

NEGOTIATION



PROTECTING YOUR INTERESTS:

Anything you want is presently owned by someone else

Everything that is said in a negotiation is tactical – understand that

There are predictable responses to tactical or strategic maneuvers

If you know them and recognize them, you are in a better position



Over-arching guideline

Never accept the first offer – never.

Plan to walk away but also plan how and when to come back



TACTIC NUMBER ONE

Pick up the phone!

Multiple times

The squeaky wheel does get the attention!

It's more difficult to say no in person
(phone)

This is the biggest cop out – email, text,
voicemail – no! Speak!



PREPARATION IS THE KEY

Nothing is more valuable than deep knowledge about all sides of the negotiation – facts, motivations, restrictions, inhibitors, research, predictions, etc.

Information is power – get it!

The other side is not likely as prepared as you if you really do the research

Know exactly what you want to achieve

Shoot somewhat higher than that

Realize the other person is probably doing the same thing (shooting higher)

80% preparation – 20% actual negotiation



STAGES

1) Establish Criteria

What are you negotiating – trying to achieve?

2) Gather information

What do you need - what information are they gathering?

3) Looking to reach a compromise

4) What is your walk away position?

Know it – commit to it.

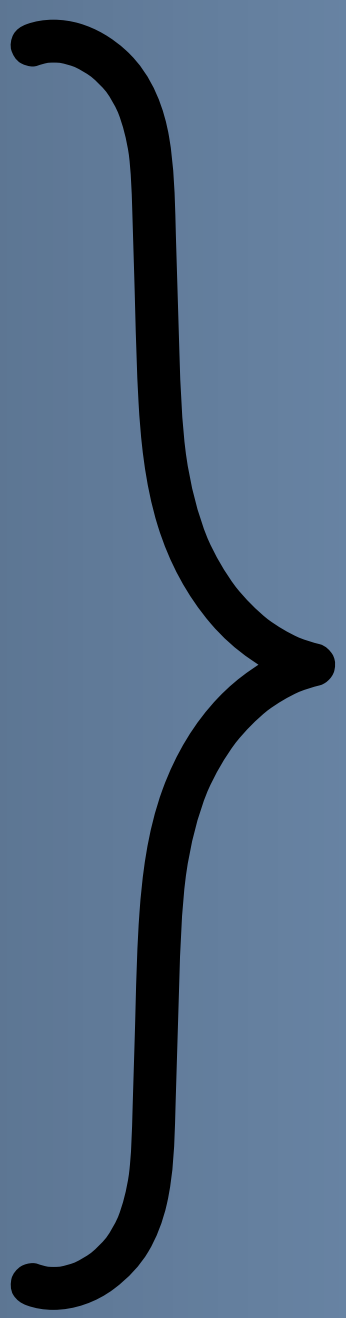


Figure that out and be willing to do it

MUST HAVES

Silence

People want to 'convince'

3 second rule

When you are silent, they try to fill the void –
you are gathering information as they speak

Train yourself to use silence – it's a weapon

If you ask a question, never speak next!

Need for instant gratification is a hindrance –
they have that need too – defer yours



Ask questions and then listen ‘hard’

What do they really want?

Clues to wiggle room



MUST HAVES #2

Those that don't ask, don't get

Don't fear to ask for what you really want

It doesn't have to be right off the bat – but...

Plan when and how you're going to get there

It may not be right away – make a step-by-step plan



MUST HAVES #3

Emotional Control

- 1.It's not personal
- 2.Anger impedes your ability to think clearly
- 3.Attacking is a no-no
 - a. Cortisol – makes them feel negative
 - b. Adrenaline – no empathy, can't analyze/respond properly

Emotional Intelligence – including body language, facial expressions, tone



TACTICS

1. Defer to a higher power

- a. It's why we say, let me check with my spouse
- b. Plan who your higher authority is before you start – boss, committee, board, client
- c. Your counter – besides you, who has the authority to make a decision?
- d. 'We' statements – not 'I'



