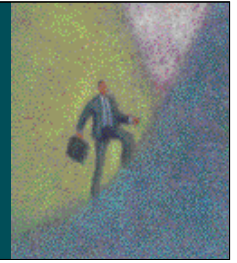

Profitable Negotiating: it's **counterintuitive**

By Gregg Crawford



BAYGROUP
INTERNATIONAL

BY FOCUSING TOO MUCH ON GIVING THE CUSTOMER WHAT THEY WANT,
SALES PROFESSIONALS DON'T DO A GOOD ENOUGH JOB
PROTECTING THE INTERESTS OF THEIR COMPANIES.



Every dollar a salesperson gives away in unnecessary discounts and unneeded free “extras” is a dollar lost forever from your company’s bottom line. Yet even seasoned, well-trained sales professionals fall into costly negotiation traps that cost their companies money. They give away too much too quickly. They surrender information which erodes their negotiation power. They talk too much about price, and not enough about value.

Why does this happen? Because for most sales professionals, good negotiating is a *counterintuitive* skill. In other words, their typical, natural reactions are often the opposite of the right ones.

Think about it. Most salespeople are given extensive training that encourages them to:

- Share extensive information about the features and benefits of their products,
- Believe that “the customer is always right,”
- Act as the customer’s advocate to make sure they get what they want and need, and
- Avoid and reduce tension during the sales process whenever possible.

This sales training, along with years of “accepted wisdom” (often passed down by managers), may help create happy customers...but often leads to unprofitable deals. By focusing too much on giving the customer what they want, sales professionals don’t do a good enough job protecting the interests of their companies. They leave money on the table. They offer unnecessary giveaways that erode margins.

Managers often perpetuate the problem by reinforcing two key misconceptions that lead to ineffective sales negotiating.

The first misconception: Negotiation happens at the end of the sale, mostly about price and terms. Most of the sales process is spent helping the customer decide *whether* to buy from us; we only negotiate about *how* they’ll buy (at what price, for example) after they agree to do business with us.

A lot of negotiating does go on near the close of a sale, of course. But top salespeople know that negotiation *really* begins at the beginning—from the first customer meeting. There’s negotiation about the sales process. There’s negotiation about who will attend product demos and other key customer meetings. There’s negotiation about the criteria the customer should use to make the buying decision. There’s negotiation about how many costly internal resources will be brought in to help make the sale.

When salespeople fail to recognize that both selling and negotiating occur from the first contact with their customer, they are more likely to give things away in the hopes of “improving the relationship” or “progressing the sale.” In fact, giveaways that might be seen as good selling often erode margins unnecessarily—and set costly precedents. After all, if the sales rep gives away things easily early in the sales process, why shouldn’t the customer

expect the same behavior later in the sales process?

When working with many major corporate sales forces, we’ve found that most salespeople don’t think negotiation is going on during early stages of the sale. And that’s when they let it all slip away: when the customer takes control of the buying process, is given costly commitments on delivery or terms, and even receives early price concessions as the “price of admission” to pitch the business. The customer is in the midst of hard-core negotiating, and the salesperson doesn’t even recognize that the game has started!

Even more insidious is **the second misconception:** Strong salespeople are naturally good negotiators.

Unfortunately, research shows little correlation between being an experienced salesperson and being an effective negotiator. Because they believe “the customer is always right” or “my job is to partner with the customer,” many salespeople (even successful ones) still make costly negotiation errors—believing they are being responsive and customer-focused.

If you’re skeptical, think about how one of your better salespeople might respond to a buyer saying: “I like your product and think we can do business. But your price is still too high. I need you to sharpen your pencil and see what you can do to get me a better price.”

The natural, intuitive response of most sales professionals is to begin talking about the thing the customer most wants to discuss: the price. They’ll say, “How low would our price have to go to make a deal?” or “We’re committed to being competitive, so let me go back to my manager and see what I can do for you.”

The problem with this response is that it reinforces the customer's belief that "it's all about the price"—and as a result sends the wrong message about your company's value.

And ironically, responding too quickly to the customer's price concerns can make the customer feel less favorable towards your proposal. When the discussion gravitates away from value and towards price too early, your customer won't feel that his needs are being met—even if he gets a quick discount. On the contrary, he's likely to think "I should have asked for more," or "Something must be wrong," or "I guess the product isn't worth what they say it's worth."

Let's take another example. Suppose your customer asks for detailed information about your product or service. What's the natural, intuitive response? That's right—to give as much information as possible. To launch into a prepared presentation. To "bag dive" and present pounds of glossy, expensive literature.

