



The Ultimate Guide to Sales Negotiations

2021 White Paper

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Topic One

Introduction

No one is a born negotiator. *Instead, it is a process we learn from interacting with others. Since so much of it is ingrained, it becomes subconscious, and it's easy to forget how much it influences our lives.*

We see it every day on the news, from the debates and discussions of our two-party political system to treaties and agreements with foreign countries. These days, it is such an important part of a functioning society that major universities like Harvard and MIT have programs dedicated to negotiation.

As children, we learn some requests are better made to either Mom or Dad. We learn strategic timing when Mom is on the phone or Dad is distracted. We enlist older siblings, veteran negotiators, who developed tricks to ensure successful outcomes.

Growing up, we negotiate with friends, trading cards or toys. We marry and enter more complicated negotiations, requiring additional short-term gives for long-term wins. Professionally, we negotiate with clients, co-workers, and bosses.

In sales, the idea of negotiation can seem so dissimilar to selling as to require an entirely different mindset—if not an entirely different professional. After all, selling is about identifying and presenting solutions that will benefit the client, and negotiation is often associated with (although not limited to) closing deals and achieving favorable outcomes. Viewed this way, it's easy to see negotiating in a negative light. In fact, for many, the word

itself sounds “negative” and conjures images of competition, manipulation, and underhanded machinations that are more dark art than business practice. Historically, however, the word has its origin in the Latin *negotiationem*, which literally means “business traffic.”

Part of this negativity comes from looking at selling and negotiating as separate processes. This sets up a false dichotomy in which the seller is the helpful good cop and the negotiator the hard-nosed bad cop. For most seasoned sales pros, negotiation is the logical conclusion to the selling process that started with business development. Just as sellers must qualify leads to discover the prospects that can most benefit from their products and services, negotiating is putting the finishing touches on a deal once two sides have reached an agreement in principle. Rather than a competitive blood sport, in which one side wins and the other loses, a successful negotiation is the product of being a consultative partner, achieving win-win outcomes for all parties.

While some consider it an art and some a science, a sales negotiation is a vital part of the selling process. From years of research and experience, we've assembled this white paper to share how best-in-class sales professionals negotiate and win more for both themselves and their clients.



Topic Two

Sales Negotiation

2.1 Defining Sales Negotiation

A sales negotiation is a strategic discussion or a series of discussions between buyers and sellers to resolve issues and agree to terms acceptable to both parties. Through communication, compromise, and concessions, buyers and sellers should work together to achieve favorable results and win-win outcomes for all.

Negotiation is also an essential part of a consultative sales process in which building relationships is paramount to success.

As such, the desired result is forming a partnership with another person or group of people. In all relationships, emotions must be considered. If one side feels manipulated or taken advantage of, the chance of a successful, long-term partnership becomes more difficult. Therefore, much depends on how the negotiation process occurs and is executed. Whether it's in a corporate conference room or virtual, central to this is understanding outcomes, what we hope to achieve.

2.2 Desired Outcomes

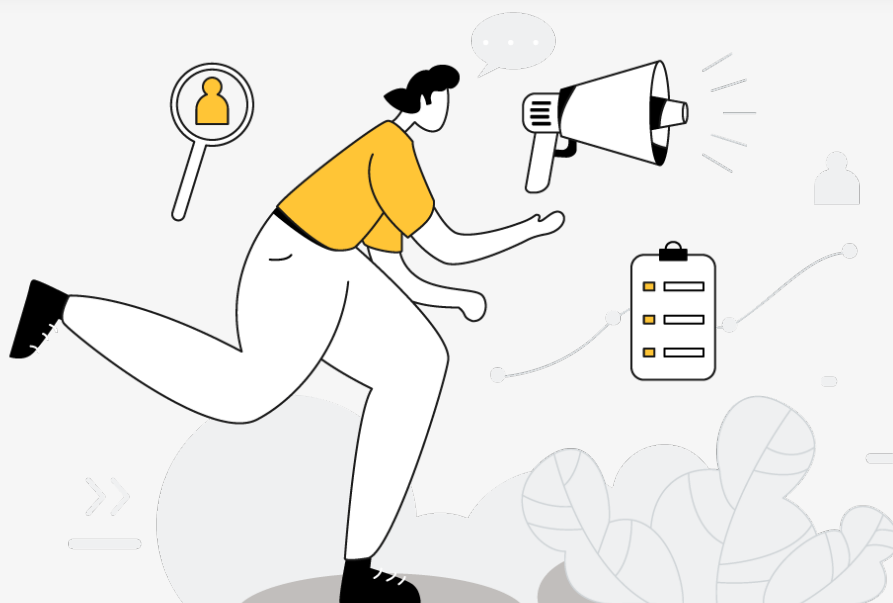
It's an unfortunate cliché that all negotiations feature one winner and one loser. This false competition is the opposite of consultative selling. Rather than winners and losers, both sides should collaborate on win-win outcomes in which both parties emerge from the negotiation achieving their desired results.

