# Mastering Major Account Negotiating

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# Dedication

Over the years, we have had the opportunity to work with thousands of people engaged in major account selling. It is only from those experiences that we are able to write *Mastering Major Account Negotiating*. Although the number of people is too large to mention individually, we thank every one of our clients for the experience of working together and for the opportunity to discuss and observe major account negotiations. Working with the very best is a privilege and a great learning experience.

We also want to acknowledge colleagues we have worked with over the years. We have learned a great deal from every one. Again, the list is long, but they know who they are and we thank them all.

Richard Ruff and Janet Spirer

# Preface

We have had the privilege working with a wide variety of market-leading companies engaged in major account sales. These opportunities have provided a peek in the window to observe and analyze what the very best are doing on a good day. From those experiences we've observed what it takes to get it right.

Top performing salespeople in major accounts are truly accomplished. They have mastered the fundamental selling skills, integrated the best practices required to capture major account business, and mastered the skills required to conduct successful negotiations in major accounts.

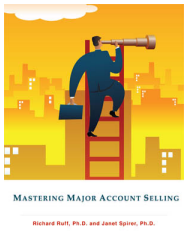
***Mastering Major Account Negotiating*** examines what it takes to be among those top sales performers. It is written to help salespeople develop the expertise for successfully negotiating business opportunities in major accounts with existing or new customers.

The ebook is divided into three Chapters:

- **Building the Customer Relationship.** Integrity in customer relationships is pivotal to all sales success – including negotiations. This chapter is divided into two sections that form a basis for building customer relationships: Creating and Sustaining Trust and Creating a Bigger Pie.
- **Planning a Negotiation Strategy.** The ability to craft and execute a thoughtful, creative negotiation plan is critical to achieving a successful result. In chapter 2, we discuss: Some Important Differences, Selling Value First (Not Price), and Designing a Negotiation Strategy.
- **Executing a Negotiation Strategy.** The final chapter focuses on what happens when salespeople execute a negotiation strategy face-to-face with the customer. Discussions include: Price Discounting (and the Importance of Selling Value), Face-to-Face Best Practices, and Handling Deceptive Tactics.

We hope the ideas in ***Mastering Major Account Negotiating*** help you master the art and science of major account sales negotiating.

Keep an eye out for our other books on selling to major accounts. Mastering Major Account Selling – the first book in the **Sales Mastery Series** – is available in ebook and mobile app formats.





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# Building the Customer Relationship

In all sales negotiations establishing integrity in customer relationships is pivotal to success. This is particularly important in major accounts.

In major accounts the aim of your negotiation must be to successfully close the deal and build the relationship. The first objective requires identifying, exploring, and addressing the interests and concerns of both parties. The second involves building and sustaining a collaborative climate.

At the foundation of a successful negotiation strategy in an ongoing business relationship is to achieve a balance between these two, sometimes conflicting, objectives. The difficulty arises because of the inherent tension that occurs when attempting to achieve this balance.  The traps are: creating a positive climate but failing to investigate and solve the difficult issues – or vice versa, handling the tough problems at the expense of the relationship.

This chapter contains two sections that shares strategies for achieving this balance:

- Section 1 - Creating and Sustaining Trust
- Section 2 - Creating a Bigger Pie

SECTION 1

# Creating and Sustaining Trust

Everybody knows it – some because of a leap of faith and others because of years of experience. The critical centerpiece of a great customer relationship is always that fragile element: trust. Trust is never something that comes easily, but it has a number of payoffs including customer loyalty. However, it can sometimes be tough to maintain if a difficult negotiation is taking place.

To build and sustain trust in a negotiation, follow the **Reciprocity Rule**. The Rule of Reciprocity consists of three propositions:

- Consistently exhibit trust.
- Expect others to be trustworthy and tell them when they are not.
- Remember that fairness must run both ways.

This sounds simple enough, but in major account negotiations there are many barriers to forging and sustaining trust. Let's look at seven:

**Failure to separate the relationship issues from business issues.** Handle people issues separately – do not attempt to solve relationship problems through business concessions. Relationship problems stem from misperceptions, poor communication, or general lack of mutual understanding. Giving the other party a better deal is unlikely to solve issues stemming from these sources.

For example, frustrations can run high when communication is poor in a negotiation. A concession about delivery dates is unlikely to resolve a fundamental communication problem; it may even make it worse. Instead, seek ways for all parties to surface and explain their frustrations as a first step towards addressing the situation.

**Failure to use and build common ground.** All negotiations take place because there is some lack of agreement around an issue that is important to both parties. On the other hand, every negotiation also involves some common ground – the customer wants something that you can provide. Common ground creates trust. So leverage common ground to build the relationship and to provide a foundation for addressing unresolved issues.

