

# Advanced Negotiating

# Media Sales Objectives

- What are your sales objectives?
  1. To get results for customers
  2. To develop new business
  3. To retain and increase current business
    - Presell
    - Upsell
  4. To delight customers

# Media Sales Strategies

- What are your sales strategies?
  1. To sell solutions to advertising and marketing problems
    - Complete customer focus
  2. To reinforce the value of advertising and your medium

# Strategies

3. To create value for your product
4. To become the preferred supplier
  - To establish, maintain and *improve* relationships at all levels of the client and agency (keep agency informed)
  - To provide the best research, information, and advice
  - To be your partners' online marketing consultant by providing solutions

# Strategies

## 5. To innovate

- New packages, new rotations, new ideas
- New creative approaches
- Innovative technology
- “The only functions of an enterprise: marketing and innovation.” Peter Drucker

# Key Functions

1. To create a differential competitive advantage in a buyer's mind
2. To manage relationships
3. To solve problems

# Bargaining for Advantage

Based largely on *Bargaining for Advantage: Negotiating Strategies for Reasonable People*, Richard Shell, Penguin Books, 1999

# Before You Begin

- All knowledge begins with “know thyself.”
  - Look inside first and honestly assess your style.
    - Accommodator, Conflict Avoider, Cooperator or Problem Solver?
    - Competitor?
  - To be a successful negotiator, you must be yourself at bargaining table. Tricks and stratagems you don't feel comfortable with won't work.
  - The best negotiators play it straight, ask a lot of questions, listen carefully, and concentrate on their and the other side's *interests*.



# Understand Persuasion

- The best negotiators see the psychological and strategic currents that are running below the surface.
- They understand and know how to use the principles of persuasion:
  - Reciprocation
  - Commitment and Consistency
  - Social Proof
  - Liking
  - Authority
  - Scarcity

# The Approach: Information-Based Bargaining

- Information-based bargaining involves getting as much reliable knowledge about the other side's business, personal needs, fears, interests and demands as possible.
- Successful negotiating also involves situational strategies -- there is no one-size-fits-all approach.
- The best negotiators have explicit guidelines for their conduct at the table regardless of what others may do – their own “rules of the game.”

# Gather Information: Listen

- The most important initial step in negotiating is gathering information – *discovery*.
- The vital, fundamental skill in gathering information is *listening*.
  - Don't sell until you listen.
  - Don't negotiate until you listen and *gather and exchange information*.
  - See Effective Listening presentation on [www.charleswarner.us/publications](http://www.charleswarner.us/publications)

# **The Six Foundations of Effective Negotiation**

# Foundation #1: Your Bargaining Style

- Negotiations in all cultures follow a four-step path:
  - Preparation
  - Discovery and information exchange
  - Explicit bargaining
  - Commitment

# We Are All Negotiators

- “A negotiation is an interactive communication process that may take place whenever we want something from someone else or another person wants something from us.”

# We Are All Negotiators

- All communication interaction occurs in a context of ongoing *relationships* that are characterized by deeply embedded norms of *reciprocity*.
  - The quid pro quo norm
  - Sets off an automatic trigger.

# Triggers and Stereotypes \*

- The trigger effect
  - Automatic reactions
    - If we ask someone to do us a favor, we will be more successful if we give a reason.... “Because” pulls the trigger.
    - Stereotypes = shortcuts (“Expensive = good”)

\* *Influence: The Psychology of Persuasion*, Robert Cialdini, William Morrow, 1993



# Reciprocation \*

- The reciprocation rule says that we should repay, in kind, what another person has provided us.
  - Whether we want it or not (Hare Krishna)
    - Give you a flower, book, or candy cane...and...
      - Pulls the trigger.
    - Free sample
  - The rule is overpowering.

\* *Influence: The Psychology of Persuasion*, Robert Cialdini, William Morrow, 1993

# Reciprocation \*

- Society benefits from strong reciprocation rules, thus encourages them.
- “Although the obligation to repay constitutes the essence of the reciprocity rule, the obligation to receive makes the rule easy to exploit.”
- “The obligation to receive reduces our ability to choose who we wish to be indebted to and puts the power in the hands of others.”

\* *Influence: The Psychology of Persuasion*, Robert Cialdini, William Morrow, 1993

# Reciprocation \*

- People find it highly disagreeable to be in a state of obligation.
- People who violate the reciprocity rule are disliked.
  - “Welsher,” “moocher,” “freeloader.”
- When you’re negotiating, you choose a small, indebteding first concession and then ask for a bigger reciprocal concession in return.