TACTICS

2. Split The Difference

- a. Try to never be the first one to offer to split the difference
- b. The counter is always to go halfway to halfway
- c. Your counter – The higher authority will never accept that but I will check
- d. Then come back with something better than halfway to halfway
- e. Again, instant gratification comes into play



TACTICS

3. Law of Legitimacy

- a. Put everything in writing
- b. People believe what they see printed (facts, charts, position statements)
- c. Your counter – don't believe everything you see in writing (or on the internet)

Take control by putting it in writing – what you want/propose - presentation



TACTICS

4. Vice Technique

- a. You'll have to do better than that
- b. Your counter — be specific, how much better
- c. Be ready with your response if they use this tactic - if they ask how much better?



TACTICS

5. The Nibble

- a. A bit more at the signing stage
- b. Usually not deal breakers
- c. Power and value always diminishes once the transaction is completed
- d. Yourcounter – no!



TACTICS

6. Set Aside Maneuver

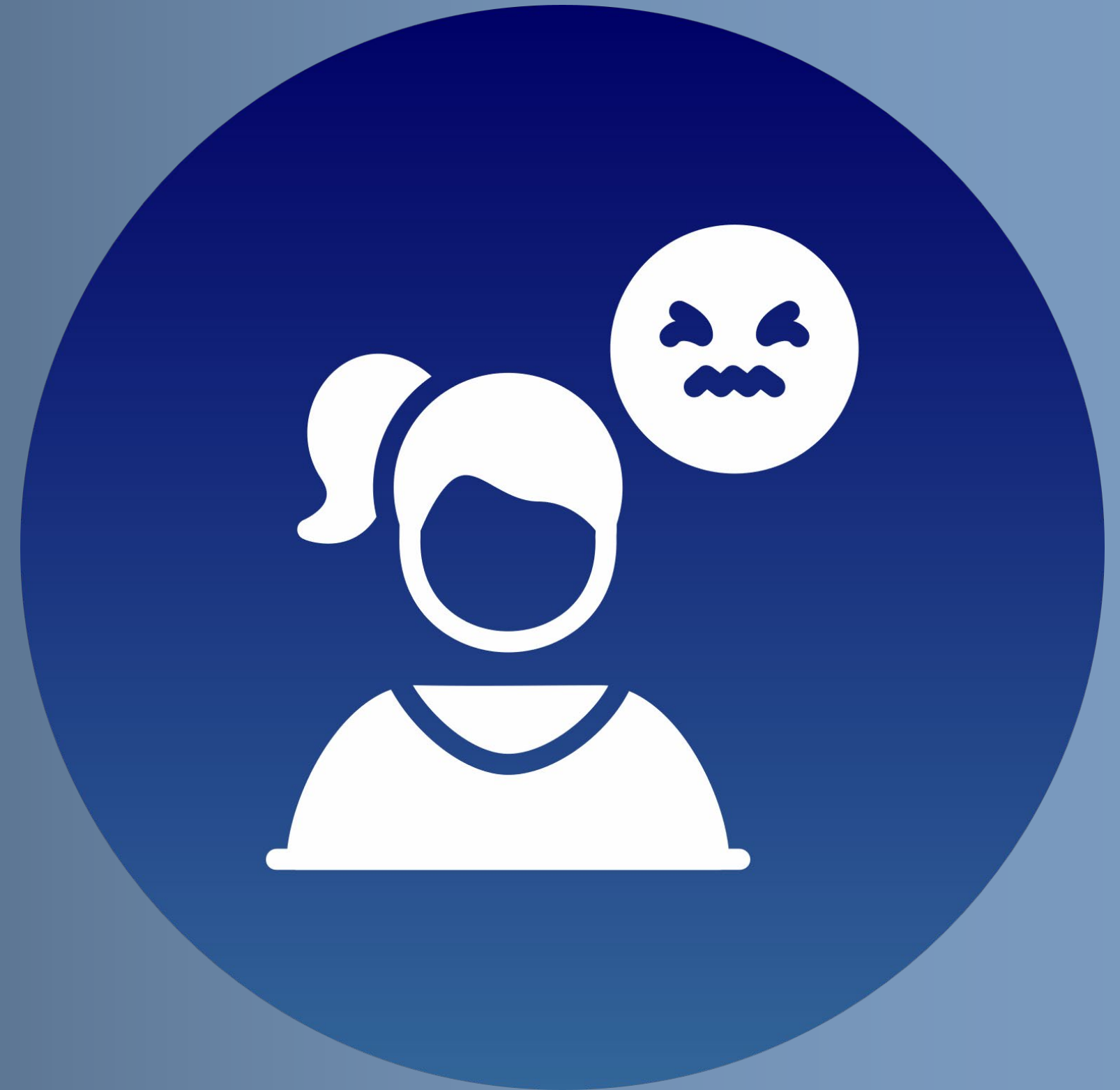
- a. Pile up a few small 'yes's'
- b. If we can just agree to this before we move on
- c. Put it in the bank
- d. Your counter – I need to see the whole picture