If the negotiation involves four tough issues and you and the other party have managed to resolve three of them, leverage that accomplishment. "We've come a long way – those were tough issues we managed to resolve - so let's tackle that one last issue where we still need a creative solution." An opening statement like this one in a customer meeting can go a long way in setting a positive tone.

**Failure to be upfront about showstoppers.** Most negotiations involve multiple issues. On one issue or another, one of the parties will often face a "showstopper." **Showstoppers are constraints where, due to some legal, regulatory, or company policy reason there is no room to negotiate.**

Top performers share showstoppers early, and equally as important, they help the other party do the same. By sharing these constraints, you can reset expectations, avoid last minute surprises that will probably look like a trick to the other party, and build trust.

No matter how skillful one is at selling and negotiating, conflicts will arise in most sales opportunities. Therefore, if you're going to close the opportunity and build the relationship, you must successfully resolve conflicts. Even if the opportunity could be closed without resolving the conflict(s), major problems often arise later. So, don't leave conflicts bubbling beneath the surface. Here are four strategies for handling conflict in a sales negotiation:

**First, do no harm.** If you're trying to negotiate an agreement and face a number of conflicts, the first order of the day is don't make things worse. This simple truth may seem obvious but, in fact, it's all too easy to make matters worse just by falling into a couple of common traps.

There is a striking difference between being firm on a point and belaboring it. Beating a particular point to death will usually make the entire situation more difficult to resolve.

Second, the point-counterpoint debate strategy is not an effective way to resolve a conflict in a major account negotiation. Even if you have a strong rationale for your position, this strategy will usually fail because in sales negotiations, conflict resolution does not rely on the strength of the argument. This tends to be true regardless of how compelling your rationale is presented. Finding a way out of a difficult conflict depends more on joint problem-solving than a strategy to win the debate.

**Talk less, listen more.** This fundamental principle of good selling applies equally well to good negotiating. But, it's very easy to forget in the middle of a tough conflict resolution discussion. During conflict resolution, there are three distinct reasons to listen more – listed on top of the next page.

- You get information that may help in forming a solution.
- Listening versus talking is an effective way to reduce emotions.
- If you're not talking, you probably won't make an inappropriate concession off-the-cuff.

**Try a trial balloon.** One approach that top negotiators use is the "trial balloon" as a way to initiate discussion. Compare these two approaches to developing a solution to a pricing stalemate:

- Approach 1 - "I will give a 10% reduction in price if you'll increase the number of units purchased by 10%."
- Approach 2 - "Suppose you could increase the number of units. If you did, we could then look at a price break. How do you think that might work?"

In Approach 1, the salesperson made a proposal. What's the most likely response from the customer? A counterproposal. This might lead to an answer. Or, it might also just end up in a series of back and forth trade-offs with no final solution and an increase in frustration.

In the second approach the salesperson uses a "trial balloon" to invite customer to help shape the answer. When customers participate in crafting the solution, they're more likely to want to continue the discussion and are more likely to feel good about the end result. In addition, no time is wasted on ideas that end up going nowhere.

**Offer fewer options versus more options.** When a negotiation is stalled, generating a laundry list of options is not an effective strategy. Too many alternatives may lead either to indecision or the customer looking elsewhere for a simpler answer. The best approach is to focus the discussion on one or two possible ways out of the conflict, and avoid the brainstorming.

SECTION 2

# Creating a Bigger Pie

It is difficult to execute an effective negotiation particularly in major accounts if the negotiation is based on the assumption – "If you get something then I lose something." This premise takes a "fixed pie" point of view about the potential outcomes for the negotiation – if I get a bigger piece, you get a smaller piece.

One of the consequences of this premise is that both parties will unlikely to be straightforward and explicit about their real interests. Instead, the parties will "play their cards close to the chest." Or, staying with the analogy, "bluffing" will be the name of the game.

A good example is one party saying they're interested in something when, in fact, they're not, for the sole purpose of keeping the other side off balance. Under this game-playing scenario, it is very difficult to understand the other party's interests, because the whole purpose of the game is not to let that happen.

This "I win, you lose" zero-sum perspective does not have to be the starting point for a negotiation. The best negotiators take the exact opposite point of view. They assume whatever is being negotiated is not a fixed pie. Rather, they look at negotiation as a problem-solving opportunity to create a bigger pie so both parties can gain a true win.

The good news in major accounts is that the potential exists to create a bigger pie. The keys to leveraging that potential are a comprehensive understanding of your company's assets and capabilities and an in-depth understanding of the customer's overall business strategy.

Regarding the latter point a salesperson can develop a more comprehensive understanding of the customer's business strategy by examining potential payoffs for: different departments, different players or possibilities that will exist in the future, as well as the present.

