

Fortune 500 sales pros analyzed

Six keys to profitable sales negotiations revealed

By Paul Hennessey

Over the past decade, BayGroup International consultants have found that high performers instinctively raise their customers' perception of value by using six fundamental *Principles of Sales Negotiation* when they plan and execute their sales strategies:

1) They position their products/services advantageously. Faced with price pressure, high performers are more likely to guide discussions back to a value-oriented "position" rather than make concessions. Imagine Tim and Susan responding to customers' pressure to lower the price. Tim positions his product as superior on a competitive, feature-by-feature, price versus performance basis. Susan positions the same product as a solution to a customer strategic problem — building profitability, succeeding in a new market or launching a new product successfully. Susan usually can ask for and maintain a higher price point because the perceived value of her product is higher.

2) They set high targets

Those who ask for more typically get more ... those with low targets typically underachieve. And those who ask for more, reinforce a high-value position for their product in the customer's mind.

Unfortunately, many sales people have low aspirations, either because they are afraid to negotiate or because they don't feel confident overcoming price objections.

This behavior damages both profitability and the customer's perception of value. Opening offers are too low, deals are unprofitable and the customer learns an unfortunate lesson: "The company's product isn't worth *that* much. The sales rep didn't have enough confidence to price it aggressively."

3) They manage information skillfully. Many sales negotiators "leave money on the table" by sharing sensitive information on price flexibility, internal deadlines and free "extras" at the wrong time. Others feel this helps them appear responsive to customer requests for data. Actually, this encourages customers to identify product features they do not need and pressure the sales person to cut the price.

During negotiations, skilled sales professionals strategically give and get important information that protects the company's interests, maintains positive working relationships with customers and ensures that customers perceive maximum value in proposed solutions.

4) They know the full range and strength of their power. Many sales people enter negotiations feeling customers have most of the power. High performers realize they have more power than readily obvious. Through good planning, they build their own power and "level the playing field."

5) They satisfy customer needs over wants. Customers may say they want price reductions, but their underlying needs may include looking good to bosses, protecting their jobs or exerting power.

Customers may not even know what they need and fall back on price reduction as the one item they know they can demand with confidence. Skilled sales professionals can increase the perceived value of the company's product by educating customers about these "hidden" needs. This is best accomplished through good questioning about the consequences of making an uninformed buying decision.

For example, a computer hardware sales representative responding to price can increase perceived value of his product by acknowledging the price objection

then probing about potential needs, such as the customer's requirement for data backup capability. Through questioning, it is revealed that the competitor's product does not provide this important capability. This discovery increases the value of the sales representative's solution.

6) They concede according to plan. Sometimes sales people are uncomfortable with the natural tension of the sales process and feel that by giving in to the customer they will close deals more quickly. But, as one savvy sales manager once said, "It's easy to give away the product. The real selling starts when the sales rep stops giving in and starts negotiating value."

Other sales representatives feel that by giving customers lower prices they make their customers happy. In fact, the opposite is usually true. Giving in on price too quickly can create anger by encouraging the cus-

tomers to think: "Their product must not be worth what they say it is if they're willing to give in on price that fast."

A related symptom of weak sales negotiating is making valuable price concessions without getting anything in return. This negotiating mistake prompts the customer to keep asking for more.

Top sales professionals know instinctively that a key to profitable negotiating is conceding slowly and reluctantly and getting something of value in return for a concession. They believe in the value of their product. ■

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