

The art of the deal

Plan for concessions, but preserve your bottom line

During difficult economic times, customers plead for price reductions or extended terms, but beware ... not all pleas are created equal.

What everyone wants in good times and bad is the best value. This requires exploratory discussion as well as some give and take. How you give and get concessions matters, as it reflects the value you place on your offering and sets the tone for how the other party negotiates with you.

To illustrate, if you cower under pressure, the other party learns to use strong-arm tactics to get what they want. If instead you respond with viable options that preserve margin, the other party learns that you're willing to be flexible but not so desperate as to give away the store.

In order to maintain integrity and eliminate margin erosion, make these concession strategies part of your negotiation strategy book:

1. Give yourself room to make concessions.

Don't present your best offer first, otherwise you have no room to negotiate.

I learned this painful lesson the hard way. For several years I worked with clients in New England and over time we developed a high level of mutual trust. They made it clear that they expected me to present my best offer first – 99 percent of the time they immediately agreed to the terms. When my territory expanded to include New York/New Jersey, I naively used this same strategy. It proved disastrous... people in New York live to negotiate! I knew that I would lose my job un-

less I implemented a different strategy pronto. Fortunately, our national sales manager taught me to package each negotiation so that I had viable concessions to offer when required and never, let me repeat, NEVER put my best offer on the table first! My results immediately improved upon following his sound advice.

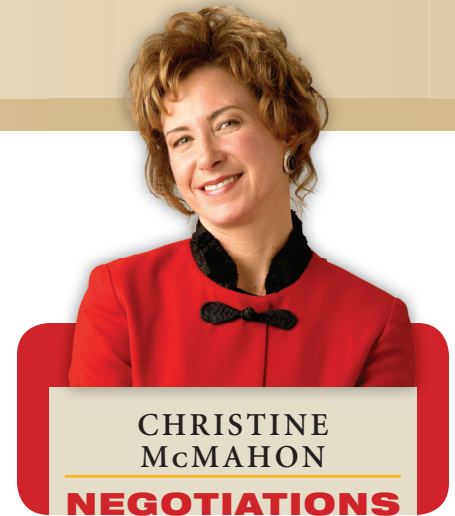
2. Determine all demands before making a concession.

Experienced negotiators know that they produce better outcomes if they roll out a string of concession requests over time.

Don't fall prey to this tactic. Instead, with the first concession request subtly ask, "In addition to X, what else is important to you?" After the other party responds follow up with "In addition to Y, is there anything else?" Gather their list of demands and then inquire, "What's most important to you?"

Don't expect this to be easy. Experienced negotiators know that they gain a lot more when they make a series of requests. Psychologically, most people don't like to negotiate and the goal of this strategy is to extend the negotiation to the point where the other party thinks, "Well, just one more and we'll close the deal."

But that's not how it works. Just when you think they are ready to close the deal the other party presents another request. This might sound something like, "My boss has a former supplier who he used to work with...



they talked earlier this week and his proposal came in at \$50 and you're at \$59...we would much prefer to work with you but unless we can get closer to that number, I'm sorry, there's not much I can do."

3. The best time to get a concession is when you give one.

Make it a common practice to avoid giving a concession without getting something in return. Why? Two reasons:

1. This action sends a signal to the other party that you place a value on what they are requesting.
2. The other party must then decide if that concession is important enough for them to give up something in return.

Before agreeing to a concession ask, "If I am able to provide you with X, would you be able to provide me with Y?" The other party is now forced to decide the relative importance of the concession demand. You haven't said no to their demand; you simply asked for 'Y' in return – smart!

I'm often asked, "What can I ask for in return?" Be creative. For example, if you are selling a highly technical solution, you could request a weekly meeting with the VP of IT to discuss the project's progress, highlighting any anticipated roadblocks so these obstacles can be handled upfront. This

would eliminate the risk of your team being caught onsite in a holding pattern thereby eroding your profitability. You could also request a testimonial letter, an introduction to another key decision maker, or an invitation to an important event that they sponsor. Think of ways for your company to gain exposure or promote and market your business.

4. Keep concessions small and make each concession progressively smaller.

When you are told to sharpen your pencil, first consider concessions that won't hit your bottom line, such as extending the warranty or service contract. If that isn't possible, be sure to start small and make subsequent concession even smaller. This will give the impression that you are close to your bottom line.

And always remember to ask for something in return.

There's value in demonstrating flexibility. How you choose to do it conditions the customer about how they should negotiate with you in the future. Compromising profitability to close a deal jeopardizes not only your future relationship but also erodes your bottom line and self-confidence. Don't be afraid to make the other party work for their concessions.

If you would like to learn more, attend the BizTimes Get Smarter Conference on Thursday, Oct. 20, at the Potawatomi Casino. I will be facilitating the Secrets of Successful Negotiating workshop. For more information, visit www.biztimes.com/smart. ■

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