



Negotiation Skills Training Course

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1 - Introduction

The art of negotiation is a skill. It can be learned and practised like any other. The user can develop and enhance their skills and become better and better using and trying out new techniques, until it becomes habit.

The relationship between negotiating and selling:

Selling and negotiating are not two widely separated techniques nor can it be said that negotiating is solely for key accounts/big deals situations.

Selling

This is the relationship between seller and buyer where the need to supply significantly exceeds the need to buy. The sales person has to **persuade** the buyer that their product/service will best suit the buyer's needs as opposed to those of the sales person's competitors.

This persuasion may get the order. On the other hand, once the **need** has been established, it is more often than not a case of considering the **terms and conditions of purchase**.

To continue to use a traditional selling approach in a situation where, for example, a buyer's need to buy can be almost taken for granted, could be both costly and inappropriate. The buyer has been convinced - now they must consider the **basis on which they should buy**.

Negotiating

This is the relationship between seller and buyer where the need to supply is generally in balance with the need to buy.

It is the stage at which the seller has to move from **selling** to **negotiating**. It is a stage which must be recognised and not merely confused with being 'another objection-handling situation'.



Nor is negotiation just about price! Given that there are five criteria for buying - **Quality, Quantity, Price, Delivery, Supplier Services** - it is obvious that negotiations can be affected on any, or all, of them.

Price is obviously very important, but not usually just in itself. The buyer must be able to relate price to value - they are more concerned with the **return** that they get from the deal rather than the price of the deal itself.

Where They Meet

If standard sales techniques move the buyer through the Approach, Interest and on to Benefits stages, then the detailed discussions which result from the buyer's acceptance of the sales person's presentation as being pertinent, become negotiation.

The discussion will then move on to the more complex situation where both buyer and seller make a number of proposals and counter- proposals until an agreement is reached.

Negotiation is NOT a process where the buyer (or seller) bullies, threatens, begs or pleads according to the strength (or weakness) of his/her position.

In negotiating both sides must feel they have won. One side may feel they have achieved more than the other, but this is only in relation to the original objectives.



2 - Research and Planning

Thus, the first task is to establish by discussion the actual gap which exists between supplier and buyer. This is invariably achieved by an examination of the needs and covering benefits on both sides, but the supplier must ensure that he restricts the loss of position that this manoeuvring entails for both parties. (The supplier is usually more anxious to sell than the buyer to buy).

Usually the parties will take up their actual stances with ritualistic face-saving comments, which are important if the fabric is to be preserved. These factors suggest that **two research activities** are maintained at any time of negotiation of contract.

- (a) **We must have information on the buyer, his situation, his applications, availability of funds, limits of authority, etc.**
- (b) **We must have clean, up-to-date information on the competition, the relatives technical, financial, delivery, and pricing action they can take: the need they have for this order - the business and marketing success they are experiencing elsewhere - and the restraints present in their production facilities.**

We should ask ourselves major questions about markets, company and competition.

The Key Questions

- (a) What proportion of existing and prospective customers expect to negotiate the conditions of purchase?
- (b) What proportion of different categories of customer expect to negotiate?
- (c) What % of present sales volume do they represent?
- (d) What % of present profits is produced by sales to these customers?
- (e) What proportion of cases involve:
 - 1. a group discussion?
 - 2. a decision made by one man alone or with the advice of others?
 - 3. informed professional purchasing?
 - 4. first time purchase or re-purchase?



- (f) How strong are the buyers - what is the strength of their need to buy relative to our need to sell?
- (g) What proportion of negotiations involve contractual agreements?
- (h) How can a planned and skilled negotiation strategy help to service the market?