\* *Influence: The Psychology of Persuasion*, Robert Cialdini, William Morrow, 1993

# Reciprocation \*

- Or, even more effective, ask for a major concession (“Invest in it for \$5 million”), then when you are turned down, come back with a smaller ask (“How about \$3 million”).
- The second ask will be seen as a concession on your part and the other side will feel obligated to settle.

\* *Influence: The Psychology of Persuasion*, Robert Cialdini, William Morrow, 1993

# Four Bargaining Types

- The four bargaining styles are based on the way people prefer handling interpersonal conflict:
  1. Competitors
  2. Accommodators
  3. Conflict Avoiders
  4. Cooperators (compromisers)
  5. Problem Solvers

# Bargaining Styles

- Try this “thought experiment:”
  - Ten people sitting a round table.
  - \$1000 prize to each of first two people who can persuade the person sitting opposite to get up, come around the table, and stand behind his or her chair.
  - How will you respond?
    - You will need to move quickly.
    - Close your eyes, think about how you would handle this. When you have an answer, raise your hand.

# Bargaining Styles

- A cooperator wouldn't argue and would run behind someone else's chair who offered \$500 split.
- An accommodator would get up and run behind the opposite's chair while others were talking and not think of his/her reward.
- A competitor would say, "Quick, get behind my chair! I'll share the money with you!"
- A narcissist would say, "Quick, get behind my chair! I'll give you part of it!"

# Bargaining Styles

- Competitors try to control negotiations, opening with ambitious demands, using threats and ultimatums, and walking out to demonstrate their commitment to their goals. In the table game, the competitor is the persuader, will decide how to share the money, and will keep the lion's share. A competitor is not interested in being fair, but wants to win at all costs -- and wants the other side to lose.



# Know *Your Style*

- The four types can be folded into two basic types:
  - Cooperators
    - ✓ Research shows about 60% are cooperative and 75% of *effective* negotiators are cooperative.
    - ✓ Avoid defend/attack spirals and cycles of emotion-laden assigning of blame or disclaiming fault.
  - Competitors
    - ✓ Research shows about 24% are truly competitive.
    - ✓ Only 12% of effective negotiators are competitive.

# Know Your Style

- Research shows most people tend to believe others are like themselves (projection).
  - A dangerous assumption.
- Read “Negotiating Styles and Patterns” in the Library section of my website ([www.charleswarner.us/artindex.html](http://www.charleswarner.us/artindex.html)).
- Competitors are hard to convert because they view their counterparts as competitive.
  - Don't waste time trying to convert people.

# Beyond Style -- To Effectiveness

- Effectiveness is more attitude than ability. Four key habits of thought of effective negotiators:
  1. A willingness to prepare
  2. High expectations
    - Expectations high enough to present a real challenge but realistic enough to promote good working relationships.

# Four Key Habits of Thought of Effective Negotiators

3.The patience to listen

4A commitment to personal integrity

- Keep promises and don't raise the other side's hopes with promises you have no intention of fulfilling.

# Foundation #2: Your Goals and Expectations

- Goals: You'll never hit the target if you don't aim at it.
- The difference between a goal and an expectation is your attitude.
  - Our goals give us direction, but our expectations give weight and conviction to our statements – we are most enthusiastic when we strive to achieve what we feel we deserve.
  - The more preparation we do, the more it reinforces our beliefs that our goals are achievable and reasonable.