TACTICS

7. The Flinch

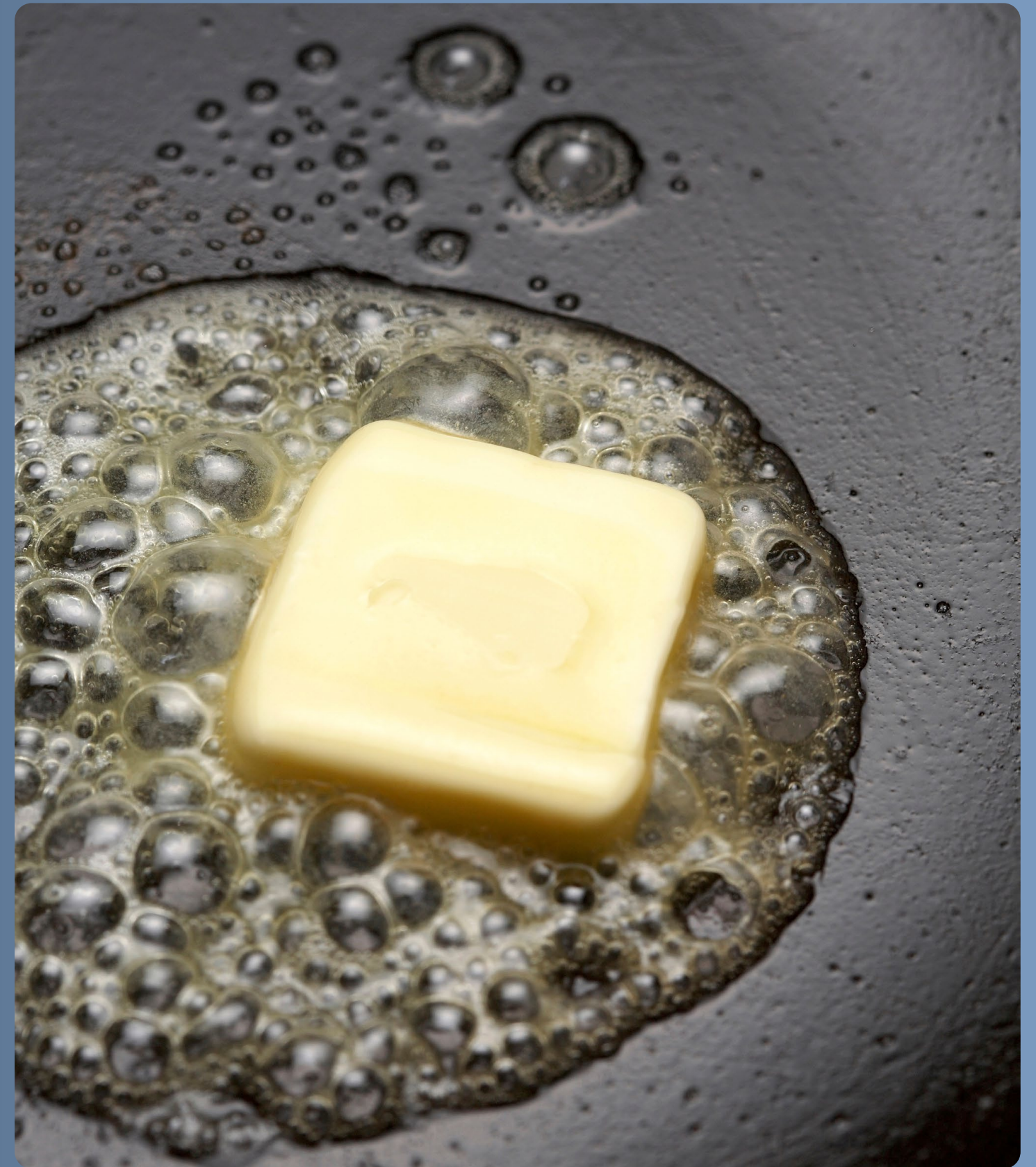
- a. It's a visible reaction
- b. Learn when to do it
- c. Learn to recognize it as a tactic
- d. Your counter – ignore the flinch or use humor – Oh my, it's not all that bad is it?



