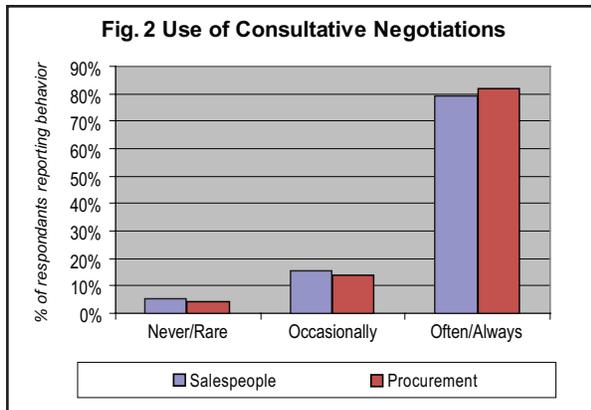
ESTABLISHING A COMMON DEFINITION

Generally, there are two kinds of negotiations: transactional and consultative. Transactional, also called win-loss, is when buyers and sellers compete for a greater share of deal value. Consultative negotiations are those in which all parties strive for a fair distribution of value and opportunities to increase value within the deal. It's important to note that when we say, "all parties,"

we mean not just the customer and the salesperson, but also the sales organization. This special kind of consultative negotiation is called win-win² negotiation. When to use each style is generally determined by the character of the relationship being sought. Long-term relationships are served better by consultative negotiations, whereas short-term relationships can be satisfied with transactional negotiations. As a result, many business-to-consumer or individual-to-individual negotiations are transactional (e.g., buying a car, purchasing used furniture from a stranger, etc.).

Our goal was to understand the use of these negotiating styles in today's marketplace by both salespeople and their procurement counterparts. What we found was that win-win² is becoming an





increasingly important approach even with professional buyers who are often perceived as advocates of win-lose. Procurement professionals (noted in Fig. 1) were more likely than salespeople to report that they “never/rarely” conduct negotiations in a transactional manner. Instead, both salespeople (81 percent) and procurement professionals (82 percent) indicated that they usually conduct consultative negotiations (Fig. 2), finding some situations where transactional negotiations are more relevant. Surprisingly, there was no correlation between using a consultative form of negotiation and salesperson experience. Perhaps this indicates a need for more formal education (versus an assumption that negotiation capability comes with tenure).

Another way to consider negotiating style is to look at desired outcomes. What does negotiating success look like? Both salespeople and procurement professionals reported using soft measures (such as win-win²) as common criteria to evaluate negotiation success (Fig. 3). These measures were just as common as those based on price, costs, and profitability (approximately 30 percent frequency). Interestingly, salesperson responses

contained more references (+24 percent) to cost and price criteria than did procurement, indicating that salespeople might be too quick to jump to transactional negotiations. This also reframes the consideration of “price-obsessed purchasing managers.” Most purchasing managers will manage their supplies just like salespeople manage their territories — based on potential. If salespeople find they are being treated in a transactional manner, they should (1) consider how to elevate their position in the eyes of the customer through more strategic selling, or (2) prepare ahead of time for a transactional negotiation.

LESSONS LEARNED

By highlighting the similarities and differences between the two groups of survey respondents, the research revealed several key areas where salespeople are at a disadvantage in negotiating situations. Consider the following five recommendations to even the playing field.

1. Don't confuse selling and negotiating.

Often, during a sales cycle, a customer will frown and say something like “The lack of free maintenance is going to be a problem.” This is almost inevitable because no solution is perfect. What salespeople often fail to realize is that they have two distinct ways to respond to this challenge. They can begin negotiating the price in order to alleviate the customer’s dissatisfaction or give something up in return for the perceived deficit. For example, “While our maintenance does require additional fees, perhaps we could lower those fees if you extend the length of your agreement.” While this may end up being a perfectly acceptable solution, it does require the salesperson to give away something of value.