Prior to engaging in a sales negotiation, sellers need to establish their desired outcomes, such as what they hope to achieve.

They should know and understand that they may not be able to win every point and walk away with everything they want. After all, compromise and collaboration are essential elements of the negotiation process.

Therefore, sellers should approach a negotiation with a hierarchy of desired outcomes:

- » **Identify Critical Needs:** These are the outcomes you must achieve for the negotiation to end successfully.
- » **Prioritize Needs:** Which desired outcomes are most important, and which are more flexible? Knowing this in advance helps you see possible concessions to achieve your most critical needs.
- » **Understand the Other Side's Needs:** Of course, if one is a mind reader, negotiations would be easy. Good sellers know their counterparts also have a hierarchy of needs. You should always approach a negotiation with a list of best outcomes for the other side that you identified in your initial preparation, and keep this in mind as you negotiate.



2.3 How Negotiation Has Changed

As the selling environment has changed, the negotiation process has evolved as well. With the shift to consultative selling, prioritizing the personal relationships that drive sales, today's sellers know that an outdated, adversarial approach to negotiation is not best.

While the adversarial negotiation model would suggest consultative selling is an impediment, it can also be an opportunity to solidify what you have to offer. As long as you clearly differentiate your solution from your competition, this can be done through a variety of ways, such as showcasing post-purchase implementation support, enhanced warranties, or 24/7 customer support.

In addition, as deals have grown increasingly complex, with the average number of decision makers rising above six—all with different priorities—this too can seem like it would present insurmountable obstacles. Instead, successful negotiators see this as an opportunity to align the needs of all decision makers.

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Today, as technology has given buyers access to more information, they are better informed than ever.

Buyers now know the vast array of choices they have. They will compare your solutions to your competitor's offerings and subsequently leverage this information to their advantage.

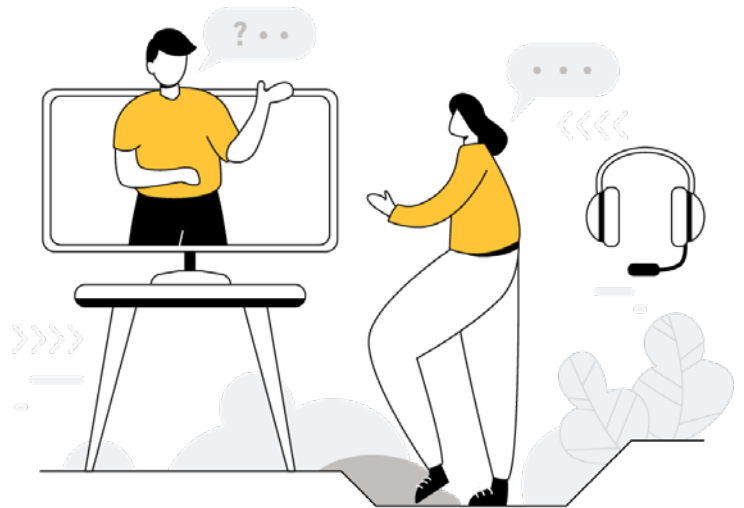
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Instead of viewing your counterparts as opponents and the negotiation as a battle to be won, approaching them as partners will change the dynamics of the negotiation and allow for more win-win outcomes.

2.4 Negotiating Virtually

One of the most significant changes to the selling industry has been the shift into virtual selling. As so much communication now takes place online and through video conferencing, sales professionals needed to update their processes to better connect with buyers in a virtual environment.



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While much of the skill set required for negotiating virtually remains the same as in face to face, negotiators should be aware of some key distinctions to ensure the success of a virtual negotiation.