The Company

- (a) What are the Company's commercial and marketing objectives?
- (b) How does existing negotiated business aid or conflict with these?
- (c) What strengths and weaknesses are highlighted?
- (d) Are any changes necessary in the ways in which we negotiate business? Looking at past cases honestly, on which sides of the points of need balance did we conclude business?
- (e) Who is currently responsible for selling to whom and at what levels? Is too much or too little responsibility being given/taken? How is it being used? Does the level of contact meet the real needs of the market?
- (f) What levels of negotiating skills and authority are needed - and what levels exist?
- (g) What commercial and marketing benefits could result from better negotiation, or from applying negotiation skills to a wider level of sales activities? Are we satisfied with present margins from negotiated business? Are we sure that we are obtaining the optimum share of volume?
- (h) How can a planned and skilled negotiation strategy help the company?



The Competition

- (a) Do we know how well our competitors perform in negotiating business?
- (b) What are their apparent strengths and weaknesses in negotiation? Look at, for example, speed of decision - range of authority (e.g. in respect of price) - product range - promotions - service- distribution - prices - capacity - cost - volume.
- (c) To what extent do they appear to strengthen or weaken the market?
- (d) What relationship can be perceived between the answer to (c) and correlation of their volume to their profitability?
- (e) What are their main concessions?
- (f) How do our plans compare with theirs?
- (g) How can we minimise their impact when we are negotiating with the buyer?

Check List of Factors to Consider when Negotiating

- Price
- Currency in which bidder is willing to accept payment
- Facilities for reciprocal trading
- Ability to make offset arrangements
- Credit terms which can be offered
- Availability of Government-to-Government loan



- Delivery, including reputation of keeping delivery promises
- Risk of territory in which manufacture taking place being subject to industrial disputes
- Conformity with mandatory specifications
- Reliability of product
- Quality of product
- Ease of maintenance and level of running costs
- Standardisation with purchaser's existing plant/system
- Ability to comply with performance guarantees
- Design and technical merit of product
- Capability of plant/system for expansion to meet purchaser's future requirements
- After-sales service
- Availability and price of spares
- Willingness to accept purchaser's commercial terms of contract
- Reputation on commercial negotiations of being 'hard' or 'soft'



3 - How Good a Negotiator Are You?

How much natural aptitude have you for negotiating? This self-evaluation test will help to give you some idea.

Instructions:

1. The test consists of 26 multiple questions.
2. Read each question carefully and consider which answer you feel is most accurate.
3. Mark the answer you select.
4. After you have completed all the questions, use the Answer Key to find the numerical score for each question.
5. Write the scores down in two columns for plus and minus scores.
6. Total the columns, then subtract the minus from the plus score. The final number (which can be plus or minus) is your Negotiating Quotient.



How good are you as a Negotiator?

1. Do you generally go into negotiation well prepared
 - (a) Very frequently
 - (b) Often
 - (c) Sometimes
 - (d) Not very often
 - (e) Play it by ear

2. How uncomfortable do you feel when facing direct conflict?
 - (a) Very uncomfortable
 - (b) Quite uncomfortable
 - (c) Don't like it but face it
 - (d) Enjoy the challenge somewhat
 - (e) Welcome the opportunity

3. How do you look at negotiation?
 - (a) Highly competitive
 - (b) Mostly competitive but a good part co-operative
 - (c) Mostly co-operative but a good part competitive
 - (d) Very co-operative
 - (e) About half co-operative and competitive

4. What kind of deal do you go for?
 - (a) A good deal for both parties
 - (b) A better deal for you
 - (c) A better deal for him
 - (d) A very good deal for you and better than no deal for him
 - (e) Every man/women for him/herself

5. Do you like to negotiate with merchants (furniture, care, major appliances)?
 - (a) Love it
 - (b) Like it
 - (c) Neither like nor dislike it
 - (d) Rather dislike it
 - (e) Hate it



6. Are you a good listener?
 - (a) Very good
 - (b) Better than most
 - (c) Average
 - (d) Below average
 - (e) Poor listener