Fig. 3 Open-Ended Responses: What Does Negotiation Success Look Like?

Categorization of response	Measurement Method	Salespeople (n = 140)	Procurement (n = 373)
Soft Measurement Methods	<ul style="list-style-type: none"> ● Win-Win² ● Where both parties feel satisfied with outcome 	24%	29%
Hard Measurement Methods	<ul style="list-style-type: none"> ● Sale or contract is completed ● Final outcome is profitable ● Acceptable margin ● Reasonable price 	50%	26%

The other option is to continue selling. This requires the salesperson to help the client refocus on the value that he or she provides and make a fair comparison against costs. Perhaps the salesperson’s maintenance services offer more than others in the industry and he or she can replace costly upgrades later on in the product life. The best practice is not to start giving up ground until you have finished selling.

As shown in Fig. 4, salespeople reported that a customer’s “price focus” is the most frequently occurring negotiating challenge. Salespeople reported this occurs more frequently than other common challenges such as misleading or demanding customers. This can be exacerbated by not attempting to resolve price concerns prior to negotiations and by not selling enough value during the sales process. Selling and negotiating should be considered two linked, but very different, processes.

Fig. 4 Most Frequent Customer Challenges (Never = 1, Rarely = 2, Occasionally = 3, Often = 4, Always = 5)	
Customer is only focused on price	3.56
Customer resorts to win-lose negotiations	3.29
Customer gives inaccurate or misleading information	3.17
Customer makes unreasonable demands	3.15
Customer has purchase decision go through procurement	3.05

2. Consider a broad range of stakeholders.

Increasingly complex sales cycles involve more individuals in the negotiation process, requiring more effort into collecting insight. Salespeople report that they most commonly negotiate with end users of their products/services (66 percent report as often/always), followed by procurement professionals (53 percent), then internal parties within the sales organization (47 percent), and finally buyer committees (30 percent). (Fig. 5)

Despite this diverse group of customer participants, salespeople placed slightly less importance on “identifying decision makers” than did procurement professionals (-7 percent, Fig. 6). This might imply that salespeople need to do a

better job identifying the players in the customer organization and engaging buyers earlier in the sales cycle.

Another notable difference was in “engaging internal stakeholders.” Many times, a long sales cycle will come to a close and the customer chooses to integrate one or more stakeholders into the process in order to finalize the deal. Often, a procurement or finance specialist may become involved at these late stages and may not have participated in any part of the supplier selection process. As a result, he or she will not have been a party to the selling conversation and value demonstrations. Not surprisingly, (as noted in Fig. 7), purchasing agents reported more challenges around “understanding underlying issues” than did sales (+5 percent). The point of view of those stakeholders may simply be, “My job is to get this organization the best possible price.” This is further reinforced by the research that shows that salespeople put slightly greater emphasis on engaging internal stakeholders (+8 percent, Fig. 6) than does purchasing, and that purchasing finds this activity much more challenging than salespeople (+16 percent, Fig. 7). This means that salespeople need to be prepared to help professional buyers understand the needs of the customer end user in addition to their own finance need to cut costs. This may involve enlisting customer advocates and influencers.

For example, let’s say you are trying to get a bank to transition to a new line of office furniture in its flagship branch. Your end users are the people who sit in the chairs (customers, tellers, branch managers, etc.). But chances are they won’t be the ones who negotiate with you. Instead, you’ll be negotiating with someone in procurement who doesn’t even work in the building you’re



**WHAT DOES NEGOTIATION SUCCESS LOOK LIKE TO YOU?
ACCORDING TO PROCUREMENT MANAGERS ...**

"I measure the success of a negotiation by several things: 1. My staff and I must be comfortable with passing the product on. 2. It must make a difference to my bottom line. 3. There must be a good relationship between myself, my staff, and the supplier of the product."

"Reach an agreement that is in the best interest of both parties."

"Were all of our requirements met, achieving the best price and the best service with the best quality and at the right time?"