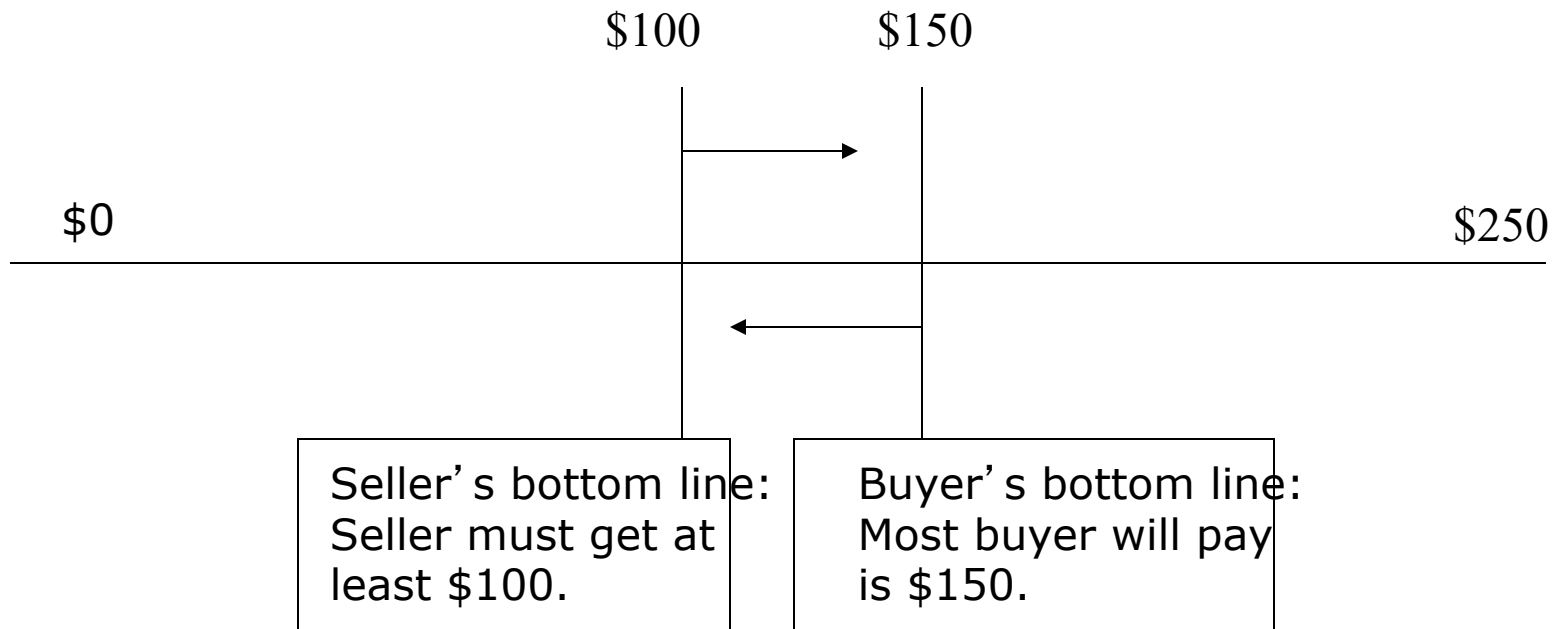
# Mental Preparation

- Confidence is everything, in yourself, in your product, in your proposal.
- Mentally rehearse.
- Visualize.
  - See a positive outcome.
- Practice out loud.
- Put yourself in the other side's shoes.
  - Empathy

# Prepare Your Goals

- ✓ Goals set the upper limit of what you will ask for.
  - ✓ You mentally concede everything beyond your goals, so you seldom do achieve higher.
  - ✓ Challenging but achievable goals help reinforce our commitment.
  - ✓ Passionate commitment to ambitious goals gives you a significant psychological edge.
  - ✓ Focus on your highest legitimate expectation (HLE) of what you should achieve, not your bottom line.

# The Positive Bargaining Zone



During negotiations, people tend to gravitate toward their bottom line--the dominant reference point--and measure success with reference to the bottom line as it is difficult to reorient to an ambitious bargaining goal.



# Effective Preparation

1. Think carefully about what you really want – and remember that money is often a means to an end, not the end itself.
2. Set an optimistic – but justifiable – target.
3. Be specific.
4. Get committed. Write down your goal and, if possible, discuss it with someone else.
5. Carry your goal with you into the negotiation.

# Commitment and Consistency \*

- “...our almost obsessive desire to be (or appear to be) consistent with what we have already done.”
- “Once we have made a choice or taken a stand, we will encounter personal and interpersonal pressure to behave consistently with that commitment.”
- “Those pressures will cause us to respond in ways that justify our earlier decision.”

\* *Influence: The Psychology of Persuasion*, Robert Cialdini, William Morrow, 1993

# Commitment and Consistency

- Cognitive dissonance
  - People are very stubbornly consistent with past actions -- often because we are mentally lazy.
- Consistency examples:
  - “How are you feeling today? (Red Cross begins solicitation phone calls with this question, knowing that if you say “fine” you will be more likely to be consistent and give something).
  - “The United States is not perfect” (In the Korean War Red Chinese prison camps, they got prisoners to admit something small knowing that they would admit to larger and larger and larger faults to remain consistent.)
  - Start small and work up is the lesson.

# Commitment and Consistency

- In the camps they would have prisoners read the Communist Manifesto out loud, eventually the prisoners would begin to believe it -- because they said it and they wanted to be consistent.
  - Belief follows action because people want desperately to avoid cognitive dissonance, being inconsistent.
  - Get people to do something -- an action -- and they will believe they did it for a good reason in order to remain consistent.

# Commitment and Consistency

- Foot-in-the-door tactic
  - Start with a small compliance and work up.
    - Small “Drive Safely” sign, then a huge billboard
- Door-in-the-face tactic
  - Start with a request for help, get commitment with the concept, make a huge ask, settle for medium amount.
    - “Do you believe in driving safely?”
    - “Will you put up a billboard?”
    - “How about a little bit smaller sign?”