7. How do you feel about ambiguous situations or situations which have a good many pros and cons?
 - (a) Very uncomfortable. Like things one way or another
 - (b) Fairly uncomfortable
 - (c) Don't like it but can live with it
 - (d) Undisturbed. Find it easy to live with
 - (e) Like it that way. Things are hardly ever one way or another

8. How would you feel about negotiating a 10% pay rise with your boss if the average rise in the department is 5%?
 - (a) Don't like it at all. Would avoid it
 - (b) Don't like it, but would make a pass at it reluctantly
 - (c) Would do it with little apprehension
 - (d) Make a good case and not afraid to try it
 - (e) Enjoy the experience and look forward to it

9. How good is your business judgement?
 - (a) Experience shows that it's very good
 - (b) Good
 - (c) As good as most other executives
 - (d) Not too good
 - (e) I hate to say it but I guess I'm not quite with it when it comes to business matters

10. When you have the power do you use it?
 - (a) I use it to the extent I can
 - (b) I use it moderately without any guilt feeling
 - (c) I use it on behalf of fairness as I see fairness
 - (d) I don't like to use it
 - (e) I take it easy on the other person



11. How do you feel about getting personally involved with the other party?
- (a) I avoid it
 - (b) I'm quite uncomfortable
 - (c) Not bad-not good
 - (d) I'm attracted to getting close to him/her
 - (e) I go out of my way to get close. I like it that way
12. How sensitive are you to the personal issues facing the opponent in negotiation? (The non-business issues like job security, workload, vacation, getting along with the boss, not rocking the boat).
- (a) Very sensitive
 - (b) Quite sensitive
 - (c) Moderately
 - (d) Not too sensitive
 - (e) Hardly sensitive at all
13. How committed are you to the opponent's satisfaction?
- (a) Very committed. I try to see that he/she doesn't get hurt
 - (b) Somewhat committed
 - (c) Neutral but I hope he/she doesn't get hurt
 - (d) I'm a bit concerned
 - (e) It's every man/woman for themselves
14. Do you carefully study the limits of the other person's power?
- (a) Very much so
 - (b) Quite a bit
 - (c) I weigh it
 - (d) It's hard to do because I'm not him/her
 - (e) I let things develop at the session
15. How do you feel about making a very low offer when you buy?
- (a) Terrible
 - (b) Not too good but I do it sometimes
 - (c) I do it only occasionally
 - (d) I try it often and don't mind doing it
 - (e) I make it a regular practice and feel quite comfortable



16. How do you usually give in?
- (a) Very slowly if at all
 - (b) Moderately slowly
 - (c) About at the same pace he/she does
 - (d) I try to move it along a little faster by giving more
 - (e) I don't mind giving hefty chunks and getting to the point
17. How do you feel about taking risks that affect your career?
- (a) Take considerably larger risks than most people
 - (b) Somewhat more risk than most
 - (c) Somewhat less risk than most
 - (d) Take slight risk on occasion but not much
 - (e) Rarely take career risks
18. How do you feel with those of higher status?
- (a) Very comfortable
 - (b) Quite comfortable
 - (c) Mixed feelings
 - (d) Somewhat uncomfortable
 - (e) Very uncomfortable
19. How well did you prepare for the negotiation of the last house or car you bought?
- (a) Thoroughly
 - (b) Quite well
 - (c) Moderately
 - (d) Not well
 - (e) Played it by ear
20. How well do you think when not under pressure (compared to your peers)?
- (a) Very well
 - (b) Better than most
 - (c) Average
 - (d) A little worst than most
 - (e) Not too good