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Set the Stage

- » When negotiating virtually, sellers should remember they are inviting people into their homes. As such, your décor plays an increased role in how clients see you. Make sure it is not a distraction, and consider a virtual background that reflects your brand and professionalism.



Tech Fails

- » With the increased reliance on technology, sellers must ensure the functionality of their presentations. Check, double-check, and recheck your technology and perform several dry runs before engaging clients. Also, periodically check in with them during your meeting to ensure there are no glitches that can result in miscommunication.



Interaction and Engagement

- » Virtual selling has changed the way we interact and engage with clients. Simply put, additional effort is required on the part of sellers to sufficiently connect with buyers. As much as possible, maintain eye contact and pay attention to nonverbal cues. Check in frequently to ensure everyone can see and hear you as you establish rapport.



Build Trust

- » Essential to the selling process, this is even more important in a negotiation. Be friendly, courteous, and do more to express empathy and understanding. Remember, eye contact comes from looking into the camera, not your screen. Consider your posture and movements, such as leaning in to express interest and consideration. Smile, raise your eyebrows, tilt your head. Give your full attention and show you are as interested in their desired outcomes as you are your own.



Topic Three

The Sales Negotiation Process

Just as all sellers know to follow a prescribed process, sales negotiation requires its own process that takes off from and supplements their sales process.

For Janek, this is based on our own research-based program and includes the following:

- » **Preparation:** Know Your Account, Stakeholders, Deal
- » **Opening:** Exhibit Confidence, Trustworthiness, and Vision
- » **Trading:** Make Offers, Understand Counters, Assess Options
- » **Concluding:** Confirm, Reinforce, Align
- » **Implementing:** Pursue Implementation of Full Agreement

The Sales Negotiations Process



Preparation

As with prospecting, preparation is key to a successful negotiation. The more work you do on the front end, before you enter the negotiation, the easier the process. Preparation also boosts confidence. Sellers must be armed with their outcome assessments, knowing which outcomes are must haves and which can be traded.

Opening

Confidence is imperative in negotiations. A lack of confidence is a weakness that will show to buyers, and they will use this to their advantage, chipping away at a seller's desired outcomes until the deal is no longer profitable or beneficial. Overconfidence is also something sellers must guard against. This can make you seem rigid and inflexible and sets the stage for an adversarial negotiation process. Flexibility builds trust. If the buyer presents a term or condition you cannot meet, lead with understanding and empathy, "I can see why that is an important consideration..." They should trust you understand and appreciate their needs and have the vision to see a mutually beneficial solution.

In addition, a strong opening is essential for an effective dialogue and negotiation. This lets the seller take the lead and tactfully control the conversation, using their planned opening dialogue to inspire trust and demonstrate the vision they have for a successful outcome and advantageous partnership.

Trading

Sellers must know what they can give in order to get. In this way, it's helpful to think like a chess player. While most everyone knows the movement of the pieces, good players learn their comparative value. For the most part, pawns are one point, knights and bishops are three points each, rooks are five, and queens are eight. Some may consider bishops more valuable than knights; like rooks and queens, they can traverse the entire board. A knight's step-step cross movement is more limited but useful to sneak up on opponents. In negotiation, sellers must know the value of the pieces when considering trades and concessions. They must understand a buyer's counteroffer and what it reveals about their desired outcome to assess their options and next moves.

Concluding

When building to the conclusion of a negotiation, sellers should consistently confirm agreements that have already been reached. Do not take anything for granted, and always emphasize the positive, "I'm glad we agree delivery will begin the first week of March, and the product will arrive in your distribution center no later than the sixth." Here, it also helps to reinforce the agreement, "I'm confident you will be pleased with the 14 pallets of XYZ, each stacked no higher than three feet," and align the different needs of the buyers, "This will make it easy for your workers to unload at the same time it allows for easy inspection, which are vital concerns for you."



3.1 Learning and Honing Negotiation Best Practices

1. Define Concessions
2. Let the Buyer Lead
3. Avoid Ranges
4. Do Not “Split the Difference”
5. Deal with Decision Maker(s)
6. Give to Get
7. Move Beyond Money
8. Keep Conversation Amicable
9. Know When to Walk

3.1.1 Define Concessions

Successful sales negotiators must guard against being too eager to reach an agreement by allowing terms and concessions that will jeopardize long-term profitability. It’s an easy trap to fall into. After so much back and forth between buyers and sellers, you come to a point where you can see an agreement is possible—if you just give a little more. Sure, everyone wants to close a deal, and you want to be accommodating, but last-minute concessions can be fool’s gold. It’s not until you step out of the meeting and get back to your desk that you realize the implications of a hasty concession. Know in advance what your margins allow you to discount, the type of discount, and the number of concessions you’re willing to offer. Stick to it, even if it means a longer negotiation.