If the salesperson can help the person on the other side of the table see potential payoffs, heretofore not understood, then a given concession on the customer's part may no longer be an obstacle in the negotiation.

There is no question that creating a bigger pie takes work. It takes time and effort to develop a comprehensive strategic picture of the customer. On the other hand, because of the short and long term payoffs in major accounts, the commitment of resources is warranted.

When you observe top performers in major account negotiations, they not only do some things better; they also do some things differently.

An important case in point is they shift the focus away from "my position versus your position" and onto the underlying concerns and issues that are driving those positions. This point was emphasized in Fisher and Ury's classic book about negotiation – *Getting to Yes*. It is difficult to develop and execute a negotiation that both parties feel good about if the negotiation is carried out at the positional level.

Yet, this is frequently the starting point for negotiations. The underlying needs may only be partially understood, or in the worse case, they get totally lost in the bargaining between what you want and what I want.

Let's look at a possible negotiation between a salesperson for a large logistics company and a customer to see several negotiation strategies. The negotiation scenario: the salesperson's position is delivery in nine weeks; the customer's position the delivery within two weeks. It will be hard to get to a win/win result by negotiating at the positional level like this. Take a look at why.

**Capitulation** is one possible approach. Here one side or the other could just "give in." The customer could just accept the nine week delivery schedule or the logistic company could agree to the two week or sooner requirement. Capitulation results in one person winning and the other person losing.

There are a couple of difficulties with the capitulation approach. Most importantly it sets a bad precedent for negotiating on other issues and in fact may drive the other party to make even higher demands next time around.

A second strategy is the often-used split the difference or **compromise** approach. In our logistic company example the customer and salesperson could split the difference and agree to five or five and a half weeks.

There are some downsides with the compromise approach to concession strategy. First, in many cases, at the end of the negotiation everyone feels they gave too much and got too little. So there is a significant residual that negatively impacts the present negotiation that lingers during the implementation phase of the sale and into future negotiations. Second, in some situations the

negotiation involves positions that are a matter of principle. It's hard to split the difference if the positions are about core values or fundamental beliefs.

A cardinal rule for implementing a negotiation where both parties feel good about the end result is: focus on the underlying needs, not your position versus my position. Once the underlying needs of both parties are known, it is much easier to employ a **collaborative**, problem-solving approach to the negotiation, and hence, end up with a result that is a win for both parties.

So how do you make it happen when you are in front of the customer? One way is to ask the question "Why?" Why does the customer want immediate delivery? Is it because they really need it right now? Or do they plan to use it next week, but they're unsure of your delivery capability – so they're building in a fudge factor. Or, do they want it now because of some payment requirement?

If the salesperson doesn't know which of these underlying needs are driving the customer's proposed position, it is difficult to come up with a very compelling negotiated alternative. This is one of the reasons why asking questions is not only a major skill set for selling but also for negotiating.

It is not only important that you ask "Why" and understand the customer's underlying needs, it is equally important that the customer understands where you are coming from – so take responsibility for making sure the customer has absolutely clarity about the "whys" of what you are proposing.

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# Planning a Negotiation Strategy

The fundamentals of building the customer relationship were reviewed to establish a solid foundation for planning a well thought-out negotiation. If these fundamentals are not skillfully applied, it is unlikely that your negotiation will succeed. However, it is equally true that one can get the fundamentals right, but end up being unsuccessful if your negotiation is simply about "how fast and how much you can give away to close the deal."

There are a substantial number of skill sets and bodies of knowledge that constitute the discipline of sales negotiation. In the end, however, the ability to craft and execute a thoughtful and

creative plan for the negotiation is the bottom line for achieving a successful end result.  This is particularly true in major accounts where the negotiation is complex and there is more to lose and more to gain.

In any major account, if the sales team is actively engaged in the negotiation process without a well-conceived and coordinated plan, they are playing Russian roulette with the long-term relationship with the customer and with the profitability of the sales opportunity.

In this Chapter we will examine three topics related to planning a negotiation strategy:

- Section 1 - Some Important Differences
- Section 2 - Selling Value First
- Section 3 - Designing a Negotiation Strategy

SECTION 1

# Some Important Differences

The fundamental principles of negotiation are equally applicable whether the focus is a transactional or a major account. And, the notion of being thoughtful about one's approach also transcends the level of the account. However, there are differences in major accounts that impact the nature of the negotiation. Four are particularly important:

**Dealing with the complexity.** The complexity of the selling environment is greater. There are more players on the customer's side of the table – holding, in many cases, differing positions. There are also more groups involved from your side – often, unfortunately, with different agendas. Plus, the negotiation itself is more complex – there are multiple issues on which it is necessary to reach a consensus.