21. How would you feel if you had to say, "I don't understand that", four times after four explanations?
- (a) Terrible - wouldn't do it
 - (b) Quite embarrassed
 - (c) Would feel awkward
 - (d) Would do it without feeling too badly
 - (e) Wouldn't hesitate
22. How well do you handle tough questions in negotiation?
- (a) Very well
 - (b) Above average
 - (c) Average
 - (d) Below average
 - (e) Poor
23. Do you ask probing questions?
- (a) Very good at it
 - (b) Quite good
 - (c) Average
 - (d) Not very good
 - (e) Pretty bad at it
24. Are you close-mouthed about your business?
- (a) Very secretive
 - (b) Quite secretive
 - (c) Secretive
 - (d) Tend to say more than I should
 - (e) Talk too much
25. How confident are you about your knowledge in your own field or profession (compared to your peers)?
- (a) Much more confident than most
 - (b) Somewhat more confident
 - (c) Average
 - (d) Somewhat less confident
 - (e) Not very confident, frankly



26. You are the buyer of some construction services. The design is changed because your spouse wants something different. The contractor now asks for more money for the change. You need him/her badly he/she's well into the job. How do you feel about negotiating the added price?
- (a) Jump in with both feet
 - (b) Ready to work it out but not anxious to
 - (c) Don't like it but will do it
 - (d) Dislike it very much
 - (e) Hate the confrontation

To find your Negotiation Quotient add your positive and negative scores separately. Subtract total negative score from the positive score. This will give your total point score from minus 298 to plus 341.

If you scored between 250 and 341, you are probably a pretty good negotiator already. If you scored between 181 and 250, you already have many of the traits that contribute to becoming a successful negotiator.

If you have a minus quotient, you need to pay particular attention to the personal aspect of negotiating in addition to the techniques you will be acquiring.

Negotiating skills can be improved once you know what the techniques are and especially why they work.



1	(a)	+20	(b)	+15	(c)	+5	(d)	-10	(e)	-20
2	(a)	10	(b)	5	(c)	+10	(d)	+10	(e)	5
3	(a)	-15	(b)	+15	(c)	+10	(d)	-15	(e)	+5
4	(a)	+10	(b)	+5	(c)	-10	(d)	+10	(e)	-5
5	(a)	+3	(b)	+6	(c)	+6	(d)	-3	(e)	-5
6	(a)	+15	(b)	+10	(c)	0	(d)	-10	(e)	-15
7	(a)	10	(b)	-5	(c)	+5	(d)	+10	(e)	+10
8	(a)	-10	(b)	+5	(c)	+10	(d)	+13	(e)	+10
9	(a)	+20	(b)	+15	(c)	+5	(d)	-10	(e)	-20
10	(a)	+5	(b)	+15	(c)	+10	(d)	5	(e)	0
11	(a)	-15	(b)	10	(c)	0	(d)	+10	(e)	+15
12	(a)	+16	(b)	+12	(c)	+4	(d)	-5	(e)	-15
13	(a)	+12	(b)	+6	(c)	0	(d)	-2	(e)	-10
14	(a)	+15	(b)	+10	(c)	+5	(d)	-5	(e)	-10
15	(a)	-10	(b)	-5	(c)	+5	(d)	+15	(e)	+15
16	(a)	+15	(b)	+10	(c)	-3	(d)	-10	(e)	-15
17	(a)	+5	(b)	+10	(c)	0	(d)	-3	(e)	-10
18	(a)	+10	(b)	+8	(c)	+3	(d)	-3	(e)	-10
19	(a)	+15	(b)	+10	(c)	+5	(d)	-5	(e)	-15
20	(a)	+15	(b)	+10	(c)	+5	(d)	0	(e)	-5
21	(a)	-8	(b)	-3	(c)	+3	(d)	+8	(e)	+12
22	(a)	+10	(b)	+8	(c)	+2	(d)	3	(e)	-10
23	(a)	+10	(b)	+8	(c)	+3	(d)	0	(e)	5
24	(a)	+10	(b)	+10	(c)	+8	(d)	-8	(e)	-15
25	(a)	+12	(b)	+8	(c)	+4	(d)	-5	(e)	-10
26	(a)	+15	(b)	+10	(c)	0	(d)	-10	(e)	-15



4 - Tactics

Enhancing the cost and value of Concessions

A great deal of skill is required on the part of the supplier in raising the apparent cost to them and value to the buyer of a concession they are trading. Remember that if there is no apparent cost to you then you are really conceding nothing.