# Commitment and Consistency

- Write it down to increase commitment.
  - Write down goals to increase commitment to them.
    - Testimonial contests (P&G, General Mills)
- Public commitments
  - Tell a friend you're stopping smoking.
- The more effort that goes into a commitment – getting something – the more valuable it becomes.
  - Get people to take internal (personal) responsibility.
  - Threats don't work.

# Commitment = Confidence

- If you are committed to goal, this commitment will show – it will communicate your confidence and resolve to the other side in a negotiation.
- Preparation leads to setting high goals and expectations, which lead to commitment, which leads to confidence.
  - Confidence and self-esteem emanates from people who know what they want and why they ought to get it.

# Foundation #3: Authoritative Standards and Norms

- In addition to the power of clear goals, negotiation harnesses one of human nature's most basic psychological drives: our need to maintain consistency and a sense of fairness (internally and externally).
- In order to maintain consistency and a sense of fairness, we must have standards for comparison.



# Standards

- Standards bracket the bargaining zone and permit both sides to talk about their preferred end of the range without appearing, at least in their own eyes, to be unreasonable.
- Finding the standards that apply in a negotiation and doing your homework on how to make your best case using these standards give you a “speaking role” in the negotiation process.

# Standards: We All Want to Appear to Be Reasonable

- Standards, especially standards the other side has adopted, are important to understand because people like to seem to be consistent when they make a decision.
- People are open to persuasion when they see a proposed course of action as being consistent with a course (or standards) they have already adopted.

# Standards and Consistency

- You maximize your leverage when your standards are ones *the other party views as legitimate and relevant to the resolution of your differences*.
- The best practice, therefore, is to anticipate the other side's preferred standards and *frame* your proposal within those standards.
  - Encourage the other side to be consistent.

# Beware of Consistency Traps

- The tip-off is when someone tries to get you to agree with some statement before telling you why the statement is important.
  - “Would you like to save some money?”
  - “Wouldn’t you like to settle this now?”
  - They try to get you to agree quickly because it seems logical.
- Competitive, aggressive negotiators (and telemarketers) often use consistency traps.

# The Power of Authority

- In addition to the consistency principle, there is another lever that make standards persuasive – the authority principle.
- We are all socialized to respect, defer to and obey authority.
  - Reinforced by symbols of authority:
    - Status and position
    - Money and power
    - Complex contracts
    - Authoritative, legalistic packaging

# Foundation #4: Relationships

- Negotiation in the end is about people -- *relationships.*
  - Personal relationships create a level of trust and confidence between people that eases anxiety and facilitates communication.
- Relationships are built around the norm of reciprocity.
  - We feel obligated to exchange gifts and Christmas cards...
  - ...and concessions in a negotiation.

# Relationship Rules

- Relationship Rule #1: “Do unto others as they would have others do unto them.”
- Relationship Rule #2: “People like and trust people exactly like themselves.”
- Relationship Rule #3: “People don’t care how much you know until they know how much you care.”

# Relationships = Trust

- ✓ An ounce of trust is worth a ton of contracts.
- ✓ Andrew Carnegie and J.P Morgan
- ✓ The Rules of Reciprocity:
  - ✓ Be trustworthy and reliable yourself if you want others to be.
  - ✓ Be fair to those who are fair to you.
  - ✓ Let others know when you think you have been treated unfairly.
    - ✓ Unfair treatment, left unnoticed, leads to exploitation.



# Tit-For-Tat

- Trust begets trust.
- Fairness begets fairness.
- Generosity begets generosity.
- But always *take turns (tit-for-tat)*.
  - After you make a move, *wait until the other side reciprocates* before you move again.
  - Reciprocity is a reliable guide of proper conduct at the bargaining table.
- Don't use tit-for-tat if the other side is much more powerful – stick to your principles humbly.

# Working Relationships Vs Friendly Relationships

- In working relationships both side are assertive about pursuing their own interests.
- In friendly relationships, both sides are often soft on each other to avoid conflict and assure fairness.
- Don't negotiate with friends or family unless you intend to split the difference and accommodate.

# Relationships = Gifts and Favors

- Gifts, especially gifts between unrelated strangers, often signal intentions to invest in a future relationship.
- Gifts, kindness or a thoughtful regard for other people's feelings are all ways of helping to establish and maintain close personal relationships, and they work at the bargaining table as well.

# Relationship Traps

- Trusting too quickly.
  - Because you are fair, you assume others are and trust too early in the negotiating process and take unnecessary risks. Take time to build trust. Take small risks before a big one.
- Reciprocity traps:
  - Watch out for people who make small concession and then ask you to make a big one in return.
  - Watch out for people who give you a little information and then ask you to reveal all of your financial information, costs and interests.