**Developing a coordinated plan.** The classic trap is: sell as a team and then negotiate as individuals or sell part of the solution and give away the rest. It is critical that the negotiation be jointly planned and coordinated. If each sales team individually negotiates concessions, decoupling of the solution by the customer is made easier and the power of the combined assets of your organization is not maximized. You tend to lose leverage and in some cases limit the creativity of what you can propose to the customer.

Although this is an easy requirement to say – in practice it can be difficult to execute. Customers often perceive it is in their self-interest to negotiate separately with different individuals or divisions engaged in the sale and apply significant pressure to achieve individual concessions.

In addition there are time and operational constraints within any organization that increase the difficulty of effectively planning and executing a coordinated strategy for the negotiation. However, some things are more important than others to get right – developing a coordinated plan when selling in a major account market is one worth getting right.

Most major account negotiations would be better off if internal communications were more effectively coordinated. The internal individuals and groups engaged in the negotiation should clarify roles and responsibilities.

**Blurring the distinction between selling and negotiating.** In most transactional sales there is a clear distinction between selling and negotiating. Typically the selling phase occurs first and then a short negotiation discussion occurs at the end that is usually about price or some specific term or condition.

Several implications follow from this separation.

- Any concession in a transactional sale is relatively straightforward. That's not the case in a major account sale where there are multiple buyers and multiple issues to be addressed.
- Although early in the process there may be the need to establish some basic expectations, there is no need for planning concessions until the end of the sales cycle in a transactional sale. A linear separation tends not to be the case in many complex sales situations so negotiation strategy needs to be front-of-mind from the very beginning of the sales cycle.

SECTION 2

# Selling Value First

Effective negotiating is all about value. **Top sales performers** sell value **first and negotiate second.**

Most sales leaders agree that selling value is a predicate to success in major account negotiations. So, let's explore three barriers that need to be overcome if you are going to leverage the power of selling value first.

**First, you only know about the customer's problems not their successes. I**f you do not understand the customer's problems you cannot negotiate effectively. This, of course, makes great sense and it is a story that needs to be told many times.

But there is another chapter to the story. It is also necessary to understand the customer's successes. What are they doing really well? What is contributing to these successes? And, how can the successes be leveraged? If in addition to understanding the problems, the success stories are known, you are in a better position to provide and give concessions that are of value to the customer and are cost-effective trade-offs for you.

**Second, you only know about the present, not the future.** Most salespeople spend a majority of the time asking questions about what is going on in the present versus what the customer needs to be doing in the future.

If the discussion about value is to be optimized, then a clearer picture of the customer's future should be developed. Salespeople that do this well ask questions like these to their customers:

- What is the one most important thing you need to do differently to be successful in the future?
- What will your customers expect in the future that they consider exceptional today?
- Which of your competitive advantages will be most difficult to maintain as the future unfolds?

**Finally, you're knowledgeable about one problem in depth but you lack breadth.** The first thing noticeable about understanding customer value in a major account negotiation is a lot of things are going on and a lot of players are involved. One of the consequences is the lack of time to find out everything, about everything, all at once.

A good principle to keep in mind is – in major account negotiations breadth comes before depth. It is important to get a broad information base about what is of value to the customer early in the sales cycle. This provides the base for formulating an initial strategy for where to get in-depth information and what information you need to get in order to negotiate successfully. When it comes to understanding value from the customer's perspective, the trap is getting a lot of information about the wrong things from the wrong people.

In addition to these three barriers, there are three common mistakes salespeople make when selling and negotiating in major accounts. Let's take a look:

**Failing to recognize the complexity of the solution.** The salesperson is usually selling an integrated solution – composed of complex products and services. In addition, there are almost always added-value components such as: training, technical support, extended warranties, special delivery options, or customized payment terms.

The trap is selling the value of the core solution and failing to do the same for all the added-value components. The salesperson sells part of the solution and "gives away the rest."

**Underestimating the length of the sales cycle.** In major accounts the sales cycle is long and involves multiple customer decision makers and influencers. Negotiation can occur at any stage of the sales cycle, not just at the very end.

The consequences of the extended length of the sales cycle means the salesperson has to sell the value of the solution and of the concessions they give at multiple times during the sales cycle and to multiple customer contacts.

To avoid this trap it is a good check for a salesperson to ask themselves after every call – "Did I do something in this call to improve the customer's perception of the value of doing business with us?"

**Disregarding the competition.** A number of the principles of sales negotiation are the same as they are for other types of negotiation such as labor or contract negotiations. There is one particularly important unique consideration: in sales, a competitor is involved. The customer will almost always be negotiating with at least one other company.

This means the salesperson not only has to sell the value of their solution, the customer has to perceive the value is greater than they can achieve by doing business with the competition. Top sales performers develop good intelligence about the competition so they can leverage their own strengths and counter any competitive disadvantages during the negotiation.