Concessions from Supplier to the Buyer

With these concessions we must credibly raise the value to the buyer of the concession we are offering by applying the benefits of the concessions to his needs. We can reinforce this value by stressing credibly the high cost of the concession to us. "You will understand that guaranteeing the special stock support is not something I could agree to easily, considering the cost and the existing commitments of my limited budget."

Concessions from the Buyer to the Supplier

Similarly the buyer will magnify the cost to the supplier and the value to us of their concessions. You must attempt to minimise the value to you of their concessions.

Matching and Trading Concessions

Concessions must be traded carefully. That is to say you must not take your hands off your concession until the buyer has agreed on what they will do in return. ("I will do this if you do that.") If you continually talk about your concessions alone, the buyer will accept them without reciprocation.

Maintaining the Fabric of the Negotiation

In many respects, negotiation is a vital game played for real consequences. Any unduly early attempt by either side to 'dig in their heels' by being genuinely inflexible will be met by reciprocal inflexibility from the other side, and the negotiation will break down.



Certainly the conclusion of the negotiation may be that both sides agree that they cannot reasonably bridge the gap between them at this stage, or in this instance.

That conclusion leaves open the possibility of further negotiation on the same subject, or new negotiations in another area.

A breakdown in negotiation caused by the unreasonable inflexibility of one party will not leave those possibilities so open for the future.

At all times, even when we have reached a point beyond which we are not prepared to go, we must appear to be reasonable.

- **Remember that you are playing a ritual game which is firmly based in hard financial reality.**
- **For many buyers much of their sense of achievement comes from 'playing the game well.'**

There is also a point in a negotiation when the amount of time invested makes the deal harder to call off. In other words if the buyer declares stalemate, or that he has reached the point of no return, and you have been negotiating for several hours, you will both be losing a considerable 'time' investment in the deal, apart from other considerations. At this stage it is worth pointing this out and suggesting another look through all the aspects of the proposed deal before admitting defeat. Equally, it is important to bear in mind, and perhaps make use of the fact, that the pressure to come to an agreement rises as the negotiation proceeds, as a consequence of increased time investment.



5 - The Buyers Role

In negotiation one can say that a buyer must, at times, become a salesperson as well.

They must aim at achieving a successful transaction - one which allows the seller to perform effectively whilst making a reasonable profit. They need, therefore, to be able to judge what the profit level of the supplier should be.

Be negotiating, a buyer takes the initiative in improving their position. Without negotiating, they merely accept the best offer given to them.

However, a buyer not only considers the deal in purely objective terms. Buying decisions are generally a mixture of objective/rational and emotional - a balancing of business needs against humans needs. The emphasis is usually decided by the product/service under consideration. Industrial goods buying is influenced, in general, more by business needs whilst consumer product/service buying is more influenced by human needs. Consumer durables fall roughly in the middle.

In negotiation, it is necessary to find common ground on both sides and then find a compromise acceptable to both regarding any points of difference.

The buyer's aim is to gain as many advantages for their company as they can. Their strength will be affected by their knowledge of:

- **what competition there is**
- **what price analysis he/she has made**
- **the volume of business to be done**
- **the time available for agreement**
- **how strong the supplier is**
- **what concessions could be looked for**



Just to prove how closely a buyer's strategies and tactics match a seller's strategies and tactics, consider the following:-

1. The buyer should keep control of the interview.
2. Methods of getting a commitment by the supplier should be watched for. A knowledge of closing techniques and their application will enable the buyer to bring the negotiation to a successful conclusion.
3. Avoid points of major conflict or positive demands at the beginning of the negotiation. (Softly, softly, catchy monkey!)
4. Avoid making the first proposal/concession. Let this come from the seller.
5. Demand substantiation for all claims made by the seller.
6. Ask questions which will reveal factors that the seller might otherwise like to remain hidden.
7. Watch seller's tactics to try to pinpoint his/her weaknesses.
8. Watch for evasive answers.
9. Be ready to give a small concession in order to achieve the major objective.
10. Beware of this tactic being used by the seller.