# Foundation #5: The Other Side's Interests

- Effective negotiators are able to see the world from the other side's point of view, then follow these steps:
  - Identify the decision maker.
  - Look for mutual interests and shared goals -- common ground -- and start there.
  - Identify interests that might interfere with agreement: Why might the other side say “no?”
  - Search for low-cost (to you) options and concessions that solve the other party's problems while advancing your goals (preparation is the key).

## Foundation #6: Leverage

- “Every reason the other side wants or needs an agreement is my leverage – provided I know those reasons.” Bob Woolf
- Leverage is your power not just to reach agreement, but to obtain an agreement *on your own terms*.

# Leverage: The Balance of Needs and Fears

- The side with the greater commercial need usually has the disadvantage in terms of leverage.
- Increase your leverage by developing multiple alternatives (BATNAs):
  - More than one buyer for the whole package
  - Buyers at a higher price for smaller chunks of the package, or who will sign soon (first-mover advantage)
  - Interest in the package by a major competitor
    - The power to make the prospective buyer worse off

# Leverage: The Fear of Losing

- The more attractive your offer is, the greater the fear of losing it to a competitor is.
- Set deadlines on your offer and price to establish the fear of paying more.
- You must persuade the other side that they have something to lose if the deal falls through.
- Confidence is everything – you can't communicate your fear of losing or need to close fast.
  - He who blinks first, loses.



# Leverage: Timing and Perception

- You greatly improve your chances of success if you ask for things when your leverage is at its height.
  - Right after you have presented a juicy plan that solves the other side's marketing problems.
- Your leverage is not based on the facts, but the other side's *perception* of the facts and of your power and BATNA.

# Summary: The Psychological Foundations of Negotiations

- Foundation

- Your bargaining styles and patterns
- Your goals and expectations
- Authoritative standards and norms
- Relationships
- The other side's interests
- Leverage

- Psychological Basis

- Attitudes about interpersonal conflict
- Motivational striving
- The consistency principle and deference to authority
- The norm of reciprocity
- Self-esteem and self-interest
- Aversion to loss (prevention focus)

# **The Negotiation Process**

# Step #1: Preparing Your Strategy

- Assess the situation.
- There are four basic bargaining situations depending on: (1) The perceived importance of the ongoing relationship and (2) the perceived conflict over the the stakes involved (to what degree do both sides want the same limited resource such as money, power, terms, etc.)

# The Situational Matrix

## Perceived Conflict Over Stakes

**High**

**Low**

**High**

Import-  
ance  
of Rel-  
ation-  
ship

**Low**


# Negotiating in the Quadrants

- Quadrant IV: Tacit Coordination - Calls for tactful avoidance of conflict, not negotiation.
- Quadrant III: Transactions - Stakes are substantially more important than relationships. Leverage counts. Competition, problem solving.
- Quadrant II: Relationships - Treat the other party well, generously, the stakes are secondary. Accommodate. (Einstein job offer, e.g.)
- Quadrant I: Balanced Concerns - Problem solving or compromise

# Prepare a Bargaining Plan

- Make a list of questions you intend to ask at the beginning of the negotiation in order to assess the assumptions of the other side:
  - Is a relationship most important to them?
  - Are the stakes most important to them?
  - Do they believe it is a Balanced Concerns situation?
- Prepare your bargaining plan based on the other side's assumptions.

## Step #2: Exchanging Information

- The information exchange step has several phases:
  - Developing rapport between the individual negotiators
  - The surfacing of underlying interests, issues and perceptions that concern both parties
  - The initial testing of expectations
- As we share information, we test our counterpart's commitment to the norm of reciprocity.



# Developing Rapport

- The “liking rule.”
  - We prefer to say “yes” to someone we like and trust.
  - We like and trust people exactly like ourselves -- similarity.
    - Research the decision maker’s likes and dislikes, hobbies, sports, etc. thoroughly
- Negotiate face-to-face, not online or over the phone if possible.
  - It’s difficult to build trust, rapport and understanding on the phone.

# Obtaining Information on Interests, Issues and Perceptions

- Exchange information without giving up anything.
- Ask questions – don't be a blabbermouth – and remember the cardinal rule of discovery:
  - Probe first, disclose later.
- Test for understanding
  - Make sure you understand their interests and needs.
- Summarize

# Signaling Expectations and Leverage

- Deliver bad news (deal breakers, threats) early in a negotiation.
  - Sell all the deal terms early.
  - Indicate where you can and cannot be flexible (credibility).
- Signal your expectations and leverage.