SECTION 3

# Designing a Negotiation Strategy

Because of the importance of having a negotiation strategy and because multiple people are involved in its development, it is important to follow a common process for putting the negotiation plan together. The process should include:

**Delineating the major issues.** In major accounts there is not just one issue requiring negotiation. So the first step is to delineate and verify that all the issues are on the table. Sometimes the customer will explicitly spell out their issues in a formal "letter of response" to a proposal or presentation. Regardless of whether that is the case, clarification of the issues usually requires a series of interactions with the customer so both your issues and the customer's are surfaced.

**Understanding the customer's position.** Once the major issues have been identified, the next step is to be clear where the customer is coming from on each of the issues. It is critical to have a "best approximation" answer to three fundamental positioning considerations:

- **Priority.** What is the priority of the various issues and what is the rationale driving that priority?
- **Consensus.** What is the customer's position on each of the issues and what is the degree of consensus among the major players on that position?
- **Flexibility.** How wide or narrow is the "Zone of Flexibility" for the position on each issue and are there any issues where there is no room for negotiation – Showstoppers?

To create a thoughtful strategy, the answers to these questions must be analyzed within the context of the customer's overall business strategy. This perspective provides the insight into the important question of "why' the customer is taking the positions they are taking. Without the "why", discussions will likely turn into nothing more than back and forth bargaining rather than creative problem-solving negotiation.

**Establishing your position on each issue**. Your sales team must address the same three fundamental positioning considerations as your customer: priority, consensus, and flexibility. When creating your position there are, however, two additional considerations the sales team should address.

**Developing creative alternatives.** All the issues to be negotiated are not equally important. Ultimate success will be determined by how two or three issues are handled during the discussions. It is likely these same two or three issues will be the ones where the greatest gaps exist between your positions and your customer's positions.

In the end, success on these issues will be driven by your ability to develop creative alternatives for arriving at an end result that is clearly viewed as a win for both parties. In a complex negotiation, there is no substitute for creative problem-solving. The good news is generating creative solutions is not the gift of the few – it is usually the hard work of the many.

**Anchoring your message.** The importance of anchoring is consistently underscored in the negotiation literature – and rightly so. The concept simply recognizes the old adage – "how you say it – is as important as what you say." Whether the glass is perceived as "half full or half empty" all depends on how one frames the conversation about the contents of the glass.

In a sales negotiation **anchoring means you are presenting your concessions on a given issue in a way that justifiably emphasizes the value of those concessions**. The key is avoiding the trap of making anchoring some mystical art.

Perhaps the most practical and, coincidentally one of the best-supported, phenomena in sales concession anchoring relates to the notion that individuals generally do not evaluate concessions in an absolute sense, but rather as a change with respect to some reference point.

So the anchoring challenge boils down to selecting the most effective reference point. Is it: the status quo, a prior contract, a deal reached by a colleague, or some industry standard? In the end, anchoring is simply about how you help your customer understand the value of your concessions. And, remember that anchoring will always occur, so if you don't do it your customer will.

**Developing a strategy for building the value of your concessions.** It is difficult to over-emphasize the importance of this previously noted best practice. No concession – whether it is on price, technical support or any other issue – has a fixed inherent value. Top negotiators build and verify the value of a concession before they offer it.

Different people in the account may have a different views about the value of a concession so how you go about optimizing the value of a concession is position specific. In that regard, the opportunity may exist to use others, such as your internal champion, to influence the value with the major players in the decision process.

Also additional value may be derived from a ripple effect in a different division or in the future rather than present timeframe. So an overarching good idea is to have a plan for getting the right message, to the right people at the right time so that the value of your concessions will be optimized.

The least desirable outcome is offering in good faith a significant concession, only to find out, after the fact, that it had very little value to the customer – hence, the deal was lost. Of course the best situation is to provide a concession of significant value to the customer that “costs” you very little. The moral of the story: being smart about customer value is just as important in a negotiation as it is in any other aspect of selling.

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# Executing a Negotiation Strategy

In this chapter, Price Discounting and Optimizing Profitability will be addressed first, in Section 1. In Section 2, we will turn to what happens in front of the customer, examining best practices for managing face-to-face negotiations with customers. Section 3 shares some oft used, but deceptive tactics of which salespeople should be aware so they don't get caught off-guard.

SECTION 1

# Price Discounting

Although the most important factor in a negotiation is value, the most talked about one is price. So when it comes to talking about how to execute a negotiation, the topic of price needs to be front and center stage.

The relationship between value and price can be explained with this equation:

**Value = Benefits – Costs**

The first important insight is: **customer value can be increased either by increasing the benefits the customer receives or by reducing the cost they pay**.

