

Horse trading

To gain concessions, know what your customer needs most

Question:

When negotiating a sale, are there some common negotiating trade-offs that I should share with my team to ensure we have covered the basics?

Response:

Most salespeople are able to recite the most common concession demands/requests they hear from their customers, and yet they are still surprised when faced with them during a negotiation.

Why they are taken off-guard is either because of a lack of preparation, or the salesperson hasn't been equipped with the knowledge they need or they are not given permission by their company to handle the request.

We often hear sales people say that they have been told by management, "If the customer asks for _XXX_, don't do anything. Let's be sure we talk first." That puts the salesperson in a difficult situation. In reality, they are now the middle-person rather than the decision maker.

This strategy may be legitimate if you are dealing with custom products, as no two customer situations are the same. However, if you are dealing with a standard product line, or products that have limited options, the salesperson should be responsible for negotiating the deal. That's what they were hired to do.

A salesperson's leverage is in their ability to make decisions and leverage strategic opportunities when they happen. If they lack

key information, they are often forced to needlessly surrender their initiative.

To effectively assess your sales team's negotiating competency, review with each team member their last five to seven negotiations. For each of the trade-off's listed below, ask the salesperson if they thought the issue would come up during the negotiation and if so, how were they prepared to handle it. Then ask if they didn't think it would surface, did the issue actually come up?

1. Price/value

Unless you have established value early in the process, you can bet you will be asked to make a price concession. A customer must justify to themselves and often to other people in the company, why they are paying a specific price. Therefore, it is expected that they will ask for a price concession(s) to see if there is a better bottom line.

If you reduce the price once, you can bet that for all future negotiations, your starting point will be challenged.

However, if you do a thorough job in the reconnaissance process, and you learn that as a result of your product offering the customer reduces their manufacturing costs by 3.5 percent, then they will gladly pay more for your product than the competition's product, because they can justify the value.

2. Delivery

Is delivery a primary requirement from the customer's perspective? In other words, is there something at risk if you do not deliver on a specific date?

What is the value of getting the customer what they need on their timing? If you can deliver the parts three days earlier than the competition and the customer in turn is able to produce, ship and bill \$2 million of product out the door, paying 10 to 20 percent more is inconsequential to the perceived value.

3. Quantity

How much does the customer really need, and on what timing? Let's say you have been working for several months to close a key customer and they finally decide to test the waters. Of course, it just so happens, that another large customer placed a big order the week prior, limiting manufacturing capacity. What do you do?

It might help to try to determine their exact needs and then absorb the additional shipping charges so you don't risk losing the customer's confidence out of the box.

4. Points of leverage

What value do you bring to the table that benefits the other party? Where do you excel vs. your competition? Are you highly custom-designed compared to your competition who only offers standard product? Do you have a proven track record of finishing projects on time and under budget? Do you have experts who work at your company who are highly regarded by the industry and are available for consultation? Do you have quantifiable results that show how you have helped other clients, with similar situations, improve their business situation?

One of the biggest mistakes people make is that they underestimate the value of what they bring to the table. Track your successes. Quantify customer results whenever possible. You don't have to publish these, but it certainly is a powerful statement when a salesperson says, "A customer we worked with in the _XXX_ industry had a similar situation. Here's what we did . . . and the customer reported to us the following results . . ."

5. Related savings

This is how you as a supplier can negotiate something that will help you reduce your costs or save you money. In return,

you might offer a concession. This could include getting rid of some old inventory, even securing a longer-term or large quantity commitment, or achieving preferred supplier status. Related savings come in many different forms.

6. Personal issues

Your customer has a goal that they want to achieve and you can help him or her make it happen. For example, let's say you are meeting for the first time with the director of IT. He or she is getting major pressure from the executive level because of the frequency in which the servers are going down because they are overheating. You have an enclosure product that funnels heat out of the unit 75 percent more effectively than the product they are currently using. This is a big win for the IT director. Cost is probably not a big consideration. Getting the executive committee focused on other issues is his or her desired outcome.

7. Needs/wants

Needs are your must-haves. Wants are your like-to-haves. The difference between the two is the room you have to negotiate concessions. If a customer will not agree to your needs, then this is the signal that it's time for you to walk away from the negotiation. Negotiating below your needs means you lose. Salespeople must be given permission to walk away when it's not in your best interest to continue negotiating.

We must all have a bottom line, and when that is not met, then you gracefully take yourself out of the running and find another door to knock on.

Negotiating is more like a buffet than a recipe. It offers an array of options and strategies for achieving the desired goal. However, if you are a vegetarian and the buffet menu was crafted with meat-eaters in mind, your best strategy may be to find

another restaurant where you are more comfortable. Just as there are many different types of restaurants, there also are many different types of customers. Finding those who are a strategic fit and where the sale is mutually beneficial is what the process of sales is all about.



Christine McMahon is the owner of Christine McMahon & Associates, a training and coaching firm in Milwaukee. She can be reached at (414) 290-3330.