"We do not have a tangible measuring tool used in our organization to measure the success of negotiations. Generally speaking, we gauge success based on employee feedback, usability of the negotiated contract, and dollars saved/value added to our organization as a result of the contract."

"Cost savings."

"Reduction in costs, both hard and soft, and short term and long term (using NPV if applicable) from discussing different options during the negotiation process."

redecorating. That procurement person may only care about the price per chair. She may not have any insight or concern about the customer experience, employee satisfaction, or brand communications — all of which could be impacted by your chairs. So, it would be your job as a salesperson to help her see through the eyes of the end users and appreciate their needs. One way to do this is to enlist the help of those end users to communicate with procurement on your behalf.

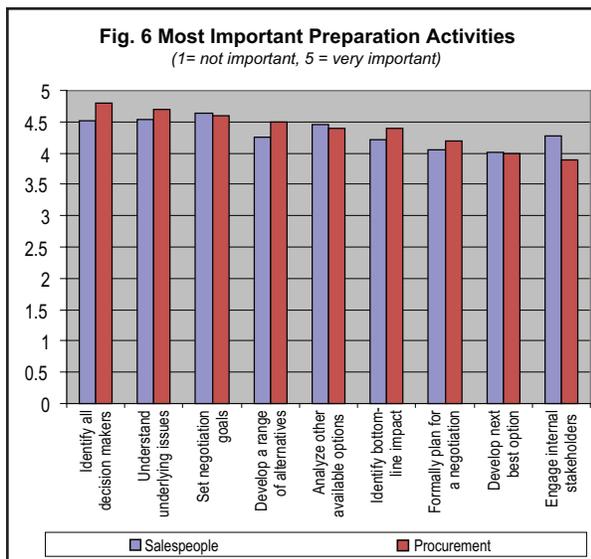
3. Be creative when generating alternatives.

All participants agreed that all strategy-oriented preparation activities are important. In fact, all elements of preparation received 3.9/5.0 or

higher, as noted in Fig. 6. However, there are more marked differences in how challenging participants found these activities (Fig. 7). For example, salespeople are more challenged by analyzing options (+5 percent) and developing alternatives (+10 percent). This could lead to a potential power shift in negotiations when the customer has more alternatives generated than does the salesperson. Consider your last few experiences negotiating. Did you propose the final agreement or did you agree to a customer suggestion such as, "If you'll agree to drop your shipping fees, we can get this done today"? While you certainly want to be collaborative and ask for client suggestions, you may be at a disadvantage if you don't come prepared with several creative suggestions of your own. If possible, this should occur as a part of preparation before the actual negotiation takes place.

Additionally, while salespeople reported that "setting goals" is the most important aspect of preparation (4.6/5.0 in Fig. 6), they were much more likely to report it to be challenging (+11 percent) than procurement professionals (Fig. 7). Consider the following best practices when setting goals:

- Goals should be within organizational parameters.
- Deal goals as well as relationship goals should be included.



- Goals outside the initial scope of the proposal should be included as well.