Second, notice Price is not in the equation, the financial factor is Cost, not Price. Why? Cost includes not only purchase price but also other financial considerations related to terms and conditions such as delivery options and payment terms. Cost could also include financial implications like the cost of switching from one vendor to another. The switching costs might include, for example, a new information system or the cost of retraining staff to use it.

Let's examine how to deal with Price by examining the two factors in the equation – **Benefits and Costs**.

Top negotiators maximize the customer's understanding of the benefits of the total solution before offering cost concessions. They sell the benefits of their solution and of each of the concessions they are offering before negotiating cost concessions.

Here are two requirements for optimizing the customer's perception of the benefits:

**Develop a comprehensive understanding of the scope of the problem.** One of the reasons to sell first and negotiate second is to provide the opportunity for the salesperson to develop a comprehensive picture of the customer's problems and issues. If you understand the scope of the problem, the salesperson can design the solution so that it will optimize the customer's perception of benefits they will receive when closing the deal.

Understanding what is really important to the customer also provides the salesperson the information required to strategize what concessions will have the greatest payoffs for the customer. The worst situation is providing a concession that costs a lot to the seller and is of little value to the customer!

In addition, customers need to see the benefits of your solution versus the status quo. Of course that challenge requires making a clear connection between the benefits of your solution and the measurable business outcomes that matter to the customer. It includes contrasting the risks associated with your solution versus the consequences of inaction – the risks of doing nothing. It compares the costs of your solution versus how you are equipping the customer to spend less or sell more.

**Quantify intangible benefits.** Because companies selling to major accounts have a lot of capabilities, the variety of potential benefits is substantial. The payoffs to the customer can be financial, strategic, operational or even societal.

Most salespeople are more comfortable with Tangible Benefits because they may be quantified – like return on investment, decrease in days sales outstanding, an increase in inventory turns, or a reduction in the amount of time handling customer service calls. But these Tangible benefits only present part of the benefits picture. There are many benefits that are intangible, like "being viewed as a major innovator in the market." Although Intangible Benefits can bring as much or greater value than Tangible ones, customers often undervalue Intangible Benefits because their impact is difficult to quantify.

But just because they may be more difficult to quantify, salespeople shouldn't ignore Intangible Benefits. Rather, they should assume the responsibility for helping the customer develop a clearer picture of the payoffs of Intangible Benefits by developing a set of metrics that are relevant to the customer for measuring the Intangible Benefit. For example, if the Intangible Benefit was helping the customer be "viewed as a major innovator" a viable metric could be the results of a Voice of the Customer survey on new product releases.

Now let's look at price discounting by viewing the topic from a cost perspective. For starters it is interesting that the more skilled the negotiator the less likely they will offer, or on the customer's side of the table expect, price-only concessions. Instead, top negotiators broaden the discussion of price to include cost considerations related to terms and conditions like payment terms and delivery options. Terms and conditions have real value and need to be considered in any price discounting discussion.

Some other examples of terms and conditions that could be used as concessions in a major account negotiation include: liability options, warranty alternatives, start-up assistance, customer training, just in time inventory, and spare parts storage.

The challenge is finding those terms and conditions that have high payoff for the customer and cost little for the seller to provide. This, of course, requires a comprehensive understanding of the customer's company and industry and the business and economic models of the salesperson's own company.

A best practice when it comes to negotiating terms and conditions is the strategy should involve concessions on both sides. For example, if the customer asks the seller for payments for late deliveries, the salesperson could agree to that concession if the buyer would provide a bonus for early deliveries.

Remember, in successful negotiations concessions are traded – not given away. If it comes to a point where discounting price is on the table, you should never discount price without getting something in return.

For example ...

> What if a customer says, "I want to move ahead but the price is just too high." The response should *not* be "What kind of discount would it take to close the deal today?"
>
> But instead, the salesperson might say, "We can discuss a price discount if you are willing to consider storing spare parts on site versus expecting real-time delivery." Here the salesperson is bringing up a concession the customer might make – spare parts storage – in return for a concession on price.
>
> This idea is particularly important in major account negotiations because there will be a future negotiation in the months to come and you are **setting the precedent that a discount is not something that is free**. You are establishing the point that if the customer gets a discount, you should expect to be provided a concession in return.

Salespeople should not use price discounting as a way to create urgency to close the deal either. A statement like "If we can finalize the deal today, I can offer a 5% discount" is not a good idea.

In a major account negotiation the stakes are very high. So if the customer does not perceive the problem urgent enough to warrant changing or does not believe your solution can bring significant value to their organization, then discounting is unlikely to change their mind about closing the deal. And, making the offer sets a bad precedent for future negotiations.

Finally, let's look at the relationship between price and profitability. The Harvard Business Review reported an interesting study by with a group of companies in the Global 1200 on the relationship between price increases and profits.