3.1.2 Let the Buyer Lead

In chess, the white pieces always move first. As such, they have a distinct competitive advantage. While it can be tempting for sellers to seize the initiative and take the lead, sellers present the terms of the deal. They define the meeting agenda. In many ways, this is their opening move. By letting buyers speak first in the negotiation, sellers not only appear friendly and accommodating; they can also quickly gauge the effectiveness of their preparation. They should have a clear idea of who they are dealing with and leverage this to gauge the buyer’s mindset and negotiating stance. Are they adversarial or eager to deal? This allows sellers to control the conversation while maintaining the same calm, courteous, and professional demeanor that helped them develop a relationship and prove themselves a trusted advisor.

3.1.3 Avoid Ranges

Let's face it. If you're shopping for a car and the salesperson says, "I can let this go for somewhere between 20 and \$25,000," you want to pay \$20,000. No one has ever jumped into the higher range first. Sales negotiations are no different. Precise numbers show buyers you have done your homework. These are the figures you need to make this deal worth your time and money. Of course, in a negotiation, things are negotiable, but price ranges are like a giant flashing neon sign that a seller is desperate and willing to give away much more. Always present precise numbers and add value when possible, making the numbers more attractive in terms of what the buyer gets for your price.

3.1.4 Do Not Split the Difference

It seems so easy. You make an offer, the buyer counters, and you both say, "Let's split the difference." If it seems too easy, that's because it is. Splitting the difference may be equal, but it isn't always beneficial. In your haste to make a deal, you could be giving away more than you need to. Worse, it could be a signal your original offer was too high, and you haven't been dealing in good faith. After all, if you can move on so quickly, what else will you split? What other offers were padded in anticipation of a split? Instead, a better tactic is to continually reinforce the value of your offer. Show the buyer/buyers that your ask is fair for the value it provides and demonstrate how they too will benefit in the long run.

3.1.5 Deal with Decision Makers

As in selling, the sooner you can engage decision makers, the more streamlined the process will become. By the time you reach a negotiation, sellers should have identified and connected with the people whose approval makes or breaks deals. It can be extremely frustrating, not to mention time consuming, to reach agreements only to have them undercut or changed by decision makers who were not part of the discovery process.

3.1.6 Give to Get

It's said relationships are give and take, and this is true. Both parties must give up a little of what they want to ensure winning outcomes. Of course, what one gives in a marriage should be more than in a sales negotiation, but in the spirit of building relationships and being consultative partners, sellers know they will have to concede points. However, this does not mean you give and give just to make the other side happy. For each concession, make sure you get something of value. For example, "We can boost the first 5,000 units to 10,000 to meet your immediate demand, provided that additional orders will increase the price 10 percent each month." It can be immediate or show up later in a deal, but successful negotiators know to get back something comparable for everything they give up.

3.1.7 Move Beyond Money

Of course, many negotiations eventually come down to price, and people in polite societies know it can be difficult to discuss money. While price is an unavoidable fact of negotiation, and the dreaded word "discounts" will probably rear its ugly head, successful negotiators know to swing the conversation back to value. After all, value is always seen in relation to price. This is as true in a sales negotiation as it is in deciding which grocery store to shop. In both selling and negotiating, explaining or providing additional value softens the blow of how much something costs. It's not expensive if the buyer gets what they need, and the value is clear.



3.1.8 Keep the Conversation Amicable

No matter how long or difficult a negotiation, successful negotiators must keep the conversation light and friendly. Remember, the point of consultative selling is to understand a client's needs and build relationships. That does not end when negotiating. Ultimately, once both parties agree, they will have formed a true partnership where they must work together to achieve mutually beneficial results. This begins with a mindset devoted to collaboration over competition and a sincere desire to help buyers achieve their needs.