TACTICS

8. The Butter Up

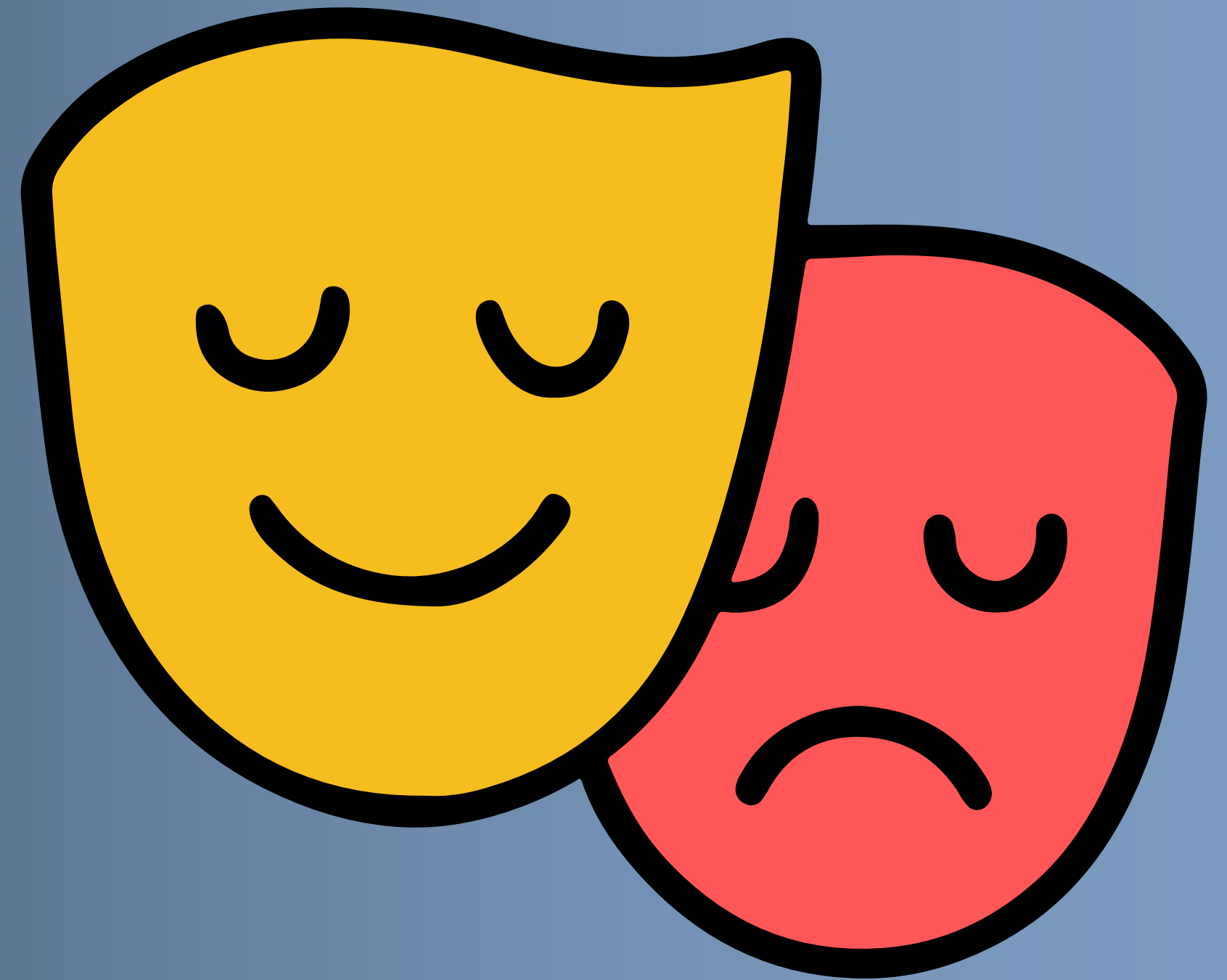
- a. The nicer you are even if you don't want to be, the better
- b. Sometimes they don't mind losing to you
- c. Your counter — This is about protecting my business/job