They found that a 1% price increase – assuming demand remained constant – would result on average in an 11% increase in profits. Clearly there is not a one-to-one relationship between price and profit. So even a small price discount can erode the entire profit margin on a given deal. In major accounts, the solution and the added-value components are usually complex and interconnected so it becomes important to understand the impact of concessions on profitability.

The overall moral of the story? From the very beginning of the negotiation process – it is worthwhile to have an accurate assessment of the impact of price increases and price concessions on profit. Although a 5% discount on total revenue to close the deal may seem like a good strategy, you could end up closing a deal with little or no profit.

SECTION 2

# Face-to-Face Best Practices

A discussion about making trades and demands that end up being truly beneficial for both parties is a challenge for any salesperson – even for skilled negotiators. Fortunately there are face-to-face best practices that can be helpful for getting the job done. Let's take a look:

**Open high, but credible.** Remember the old nursery tale about the porridge being not too hot or too cold, but just right? Well, it might be said there is an equivalent when it comes to determining how high an opening offer ought to be. On the one hand, a classic trap is to open with an offer that gives too much away right upfront. When that occurs, all kinds of bad things can happen. A reference point has been established for the discussion that places you in a difficult position because you have nowhere to go on the second round of concession trade-offs.

So, why not start really high, "because it never hurts to ask"? Well in sales negotiations, it sometimes does hurt to ask. What's wrong with the "nothing ventured, nothing gained" alternative – opening with a really high offer you don't expect to get?

There are several downside risks with the "really high" strategy First, you may develop a reputation for proposing ideas that tend to be unreasonable. It even may be interpreted as tricky, time wasting, or unprofessional. Second, out of frustration, the customer may just go to the competition after the first offer – before you have a chance to provide a second, more reasonable alternative.

For every significant issue in a negotiation, it's useful to predetermine a "**Zone of Reasonability,**" which is simply the range between your least attractive acceptable result and the most desirable. When opening the negotiation, your first position should be high, but credible.

**Don't address all the minor issues early.** There is a notion that keeps being reinvented about getting off to a positive start by first attacking all of the small issues thereby creating a series of early wins for both parties. In some relatively simple, straightforward negotiations, stacking up early wins is probably a good idea. But, in a more complex negotiation, this approach can often

come back to haunt you in the later stages. To resolve a difficult and important issue it is frequently useful to give substantial concessions on a couple of minor issues in conjunction with concessions on the more major concern. If there are no minor issues left to "sweeten the pot," an unnecessary stalemate may result.

**Don't open on the most difficult issue.** This is the opposite side of the argument made in the previous point. A good idea is to start in the middle with an issue of moderate difficulty – not the most minor or not the most difficult. In the case of the most difficult issue, you face the risk of getting stuck before you ever get started. In a sales negotiation in which the customer will likely have several attractive options, this can be particularly dangerous.

**Test understanding and summarize.** Testing understanding and summarizing are about restating what has been said to develop a shared vision. In a negotiation context top performers use these behaviors to clarify the value of and build support for their concessions. Although commonly talked about, these active listening techniques, in practice, are often misused and abused.

When using these ideas it is important to distinguish them from "parroting" which tends to drive people crazy. Parroting involves repeating exactly what someone has stated. Testing understanding and summarizing, on the other hand, involve paraphrasing only the essentials of what has been said and reflect only facts not the emotional component of a conversation. The later point is the reason why these techniques are effective at reducing tension in a negotiation.

**Set precedents.** If the context for the negotiation is a one-off sales environment then the notion of setting a precedent is not relevant. However, in the major account market the salesperson must always be aware that what they do and say today sets the standard for tomorrow – for better or worse. This is particularly important when it comes to giving concessions. Relating back to a previous point, it is why starting high, but credible is a best practice. In addition, precedents can transcend a given negotiation and set the standard for discussions in other departments or establish the new starting point for "next year."

**Plan a series of decreasing concessions.** When planning a negotiation on a given issue, plot a series of decreasing concessions. This strategy will signal the customer that you're getting close to the point where no further concessions can be offered. It's an efficient way to manage expectations. How you concede sends a message to the customer, so make sure you are sending the right message.

SECTION 3

# Handling Deceptive Tactics

In most major sales both the salesperson and the customer are interested in achieving a win/win result because the relationship is one that has existed and will continue to exist in the future. So attempting to gain some short-term advantage, particularly by trickery, does not make a lot sense for either side.

There are times, however, when one side may say or do something that is by intent deceptive to get the other party off balance and/or to commit to an undesirable concession. In major account sales negotiation there is no place for deceptive tactics by either party. They are counterproductive and can have a devastating effect on the relationship.

On the hand, you cannot be caught off guard. So, here are five of the more common deceptive tactics and how they might be handled.