# Signaling Leverage

## Your Leverage as You See It

**Strong**

**Weak**

**Firm**

**How  
You  
Want  
to  
Act**

**Flexible**


# If You Are Going to Be Flexible, Get Credit for It

- Let the other side know what alternatives you have before you show you are not going to use the alternatives (BATNAs).
  - By revealing your alternatives and not using them, you get credit for being generous and reasonable.
  - Be fair, but always make sure you get credit for being fair.

# Match the Other Side's Style

- Tit-for-tat in style, too.
  - If they are screaming, tough, fierce competitors, they will like and respect you if you are like them.
    - Yell back (a relative yell – your style of yelling)
  - If they are bullies, confront them early.
  - Don't use tit-for-tat if they are much more powerful. Stick to your principles humbly.
- Use tit-for-tat to train people to be cooperative if there is similarity in power.

## Step #3: Opening and Making Concessions

- The bargaining stage is dominated by tactics, which depend on the situation.
  - Competitor vs. competitor, relationship vital, etc.
- Bargaining formally begins when negotiators on one side open with a concrete, plausible (in their mind) offer.

# Opening Tactics: Open First?

- If you are uninformed about the other side's business, interests or demands, never open first.
- If you are well informed, always open first:
  - It lets you fix the range – the zone of realistic expectations.
  - Sometimes forces the other side to rethink its goals.
  - Most important, allows you to set the *anchor*.
    - We tend to be heavily influenced by first impressions.



# Anchoring

- When the other side hears a high or low number, they adjust their expectations (unconsciously) accordingly.
  - The first offer anchors the other side's perception of your walk-away price (NBC Super Bowl).
    - First offer must be somewhat reasonable (no more than 50% higher than you will settle for).
    - As high as possible--as close to the other side's walk-away as possible (that's the home run).
  - Outlandish numbers at the beginning can kill the deal or destroy your credibility if you drastically reduce the offer later.

# Framing

- Frame all of your offers.
  - Framing emphasizes the value of your offer.
  - Framing provides justification for the other side to make concessions.
  - “Just pennies a day” frames an offer.
- To those who like to win, frame as a gain, a win – emphasize benefits.
- For those who are afraid to lose (losses loom larger than gains to many), frame as a possible loss – emphasize the pain and shame of losing.

# Framing Example

- Group I
  - 1 If Program A is adopted, 200 people will be saved.
  - 2 If Program B is adopted, 1/3 probability that all will be saved, 2/3 probability that none will be saved.
- Group II
  - 1 If Program A is adopted, 400 people will die.
  - 2 If Program B is adopted, 1/3 probability that all will be saved, 2/3 probability that none will be saved.
- 76% in Group I chose Program A, only 12% in Group II chose Program A.

# Opening: Optimistic or Reasonable

- Depends on the situation:
  - Relationship – Open high, be generous
  - Transaction - Open optimistically (high, but not too high) - the highest for which there is a supporting standard or argument enabling you to make a presentable case.
    - Make the highest opening you can “with a straight face.”
    - Don’t open high if you have no leverage and the other side knows it.

# Optimistic Openings

- Take advantage of two psychological tendencies: The Contrast Principle and the Norm of Reciprocity.
  - The contrast principle: If I want you to pay me \$500,000 and I open with \$750,000 (supported by presentable, “straight-face” argument), my settlement of \$500,000 seems reasonable and gives the perception of getting a good deal. If I had opened for \$550,000 and only come down to \$500,000, the contrast would have been small and the deal not satisfying.

# Optimistic Openings

- The Norm of Reciprocity:
  - I make an optimistic opening (\$750,000), and you reject it.
  - I moderate my offer by making a significant concession (\$650,000), and you feel obligated to accept it (reciprocity).
  - Big then small offer -- “door in the face” -- second offer seems reasonable.

# Concession Tactics

- Open optimistically and have room to make concessions.
- Concessions are the language of cooperation. They tell the other side in concrete, believable terms that you accept the legitimacy of their demands and recognize the necessity to cooperate and sacrifice to get a fair deal.

# Concession Tactics

- To get movement, offer a small trade – show that agreement is possible.
  - Give a trade or concession in your least important area.
    - Give on price to get a desired deal term or payment condition, e.g.
- The other side's first concession is in its least important area of concerns.
- Try not to give the first major concession (it raises expectations and confuses people).
  - Put the major issues aside, agree on small, easy issues first.



# Concession Tactics

- Give small concessions and give them slowly.
  - The slower you give them, the more value they have.
  - A fast concession makes the buyer feel awful and devalues the product.
    - Make them work hard for every concession, they will appreciate it more.
    - Make concessions progressively smaller.

# Concession Tactics

- Which tactic is best?