TACTICS

9. Good Guy, Bad Guy

- a. Can you make them feel for you
- b. Can you make them feel like you're on the same side – against the bad guy (the board etc.)
- c. Your counter – Verbalize, “what is this, the good guy, bad guy?”



TACTICS

10. This For That

- a. If you have to give something away always ask for something in return
- b. This comes back to being prepared to know what your additional ask will be
- c. Your counter – I already considered everything I can give



TACTICS

11. Reduce to the Ridiculousness

- a. Break it down to seem insignificant
- b. Compare to other purchases – “it’s just a cup of coffee”, or “it’s not like it’s a car”
- c. Your counter – it is significant to me and it is very important to me



DRESS THE PART

May seem silly but studies show much better results if you are dressed professionally

Subliminally claims professionalism, influencer, seriousness



MISCONCEPTIONS

1) Suppliers give similar pricing to similar clients

2) Group purchasing will always get you the lowest cost

3) Vendor loyalty always leads to the best pricing

4) Vendor 'kid glove' treatment means you're getting the best deal/service

5) More volume always means the best deal

6) Getting three bids will get you the best price

MISCONCEPTIONS CONTINUED

7) Lower price means lower quality and service

8) Your strategy and expertise in one cost category will produce similar results in another category

9) RFPs ask the right questions and result in the right answers

10) National pricing agreements are always better than local or regional agreements with the same supplier

TELECOM

- 1.Errors in invoices are pervasive
- 2.Over-provisioning is common
- 3.Multitudes of vendors – track them – even the ones you don't use
- 4.Pricing options are not transparent or even readily available – can you find out
- 5.Changing options almost monthly – need to stay on top
- 6.Bundling or unbundling
- 7.Price creep is common – not easily identified – takes initiative
- 8.Is there a more rapidly changing world than telecom?

In confusion, there is opportunity



TACTIC

Knowledge driven negotiation

At my industry conference my competitor said they received (this) from that (supplier). I don't want to change but I need to be treated fairly.

Silence!



MERCHANT SERVICES

1. In excess of 700 pricing buckets
2. Optimize your processing environment
3. The 700 rates can all change every April and October
4. Hundreds of sales reps – they're everywhere
5. Multitudes of vendors
6. Vendors marry (integrate) their solution to software you need – that doesn't mean you're stuck (connectors)



TACTIC

This for that

OK, if I accept this price for the next year, I would need to have free terminals (or something)

Silence.