3.1.9 Know When to Walk

For many, this expression sounds negative, but in sales negotiation, it doesn't have to be. Quite simply, if two sides know what they want and what they are willing to give, both should also know when a deal is no longer advantageous. When this happens, it is time to part. Every sales negotiator knows the more demanding a prospect is in a negotiation, the greater the likelihood they'll be a difficult client in the future. It's always a judgment, but when both sides can't agree on acceptable terms, it's best to simply walk away. At the same time, however, a seller's willingness to walk can signal to the buyer it's now or never and help facilitate moving the deal forward.

Sales Negotiation Desired Traits



» **Process Oriented:** Negotiation is a journey, not a destination. If you're asking, "Are we there yet?" you're missing the point. Reps need commitment to the process and the willingness to see it through.



» **Focus:** Reps must switch their focus between their immediate points and the larger desired outcome and not fixate on contentious issues.



» **Patience:** If patience is a virtue in everyday life, it's essential in negotiation. Let buyers speak and address all their concerns. The desired outcome will wait for you.



» **Creativity:** No matter how much prep you do, expect surprises. The ability to think on one's feet and be creative when the unexpected arises is crucial to obtaining a desired outcome.



» **Experimentation:** A central tenet of sales is all clients are unique. Negotiators should constantly update their methods and processes and experiment with style and delivery to find the best fit for their client.



» **Confidence:** This comes from preparation and experience. When it's genuine, clients will know it.



» **Empathy:** The ability to understand and relate to what buyers feel is as central in negotiation as it is in discovery.

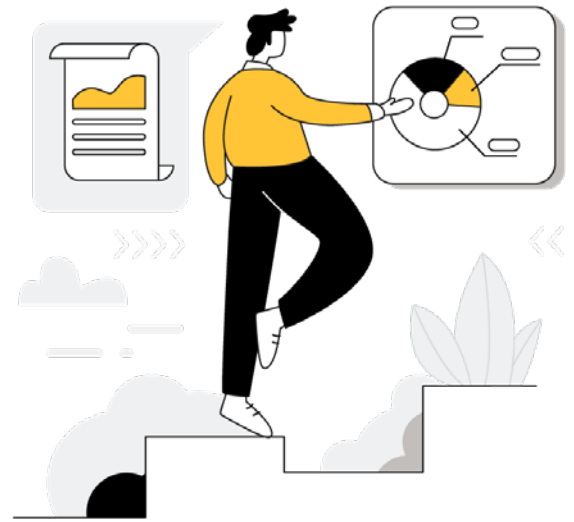


» **Active Listening:** Like empathy, this is as important in negotiation as it is throughout the sales process, and reps must pay attention to both verbal and nonverbal communication throughout.

3.2 Leveraging Data in Sales Negotiation

Sales is a data-driven business.

This holds true throughout every aspect of the sales process, from lead generation to discovery and negotiating. The more information sales reps have at their disposal, the easier it will be to show clients the value of their solutions and why the terms presented are fair and reasonable based on the value provided.



Just as chess players should learn the relative value of their pieces to gauge trades, such as when it's advantageous to trade a knight for a bishop, negotiators must know the trade value of both their own and their client's offerings.

This can be complicated.

McKinsey's Dynamic Deal Scoring breaks it down into smaller groupings:

- » Identify variables, such as deal size, customers, products.
- » Score deals based on quality versus price.
- » Gauge incentives based on the quality of the deal and where you are in the negotiation process.
- » Understand the competition and their prices for similar products to best leverage additional value.



3.3 Mistakes to Avoid in Negotiations



Not Negotiating With Final Authority

After connecting with a primary contact, division leaders, IT, several directors and VPs, or even the seasoned negotiators from procurement teams, it would be easy to assume there isn't anybody left. Be sure you know the ultimate authority whose signoff seals the deal.

Setting a Bottom Line

Imposing limits, stating a bottom line, or proclaiming "This is my final offer!" stall negotiations. Good negotiators expand the discussion to present the most options. Not only does this show good will, but it is a sign you've done your homework and are prepared to meet in the middle.

Being in a Rush

Time is ticking, and you fear some make-or-break request, the proverbial ghost in the machine, will negate your hard work. However, rushing to close is desperate. It signals you are scared. If your counterparts are skilled negotiators, they will pounce.

Not Building in Concessions

Skilled negotiators build concessions into their every offer. They know what they can give and what they want to get. This is the mental chess match of negotiation. Let the buyer feel they've won a few exchanges. Remember, winning isn't making the other party lose. The goal is a partnership that benefits all.