So what's the problem? The salesperson is being responsive by giving the customer what he wants, true? That's what good selling is all about, right?

Wrong.

If your customer is a good negotiator and you provide lots of detailed product information early in the sales cycle, what's he most likely to do? How about identifying the one or two minor features he doesn't need, or finding areas where your competition might have a small advantage? Sounds like a pretty good starting point for your customer to gain a negotiating edge—and begin pressuring for early price concession, doesn't it?

The best response in this situation: supply only enough information to earn the right to ask more questions. You might get your salespeople to say something like, "I want to make sure the information I give you is exactly what you need. In order to do that, I need to ask you a few questions..."

The bottom line is that good sales negotiation is *counterintuitive*. In other words, the unconscious, natural reaction of most salespeople in negotiations is often the opposite of the correct behavior. Although good selling might close the deal, you're likely to see margins shrink quarter after quarter.

Any salesperson can win business by giving things away. But if you don't establish value in the way you negotiate, no price is too low and any price is too high. Part of the sales manager's job, then, is to help their people not just close business, but also avoid the negotiating traps that destroy account profitability.

—Gregg Crawford is president and CEO of BayGroup International, a global training and consulting organization based in San Francisco.

It's Counterintuitive

When asked, most sales professionals tell you that negotiating is one of the most difficult aspects of their jobs. One reason for this is the fact that effective negotiation is counterintuitive. In other words, when the tension of negotiation arises, the natural, intuitive responses of the typical sales professional are usually the *opposite* of what they should be. In a world where sales people are taught that "the customer is always right," this isn't surprising. Here are some examples:

<i>In this situation...</i>	<i>The natural reaction of most sales professionals is to...</i>	<i>When they should demonstrate the following counterintuitive approach...</i>
The customer begins exerting pressure for a lower price.	Begin talking about price ("How low would our price have to be to win your business?")	Acknowledge the importance of price, but keep the discussion focused on value.
The customer asks for product information.	Give <i>too much</i> information (which allows the customer to identify product features they don't need, and ask for price breaks to compensate for them)	Give <i>just enough</i> information to earn the right to ask for more information from the customer.
The customer tells the sales person that they have competition.	Lower their targets, and try to win on the basis of a lower price. Make concessions too quickly.	Maintain high targets, and find ways to justify them. Concede slowly and reluctantly.
The customer shares something they want (like a faster installation schedule)	Quickly begin looking for ways to get the customer's request met.	Ask questions to uncover the underlying "needs" below the stated "want," and search for creative low-cost ways to meet them.
The customer asks for a concession early in the sales process.	Give in to the request, assuming it helps build a good relationship.	Realize that negotiation happens at all stages in the sales process (not just at the end), and be certain to get something important in return if the request is granted.

About BayGroup International

BayGroup International partners with corporate executives to improve shareholder value by:

- Ensuring that key business initiatives demonstrate significant ROI;
- Helping implement “go-to-market” strategies successfully; and
- Building skills across the organization for creating profitable agreements, both internally and externally.

BayGroup International implements strategic projects that include research, highly tailored training, and the tracking of results. Our work in client organizations is supported and reinforced through executive leadership communication campaigns, management coaching, and internet-delivered performance support tools. Using our proven behavior change approach has helped clients achieve desired business results, and improve the ability of key employees to build better agreements with:

- *Customers*, especially when competitive sales pressure threatens profits.
- *Suppliers* and *other outside parties*, whose increasing costs can erode the bottom line.
- *Internal team members* and between *individuals*, where failure to handle tough, contentious issues can threaten quality, customer service, restructuring, and other strategic initiatives.
- *Strategic partners*, where poor agreements can threaten the success of mergers and acquisitions, as well as other mission-critical alliances (in areas such as distribution, research and development, and marketing).

By partnering with BayGroup International, clients achieve significant improvements in human performance and millions of dollars in bottom-line results.

Since its founding in 1980, BayGroup International has built a select client list of major global corporations, focusing on the technology, telecommunications, pharmaceuticals, transportation, consumer products, and financial services industries. Our consultants have worked in North and South America, Asia, Europe, and the Middle East. We serve our clients from offices in major cities around the world.

To find out more, contact us at:

BAYGROUP
INTERNATIONAL

Global Headquarters
BayGroup International
2200 Larkspur Landing Circle
Larkspur, California 94939 USA
Tel. 800.533.9480
Fax. 800.279.5515
www.baygroup.com