1.	25%	25%	25%	25%
2.	0	50 %	0	50%
3.	0	0	0	100%
4.	100%	0	0	0
5.	10%	20%	30%	40%
6.	30%	20%	10%	5%

# Split the Difference?

- Not unless it's in your favor.
  - If the other side offers it, it usually isn't.
- Split the split.

# Integrative Bargaining

- Tactics for integrative bargaining in which both sides start with a complete bundle of offers, demands and interests are as follows:
  - After a discussion of all the issues (without offers), both sides trade issues and try to problem solve.
  - No issue is closed until all issues have been decided.
  - Sides trade issues in clusters: “If you give me what I want on issues A and B, I’ ll give you what you want on X and Y” -- the “If-Then...” scenario.
    - For example, you can throw away deal points you don’t need (decide on throw aways in advance).

# Step #4: Closing and Gaining Commitment

- Closing factors:
  - The scarcity effect:
    - The scarcity tactic works even better at the end than at the beginning of a negotiation:
      - Competition (someone else wants it)
      - Deadlines (buy now or elements or terms of the deal “explode”)
      - Walkouts --a take-it-or-leave-it ultimatum and walk – burns bridges and shows commitment
  - Use trial closes throughout the negotiation

# Closing Tactics

- Help the other side make the right decision.
- Use a variety of trial closes:
  - The Clincher Close
  - The Assumption Close
  - The SRO Close
  - The Minor-Point Close
  - The T-Account Close
  - The Pin-Down Close

# Closing

- Ask for a decision.
  - Non-binding Letter of Intent (LOI)
  - Commitment to send IO
    - 48-hour hold
  - “What else is left?”
  - “If I can resolve these issues, do we have an agreement?”
- Leverage loss aversion

# Loss Aversion Leads to Over-commitment

- As people invest increasingly significant amounts of time, energy and other resources in the negotiating process, they become more and more committed to closing the deal for fear of losing it and wasting their time and energy.
- They become over-committed to doing the deal – rather than face the loss of an unsuccessful negotiation, people are likely to give in to save the deal.



# Closing Tactics

- Split the difference?

- The most likely settlement point in a negotiation is the midpoint between two opening offers.
- People who prefer a cooperative and compromising style like to cut through the bargaining process and often offer to split the difference at the beginning.
- When the relationship is important, split the difference; it's a smooth way to close.
- In a transaction situation, the midpoint may be too much in the other side's favor; don't split.
- In a balanced concerns situation; problem solve before splitting.

# Get Commitment

- Don't be satisfied with an agreement. Get commitment.
  - The goal of all negotiations is to secure commitment, not merely agreement.

# The Four Degrees of Commitment:

- Social ritual - The commitment process begins with a simple social ritual such as a handshake, a bow, an exchange of calling cards or signs of respect.
- Public announcement - Public announcements, public disclosures, press conferences, etc.
- Accountability - Signed contract, performance agreements in writing, exchange of “next-steps” agreements
- Simultaneous exchange - Exchange contracts, deeds, stock, etc.

# Get Commitment

- Agreements alone are not enough unless the relationships and trust between both sides are deep and stable.
- Set the situation up so that the other side has something to lose if it fails to perform, and be willing to take a similar step yourself.

# Closing

- Be careful about trying to close too aggressively.
- You can create a sense of urgency, but the timetable has to be theirs.
  - Too much pressure can kill a prospective sale.
    - High pressure raises suspicion.
    - People want to buy, they don't like being “sold” or “closed.”

# On Becoming an Effective Negotiator

- Seven tools for highly cooperative people:
  - Become more assertive, confident and prudent.
    1. Avoid concentrating too much on your bottom line. Spend extra time preparing your goals and developing high expectations.
    2. Develop a specific alternative such as a fallback if the negotiation fails. If you can't walk away or if you can't say a simple "no," you need a fallback position.
    3. Get an agent and delegate the negotiating task.

4. Create an audience (you're more assertive when people are watching).
5. Say, "You'll have to do better than that because..." (push back a little with a truthful reason).
6. Insist on commitments, not just agreements (don't be too trusting).

# On Becoming an Effective Negotiator

- Seven tools for highly competitive people:
  - Become more aware of other people and their legitimate needs.
    1. Think win-win, not just win.
    2. Ask more questions than you think you should.
    3. Rely on standards.
    4. Hire a relationship manager.
    5. Be scrupulously reliable. Keep your word.
    6. Don't haggle when you can negotiate.
    7. Always acknowledge the other side. Protect their self-esteem.