COURIER SERVICES

- 1.Distance – zone to zone
- 2.How quickly – many options – overnight by 9:00 AM, one day, two days, ground
- 3.Actual weight vs. Dimensional weight
- 4.How frequent to similar destinations
- 5.Fuel surcharges – change weekly
- 6.Accessorial charges – signature/off route/payment/packaging etc.
- 7.Pricing book is an inch thick
- 8.Discount book is also an inch thick and must be understood/negotiated for each type of shipment



TACTIC

Knowledge – I know that proximity is one factor in your pricing model

I see your trucks picking up at two of my neighboring businesses, so I'm right on your route. There would be no extra fuel and very little time, so let's increase the discount to reflect...



WASTE

Trash

Recycling

Hazardous

Medical

Sludge

Port-a-Potties

Construction debris

Many others



WASTE

1. Distance to landfill or disposal site
2. Distance to standard routes of vendor
3. Size of bin – many options
4. Frequency of removal – optimal usage of bin
5. Waste streams – what's in the bin
6. Weight – tonnage
7. Fuel surcharge
8. Landfill fees
9. Overage charges
10. Extra costs



TACTIC

Let me check with my boss, I know he was talking to (a different vendor) – (Defer to a Higher Power)

I would really like to be able to do this with you though so I can show him some value and don't lose my job (good guy, bad guy)



SUPPLIES

1. Directly affected by tariffs
2. Markup from vendors
3. Delivery costs
4. Frequency of deliveries
5. Pack sizes
6. Additional costs



TACTIC

Vice and Legitimize

I know you can do better than that. I've provide you with a written summary of what I would need to see.



SOFTWARE

1. License count versus required users
2. Features – by user
3. Usage estimates – overages vs. excessive bucket
4. Pricing alternatives – third parties/quantities
5. Redundancies



TACTIC

Nibble – and Reduce to Ridiculous

At signing – I would like to add three licenses per year without charge to this agreement. That's just a cup of coffee for you but it would be meaningful to me.



LESS THAN- TRUCKLOAD – UP TO 6 PALLETS

- 1.Distance
- 2.How quickly – many options
- 3.Category – assigned by vendor based on risk assessment of shipped items - arbitrary
- 4.Actual weight vs. Dimensional weight vs. number of pallets
- 5.How frequent to similar destinations
- 6.Fuel surcharges – change weekly
- 7.Many vendors
- 8.No consistency with starting points for pricing
- 9.Very high discounts are common as long as you have a proper agreement



TACTIC

Flinch (do it physically and verbally)

Ooh, we can't do that! We need to have an 88% discount like your other best customers.



Fuel

Electronic Logging devices

Fleet Management

Uniforms and Linens

Payroll reduction program (US ONLY)

Compressed Gases

Printers & Copiers – Image creation



VENDOR COMPLEXITY

Vendor Complexity

Over 30,000 vendors – just in the areas we examine for our clients

Telecom – 3,200 vendors

SaaS – 10,000 vendors

Waste Removal – 9,000 vendors

Etc.



Pricing is not transparent

Contracts are complex – minimums, auto-renewals, ETFs, surcharges & fees

Errors are prevalent

Resources are limited – and yet...

There's Gold in those bills!



STRATEGIES

Benchmarking – regularly

Auditing – past and future

Bundling or unbundling

Analyzing data with good tools

Direct vendors - don't let them direct you

Mitigating the effects of adverse conditions will take purposeful acts

Sitting back and hoping is the 'head-in-the sand' approach

It's the 'join-the-herd' methodology

We have to fight Confirmation Bias and Group Bias if we want to differentiate ourselves



What can you improve by 1% today?

Is it your capability to manage these below-the-margin expenses?

The return should be much more than 1%



Questions?