6 - Ten Key Points

1. Never give a concession. Trade it reluctantly.
2. Leave the other person feeling he's done a good deal too.
3. Watch for the danger phrases. "A few small details", "One little point and we're in business", "It's in your interest", "Fairer to both sides".
4. Once you've started backing down, it's quite a job to climb up again.
5. You must maintain neutrality in those early stages.
6. Absorb an attack by making notes.
7. If you want time to think, read over your notes or make a telephone call.
8. Never make an offer till you've got the cost-list of everything he intends to argue with you about.
9. There hasn't been a deadline in history that wasn't negotiable.
10. Anything the other side accepts as a constant can nearly always be made into a variable.



7 - Intangible Reasons for Buying

The intangible reasons why a customer places an order can be very powerful.

Here are some of the specific aspects under the headings of:

The Customer	-	and their needs.
The Sales Person	-	and ways in which they can help
The Supplier	-	and how they must appear
The Equipment	-	and particular attributes

Note these lists EXCLUDE tangible influences such as whether the equipment is right for the job! These are more easily identified and more often gives consideration.

Customer

- Loyalty, habit, historical, relationship
- Prejudice, sentiment
- Pride, ego, flattery, attention to personal needs
- Confidence - in equipment and supplier
- Means of gaining esteem with his/her company
- Apparent value for money
- Impulse
- Ease of justification of purchase
- Security, peace of mind
- Company policy
- Local loyalty
- Speculation, anticipation
- Social implications of purchase
- Apathy, laziness, reluctance to change
- Fear of change
- Personal relationship trust, rapport, attitude
- Pride of possession prestige value
- Personal pressures at time of decision
- Feeling of "a good deal" - gain
- Surplus money in budget
- Demonstration of decision making power
- Satisfaction of emotion
- Politics, national attitudes
- Spreading risk
- Recommendation from others
- Relative status compared with other customers



Salesperson

- Credibility and Reliability
- Personal presentation and acceptability
- Enthusiasm
- Identification with customers needs
- Timing
- Integrity, trust
- Personality
- Personal relationship, trust, rapport, attitude
- Empathy
- Communications, ease of dealing
- "Technical" competence

Supplier

- Image, reputation, prestige, stability
- Company policy
- Politics, national attitudes
- "Technical" competence
- Record as an employer, social acceptability
- Identification with customers needs
- Location
- Resources
- Back-up facilities

Equipment

- Product/service presentation
- Image
- Quality, reliability
- Technology
- Identification with suppliers needs
- Implications of design
- Manufacturers resources
- Safety



8 - The Four Negotiation Commandments

1. **Aim high.**
2. **Get the other person's shopping list before you start arguing.**
3. **Keep the whole package in mind all the time.**
4. **Keep Searching For Variables.**



9 - Face-to-Face Negotiation

1. Negotiate only with those in authority.
2. Be prepared to trade.
3. Be calm.
4. Don't compromise your objectives.
5. Don't oversell.
6. Don't show your thoughts on your face.
7. Don't underestimate your opponents.
8. Always appear reasonable.
9. Keep the meeting to your plan.
10. Be courteous and don't rush the other side.
11. When the mission is accomplished - leave.
12. Don't drink - it influences your judgement and speed of thought.
13. Tell it like it is and say clearly what you mean.
14. Distinguish between major points and details.
15. Appear relaxed and enjoy yourself.
16. Listen carefully to all the other side says, and to the way they say it. Read any documents they give you.
17. In multi-person negotiations, stay with your individual roles.
18. If the agreement is not right for you, get up from the table.