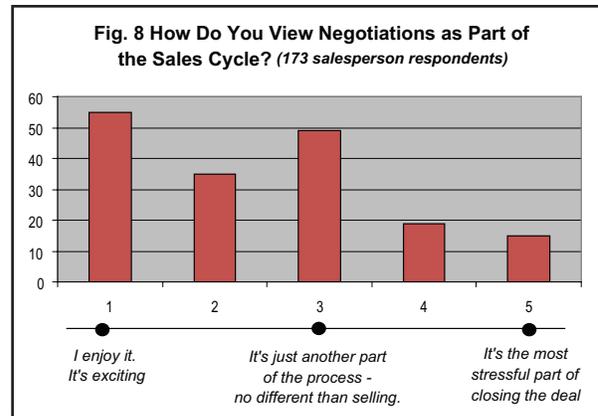
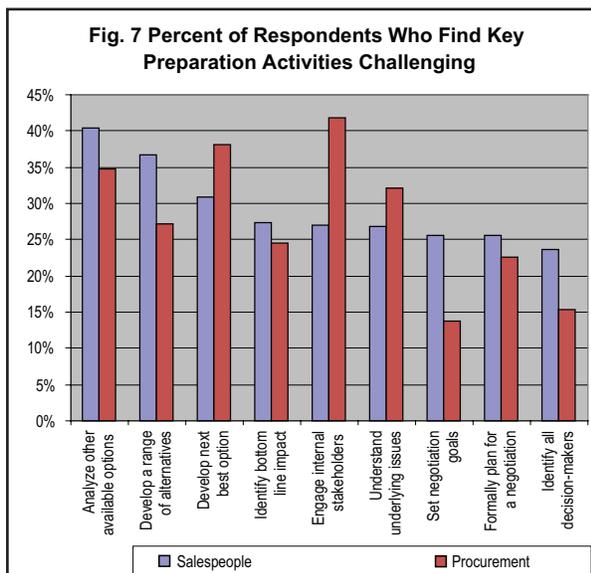
Establishing clear, defined goals will help you think of more possibilities for alternatives.

4. Have the right frame of mind.

Unlike prospecting, for example, most salespeople tend to enjoy sales negotiations. In fact only 20 percent (Fig. 8) of salespeople surveyed seem to dread it. Regardless of whether they look forward to the negotiation phase or not, most salespeople tend to enter into it with a compromised frame of mind.

This is because salespeople may anticipate the worst. Although such behavior occurs rarely or occasionally, most salespeople have a multitude of “war stories” about negotiations gone bad, where the customer became threatening or unreasonable. Salespeople are much more likely to report being challenged by these counterproductive behaviors, when the other party disrupts negotiations. However, they may be allowing such instances too much impact on mindset, given that they so rarely occur.

Proactive anticipation of negotiation challenges and planning to overcome them can prevent a shift in the balance of power. For example (in addition to the price focus mentioned previously), salespeople reported challenges with negotiating parties making unreasonable demands. For example, “To make this work, we



need a lifetime warranty offering a 200 percent refund!” While this kind of behavior must be handled in the moment, having the confidence in your ability to do so can make marked improvements to your mindset. This is especially true when you consider that these kinds of challenges are considered infrequent, reported by both groups of respondents as occurring “never/rarely.”

Take a moment (even when you have to negotiate on the spot) to assess your mindset and that of your customer.

- What are your stakes?
- What are theirs?
- What feelings and emotions will be involved in this process?

Don’t let the ghosts of past negative experiences color your outlook.

5. Don’t paint yourself into a corner.

Leading the negotiating conversation itself is an outgrowth of solid preparation. As a result, both groups see leading skills as important (4.4/5.0), but not quite as important as preparation (4.7/5.0) as shown in Fig. 10. Within the skills themselves, both groups emphasized the importance of “asking the right questions,” “building rapport,” and “establishing next steps.” These were closely followed by “adding value,” “diffusing emotions,” and “recommending alternatives.”

While the skills themselves are not considered difficult, the way in which you combine them can be the difference in negotiation success. Specifically, interviews showed that salespeople

Fig. 9 Index of Salesperson Responses to Procurement Responses: How difficult are these challenges for you? (indices of >100 indicate greater average difficulty vs. procurement)