# Buyers' Tactics

- The Big Bait (Search for rock bottom)
- Deliver Garbage (Lowers expectations and confidence)
- Good Guy/Bad Guy (Forces the wrong comparison)
- The Flinch (Brings out guilt feelings)
- The Price Tag (Sets a limit)

# Buyers' Tactics

- Red Herring (Manufactures an issue, tries to transfer concessions)
- The Crunch (Implies they're hot, but won't give a number)
- Silence (Tries to get the other side to respond with concessions)
- Cherry Pick
- Auction

# Buyers' Tactics

- Blackmail (Never give in to threats, makes you vulnerable in the future)
- Change of Pace (Brings you close, then backs off)
- Escalation (Takes back a concession)
- Split the Difference (After a low offer)

# Buyers' Tactics

- Nibble (Offers a Settlement then takes little bites)
- Declare the Other Side the Winner (Don't believe it)
- Take It or Leave It (An ultimatum, always look to the future)

# Confidence Gives You Power

- The buyer will never be forgiven for not *asking* for a lower price (or better deal), but will always be forgiven for not getting it.
- Recognize negotiating tactics.
- Accuse the other side of not being fair – flinch.
- Take reasonable risks – equate risk with a positive outcome.

# Confidence

- A “good deal” is an individual perception that is unique to every person.
  - Low price
  - Someone else wanted it
  - High quality, reasonable price
  - Got the last one
  - Low risk of dissatisfaction

- Got a discount
- Feel that they won
- Something else thrown in
- Price/results ratio is high
- Compared to alternatives

# Structure the Negotiating Process

- New psychological research sheds light on how customers feel when a company “touches” them. \*
  - Service management research in behavioral science on “moments of truth,” “service recovery,” and “delighting the customer” has defined five major operating principles from examining three different effects: Sequence Effects, Duration Effects, and Rationalization Effects.

\* *“Want to Perfect Your Company’s Service? Use Behavioral Science,* Harvard Business Review, June 2001.



# Principle #1

- Finish Strong

- The last encounter is the one that people remember -- make it enjoyable delightful, memorable.
  - Perception is reality, so people will consider the entire process favorable if the last encounter is wonderfully pleasurable – they will tend to forget the bad things.
  - Have a closing ceremony, a plush dinner, give thoughtful, classy presents - lots of sincere thanks and appreciation.

# Principle #2

- Get the Bad Experiences Out of the Way Early
  - People like to get the bad stuff out of the way early – to avoid the dread and savor the good stuff at the end.
    - Get bad news, discomfort, long waits, and anything unpleasant over as early as possible so they don't dominate a partner's recollection of the entire experience.
    - Sell the concept, sell the payment terms, sell the deal terms -- get it over with.

# Principle #3

- Segment the Pleasure, Combine the Pain
  - Experiences seem longer when they are broken into segments.
  - Losses loom larger than gains, so when people gamble, they would prefer to win \$5 twice than \$10 once, but lose \$10 once rather lose \$5 twice.
  - Break pleasant experiences into several segments, and combine the unpleasant ones.
  - Make presentation and selling experience pleasant, fun, elegant, then get the tough negotiating on terms done all at once, then end very strong.

# Principle #4

- Build Commitment Through Choice
  - People are more comfortable with any process when they believe they have control (ie: blood donors choosing which arm to use), even if the choice is symbolic.
  - When they choose, make a selection, they are much more committed to *their* choice.
  - Always build in choices: Plan A or Plan B? 10% more impressions or a 5% discount? Always give alternatives to choose from – the customer will feel more in control and you will close faster.

# Principle #5

- Give People Rituals and Stick to Them
  - People find comfort, order, and meaning in repetitive, familiar activities.
  - Rituals are even more important in long-term, professional services relationships: they're used to mark key moments in the relationship, establish professional credentials, create a feeling of inclusion, flatter customers, and get feedback
    - Kickoff dinners, final celebrations, presentations to the CEO, e.g.
  - Develop a service ritual (and a Service Agreement).

# Summary

- Information-based bargaining works best.
- Know your and the other side's style.
- Understand the principles of persuasion.
- Identify the negotiating situation.
- Create a negotiating and closing plan.
- Negotiate to close and get a commitment.
- Make the other side feel like it got a good deal.

## Further Study

- Read *Media Selling, 4<sup>th</sup> edition*, Chapter 12 (“Negotiating and Closing”) available at
- [www.charleswarner.us/media\\_selling.html](http://www.charleswarner.us/media_selling.html)
- Download, read and study the “Negotiating and Closing Outline” available at [www.charleswarner.us/indexppr.html](http://www.charleswarner.us/indexppr.html).
- Download, read and study the “Negotiating Styles and Patterns” available at [www.charleswarner.us/artindex.html](http://www.charleswarner.us/artindex.html)
-