Overnegotiating

Another pitfall of negotiating is hearing an ultimatum when the buyer isn't making one. If they say, "I can't pay more than 10 grand" and you come back with, "Okay, 10 grand and we sign the papers?" you have lost an opportunity. See their offer as an invitation to add more value for their money.

Not Achieving Technical Wins

In sales negotiation, a technical win is knowing when you have won something before the deal is done, like knowing the client wants to buy from you over your competition. The more technical wins you pick up, the closer you will be to the goal you want to achieve.

Topic Four

Continuous Improvement

4.1 Improve Negotiation Skills Through Training

In many ways, the skills of successful negotiating are similar to the skills of successful selling. These include being congenial, keeping the focus on the customer's needs, and always presenting value.

However, perhaps due to the adversarial stereotype or even the word itself being so closely aligned with "negative," negotiation can make sellers bristle. It doesn't have to be this way. Negotiating is a skill; it can be taught and developed. In fact, the best sales professionals negotiate throughout the sales process, presenting solutions, overcoming objections, seeking alternatives. This give and take is the very heart of negotiation.

As in selling, a little psychology can go a long way. Training programs should include learning to view the negotiation through the buyer's eyes. Understanding how buyers think is key for sellers to present realistic and achievable proposals at the outset. These create and maintain good will and encourage buyers to see agreement is easily attainable. Starting with selfish or outlandish demands poisons the well. Good training programs should stress negotiation activities, such as role-play, in their curriculum. Whether presenting solutions or closing a deal, remaining customer focused can ease the process and help both sides win.





4.2 Improve Negotiation Skills Through Coaching



Earlier, we noted how negotiating plays a role in our most formative interactions. We learned to negotiate with parents for a higher allowance or a later curfew. We leaned on older siblings for negotiating advice. After all, siblings have vital experience negotiating with the “client.”

The same is true in sales negotiating. Sales managers guide their reps through the process by observing them in real time. Frequent meetings with the sales team allow reps to exchange ideas and strategies that work best with specific clients based on the size of the organization or the industry. Enterprise reps often have the most experience with multiple decision makers, while SMB reps may build rapport quicker dealing with fewer players. The best sales managers know to leverage the experiences of their reps and put the right coaching practice in place to get the most out of their negotiations.



Summary

Final Thoughts

While sales negotiation can be a complex topic, it does not have to be difficult.

Of course, there is a lot to it, honing the skills, leveraging data, and incorporating best practices.

The fact that negotiation has a process distinct from the sales process makes it sound more complicated than it needs to be. No doubt, this contributes to the disassociation that can arise between sales professionals and negotiators or the negativity inherent in “negotiation” and its intimidating five syllables.

However, at its core, negotiating is finding common ground between people and their interests. As shown, we’ve been engaged in it throughout our lives, each generation negotiating over the things they value, whether it’s bottle caps, stamps, or a host of cards from baseball to Pokémon. As anyone with a family knows, when one kid wants burgers and another wants enchiladas, you compromise with Applebee’s or Chili’s.

This idea of compromise is the heart of negotiation, and it is embedded in the sales process. Though some see a distinction between sellers and negotiators, a negotiation begins with your initial sales call and offer, “If you give me five minutes, I’ll give you...” After that, even the best products and services do not sell themselves. Sometimes, we must sweeten the offer or add value. Today’s consultative sellers know their goal is achieving a partnership. There is no room for adversarial relationships or competing interests. Ideally, sellers should negotiate throughout sales process, each side helping the other achieve their goals. This lessens the chance for glitches, surprises, or roadblocks. Most importantly, it reduces the number of t’s to cross or i’s to dot before signing the papers, and it keeps the whole process, from initial call to final agreement, pleasant, congenial, and beneficial for all.



Contact us
for more information.

Janek Performance Group
is an award-winning sales
performance solutions provider
based in Las Vegas, NV.

Janek Performance Group is an industry-leading, award-winning sales performance company headquartered in Las Vegas, Nevada. Janek offers solutions in sales training, consulting, and talent management for companies of all sizes, from startups to Fortune 100. Janek is expertly positioned to advise and serve clients in planning, developing, implementing, and sustaining sales performance solutions that generate measurable results. Janek's portfolio of offerings span all modern selling situations and are research-based and purpose-built to enable salespeople, sales leaders, and their organizations to win more often.