Negotiators who only want to focus on price/cost and ignore everything else	123%
Negotiator makes unreasonable demands	120%
Negotiators who only want to competitively negotiate (win-lose)	115%
Negotiator changes requirements after the negotiation process has begun	114%
Emotional outbursts, resort to arguing	113%
Negotiator stalls the negotiations when there is time pressure on your side (e.g., quota deadlines, fiscal year end, etc.)	113%
Negotiators who withhold information or misrepresent information	112%
Negotiations are tiered. (You think the negotiation is complete, but it is not, and you have to negotiate with another party.)	111%
Negotiating with a committee, each with different needs	109%
Multi-cultural negotiations (e.g., negotiating with parties in countries whose culture and business etiquette is significantly different)	107%
The negotiator(s) is unprepared for the negotiation	104%
Negotiators who do not understand the needs of the end user(s)	101%

can be at a disadvantage if they agree to alternatives too early in the process. This can result in coming to the end of a negotiation, only to hear the client say “Great, now that we have that settled, there is just one more thing ...” To avoid these last-minute additions (and sometimes concessions), be sure to only tentatively accept solutions during the exchange of alternatives. Consider all proposals together before giving your final agreement.

WHAT DOES THE FUTURE HOLD?

In addition to considering the state of negotiations today, we asked all respondents to share their vision regarding what the future of negotiations would look like. The most common responses were: an increase in the adoption of automation technologies, an increase in the education and skill level of negotiators, and a greater impact of globalization on negotiations. (Fig. 11)

Automating the process of negotiations

Automation includes using e-mail as a primary negotiating vehicle, using reverse auctions to select suppliers, as well as using automation tools

to speed up aspects of negotiating. Overall, less face-to-face time was expected in the future. Today, 84 percent of salespeople report “often” or “always” negotiating face-to-face. Yet, only 59 percent of procurement professionals “often” or “always” work face-to-face. Instead, 67 percent report that they “often” or “always” use the phone to conduct negotiations. (Fig. 12) (Note: that this was less true outside of the U.S.)

Better educated and prepared negotiators

Both groups felt as if negotiators had no choice but to become more educated and better trained

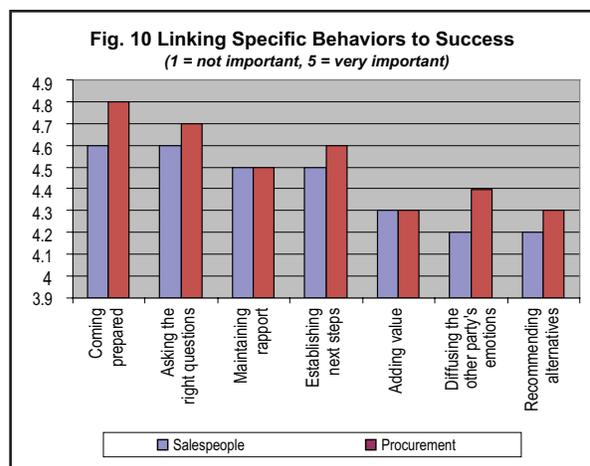
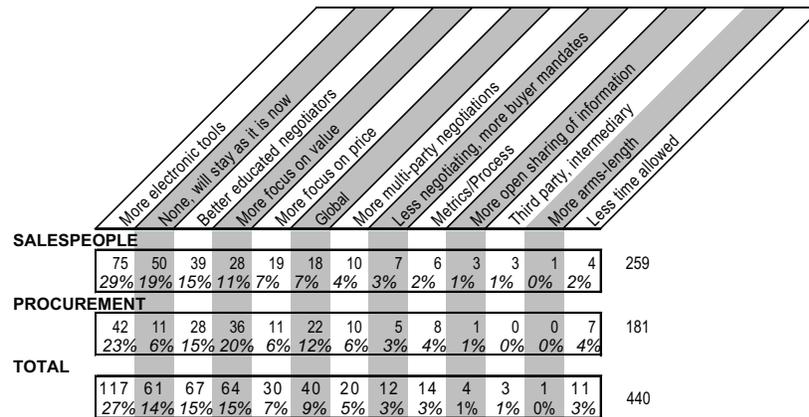


Fig. 11 Open-ended comments on the future of negotiations



particularly in the areas of negotiation skills, product knowledge, and market awareness.

