



Are you well prepared for Negotiations?

Can you answer these three questions?

1. The series of meetings during sales negotiations are bound to take unexpected turns. So, should one prepare at all? If yes, how?
2. Can one be a good sales negotiator but not a particularly effective salesperson?
3. What parts of sales negotiations are 'Science' and which ones the 'Art'?



Can you solve the following three problems?

1. The company gets 80% of business from 20% large sized orders and rest 20% business from 80% number of orders. Whenever there was a complex and large enquiry sales head would get involved for the final rounds of negotiations. Prakash - one of the 10 sales team members - has been the salesperson for three years now. Boss found that Prakash's large deals success rate was about 8 out of 10 compared with average 4 out of 10. The boss always appreciated Prakash's excellent pre-selling efforts that helped achieved this success and even told others about it.

With such a track record, Prakash was promoted to be a Senior Sales Executive. Therefore the boss stopped accompanying him.

He was surprised that the orders fell drastically over next 6 months period. It was decided that now boss will accompany him but not actually take part in negotiations. The orders went up again. After doing this for three months the boss stopped and again the orders fell! What do you think is happening?

2. Sheetal works for beauty products of a large FMCG manufacturing company. For the last 6 months she has been working hard to get break through with a new and rapidly expanding modern trade chain of hyper-stores. During last monthly meeting she was asked by Regional Manager to present the status and she made an excellent presentation. The conclusion was that the negotiations are in the final leg and her meeting with their Director level Buyer is scheduled for next week.

Suddenly, the Regional Manager said he will go with her for that meeting. Sheetal was very excited about it. Director told her to send him a gist of her negotiation meetings so far for his study. Sheetal started to put together a dossier and found it extremely difficult. Why do you think this has happened?

3. Salesperson after salesperson in the annual conference made a case that one of the three major competitors is undercutting almost every one of the company's large order efforts. Sales team's demand was that the company should give them more authority to give concessions. VP Sales asked them to do group work and give him a comprehensive analysis of these competitors.

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After half an hour of group work all he got was the generic statements such as “they are well established” or “they are very aggressive” etcetera. VP Sales said this does not help him to decide on the matter without a good logic. He asked them to take a week and present a really well-analysed case. What should such an analysis contain?

Selling and Negotiation

Sales and marketing efforts are aimed at motivating Customer’s commitment by overcoming reservations in Customer’s mind. If we imagine Customer and seller as being two sides of a balance, the situation has to transform

- From the point in time when Customer’s side is being pulled down (by his resistances to buy) against the seller
- To the point when seller builds sales arguments on his side in such a way as to make Customer give up these resistances willingly and thus reduce the ‘tilt against’.



During this period of the balance swinging from one end to other, we can visualize a point when it is horizontal and ‘balanced’ i.e. seller’s need to sell has become equal to the Customer’s desire to buy.

If there are two or more sellers in whose case sales effort has reached such a balanced state – Customer may negotiate with all of them, pitch one against the other and try to get a better deal.

Negotiating meetings

After above status of balanced situation, there may be a series of one-to-one negotiation meetings between Customer and each of the suppliers. How things will pan out in each such meeting is not easy to predict for any party. This dynamic means that the process of negotiation is bound to take unexpected turns. But one can still prepare well expecting three phases of that negotiating process regardless of twists and turns. The phases are:-

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- **Discussion phase** to exchange each other’s position with an encouragement to reveal interest behind that position so that common ground can be found.
- **Proposing phase** for movement of positions taken to explore a win-win outcome.
- **Bargaining phase** to reach a firm and specific agreement.

These are “phases” and not the steps. Process of negotiation can move between these phases – at times the phases could change from meeting to meeting and at other times phases could change within one meeting itself. Recognizing which phase one is at and acting accordingly is the secret of negotiation success. A good sales negotiator should be in permanent state of readiness – the phase of ‘Preparing’ that precedes the other three phases.

A good sales negotiator should be in permanent state of readiness..

You should have a folder of **Negotiation Checklist** with structured information on each of the checklist head (see next paragraphs) such as can be updated from one meeting to the next and also having history of all meetings readily accessible to refer to.

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What to prepare?

Essentially one has to analyse the status on three counts i.e. what we bring to the table (our offer), what our competitor brings (or may bring) to the table, and analysis of Customer in a way that can be useful to conduct ourselves best during all above phases. Based on this, we can also prepare our tactics during the process of negotiations and keep ready counter for expected tactics from other sides. Thus four parameters on which to prepare are as below:-

- ❖ Analysis of Customer – Decision making patterns and sequences.
- ❖ Analysis of own offer – components that it is made of, value of each to Customer and relative cost to us, on which of those can we move howsoever little.
- ❖ Analysis of the most formidable competitor – A SWOT analysis with difference.
- ❖ Tactics to plan for. How to counter Customer's tactics

Advantages of preparing well for sales negotiations

- ✓ Puts in a position to determine the parameters for movement and decide in advance the walk-away position.
- ✓ Lesser chance of giving away too much.
- ✓ Customer's tactics cannot unsettle us. We can spring surprises if need be, using tactics that have been thought through.
- ✓ We can conduct discussions phase in a way as to tilt it to our side.
- ✓ Avoids emotions getting the better of us.

NEGOTIATION CHECKLIST – AN OVERALL STRUCTURE

Keeping track of the series of negotiation meetings			
This meeting details		Overall objectives for total negotiation This meeting objectives	
ANALYSIS OF CUSTOMER	ANALYSIS OF OUR OFFER	ANALYSIS OF MAIN COMPETITOR'S OFFER OR LIKELY OFFER	TACTICS
Master information	Component elements	Strengths and opportunities to use them	Our tactics
Modifications	Variable components	Weaknesses and vulnerabilities leading to risks	Customer's tactics – how we can counter
How to use best	How much leeway, value and cost?	Risk elimination or mitigation plans	Overall how to tilt the discussions to our side?
Strategy for this meeting			
Outcome			
Next action/s			

It calls for diligence and expertise to operationalise this structure for your needs. It is not rocket science!

Can you go back to the three questions at the beginning of this document? How would you answer them now?

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