Globalization

Although both saw increasing globalization, procurement people felt this more keenly as a result of outsourcing deals to offshore suppliers. Salespeople, on the other hand, dealt with globalization when their customers' operations went global, as opposed to directly managing global sales territories.

As these trends come to fruition, it will become even more important for salespeople to be able to navigate negotiation complexities.

IN SUMMARY

Negotiations are often considered the “make or break” point in a sales cycle. But, if you sell your value throughout the sales process and prepare appropriately for deal construction, then sales negotiation just becomes a way to finalize the details. This kind of strategic approach is going to be more critical as negotiations become more

complex, arms-length, and data-driven. Without it, the result will be money left on the table, lower margins, and transactional relationships.

Salespeople who wish to improve on their negotiations capabilities can start by avoiding the obstacles that plague most salespeople: negotiating and committing to agreements too soon, being unprepared mentally, missing key stakeholders, and providing only limited options. Most importantly, salespeople need to become more educated on the nuances of today's negotiations. Customers certainly are.

APPENDIX

Special Thanks

We recognize Anne Smith and Huntley Manhertz, AchieveGlobal Research Services Team, for conducting the qualitative and quantitative phases of this project. In addition, we greatly appreciate the participation of members of the Institute for Supply Management.

Research Methodology

The overall objective of this research was to identify what negotiation means, the skills required, and the thought leadership surrounding negotiation in the world of business. Specifically, the questionnaire (a 36-question instrument of open and closed queries) was designed to answer the following questions:

- How are sales and procurement managers currently negotiating (methods and processes)?

Fig. 12 Propensity to use Face-to-Face, Phone or E-mail as a Medium for Negotiations (1 = never, 5 = always)

Medium	Sales	Procurement	Index Ratio
Face-to-face	3.78	3.47	109%
Phone	3.58	3.32	92%
E-mail	3.12	2.92	93%

- Who are sales managers negotiating with?
- How do sales and procurement managers measure the success of negotiations and what are the key factors driving their successful negotiations?
- What negotiation challenges are sales and procurement managers currently experiencing?
- What will negotiations look like in the future?

The research focused on two key segments of the negotiation marketplace: those in sales and those in buying or procurement roles, all from organizations with 500 or more employees. With a final sample size of 216 representing those in sales roles (U.S. only), the confidence interval is 7 percent, meaning if the percentage of respondents mentioning “x” is 25 percent, then the percentage or proportion would be in the range of 18 percent–32 percent (+/- 7 percent).

With a final sample size of 499 representing those in buying or procurement roles (U.S. only), the confidence interval is 5 percent, meaning if the percentage of respondents mentioning “x” is 25 percent, then the percentage or proportion would be in the range of 20 percent–30 percent (+/- 5 percent).

The confidence level is 95 percent for both segments — this level indicates how confident we are that the true population rate falls within the confidence interval. At the 95 percent confidence level, this means that if you took 100 samples from the population, five of those samples would have a rate that exceeded the specified confidence interval. The sample size for international respondents (86 responses in total) should be considered directional in nature due to the sample size. Participants were from the U.S., Europe, and Asia.



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Seleste is the Senior Product Manager for AchieveGlobal’s Sales Performance portfolio. She manages the identification, design, development, and maintenance of foundational and advanced products for sales professionals.

Seleste’s professional experience includes positions in sales, product management, marketing, and management consulting. Her responsibilities in these positions led her to become proficient in strategic planning, market analysis and business-case development, process redesign, and product design and development. She has worked with organizations in a wide variety of industries, including financial services, training, and information technology services.

Seleste has contributed to numerous articles in national publications, including *Selling Power* and *Pharma Voice*, and is a regular presenter at business conferences on making sales performance a success in organizations. She has co-authored a book regarding best practices in sales, *Secrets of Top-Performing Salespeople*, published by McGraw-Hill. Seleste also has co-authored a book, *Strategies that Win Sales*.

She earned an MBA from Florida State University, where she also earned a B.S. in physics.

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