**Deceptive Tactic 1** – Creating a mythical competitive offer. Because competitors are almost always present in a major account negotiation it is easy for the customer to suggest that one of the competitors has proposed an offer that is significantly less than what you are proposing. The customer may say something like, "I would like to go with you and I don't expect you to meet your competitor's offer, but I do need a lower price than what you proposed."

> **Counter Response** – The first step is to avoid an immediate discussion of how much of a discount from you the customer would find acceptable. Instead, buy time and use the resources of your organization to discover whether the "competitor" offer is likely to be true. If it is unlikely, have a second discussion with the customer about the value of your solution, treating the competitive offer as a bluff.

**Deceptive Tactic 2** – "One more thing." After everything has been tied down in the negotiation and it's time to close the deal, the customer says – "Before we wrap this up there is just one more little thing we need." The temptation is since the deal is "done", what is just one more little thing? So, you agree to the concession.

**Counter Response** – Establish upfront that no individual concession is agreed to until all concessions are agreed to.

**Deceptive Tactic 3** – I've got to check with senior management. After having reached an agreement, the person you're negotiating with says – "What we just agreed to sounds great, I think this whole thing looks great – but as you probably know I just need to clear our concessions with my manager." Of course the customer's manager, who might not even be involved in the negotiations or even the sales process, says they need a couple more concessions before closing the deal.

**Counter Response** – The best counter strategy for this tactic is to prevent it from occurring in the first place by verifying that the person you are negotiating with has the authority required to bring the negotiation to closure. If not, then share that you too must check with your manager before finalizing the deal.

**Deceptive Tactic 4** – The preposterous offer. The salesperson proposes an offer on a given issue like price or delivery time, but the customer immediately suggests the offer is not even close to what they were expecting. Although, privately, the customer knows the offer is within a reasonable range.

**Counter Response** – There are two counters to this tactic. First, it is important for the company to provide sales teams with the market intelligence about what is reasonable and what is not. Second, when salespeople get a comment like this one, they should immediately go back to the customer's needs and the value of their solution.

**Deceptive Tactic 5** – You have invested so much so why not? This is a sunk cost tactic and it works when there is a long and complex negotiation. You have put a lot of time and effort into selling and negotiating so the other side tries to leverage what you have done: Do you really want to walk away now after all the effort?

**Counter Response** – As the negotiation unfolds the salesperson should be careful about making substantial commitments while the other side does not make any commitments in return. If this happens you end up as the only one with a sunk cost.

Although these deceptive tactics seem straightforward, they can be very subtle and effective if carried out skillfully as part of a complex negotiation. It is also important to recognize that sometimes these tactics occur and they are not tricks. So the first question a salesperson should ask is "Is this a ploy or is it legitimate?"

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# Final Thoughts

We hope that applying the ideas in ***Mastering Major Account Negotiating*** will lead you to more sales success. To help you do this:

**Select one new skill at a time.** It's difficult to master several new skills at the same time. So select one new skill to start and focus on getting it right. Then add another new skill ... and so on.

**Maximize practice and feedback.** Practice doesn't make perfect; it is all about practice plus feedback. So look for safe opportunities to practice and get feedback on the skill set you selected to master.

As ***Mastering Major Account Negotiating*** is the second book in the **Sales Mastery Series**, we would very much like to get your feedback for improving the books so they are more valuable to our readers. We would also appreciate any suggestions you have on topics that you have found important in major account selling.

We can easily be reached at 480-513-0900 or via email: Richard at rruff@salesmomentum.com or Janet at jspirer@salesmomentum.com.

You can also read more about sales best practices on our blog – the Sales Training Connection.

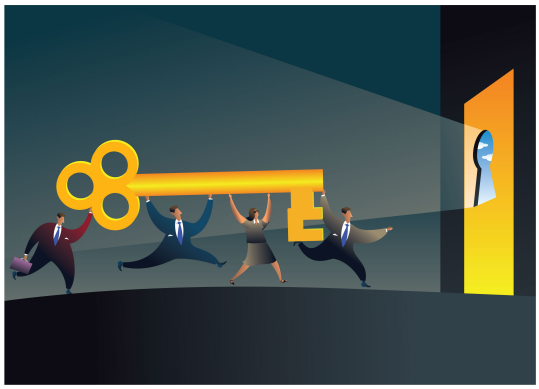
We appreciate your interest in ***Mastering Major Account Negotiating*** and wish you success in your sales career!

To learn more about the authors and our company, we've included:


- Section 1 - About Sales Momentum
- Section 2 - Sales Training and Blogging

SECTION 1

# About Sales Momentum



For more than 30 years Richard Ruff and Janet Spirer – the founders of Sales Momentum – have worked with the Fortune 1000 to design and develop sales training programs that make a difference. By working with market leaders we have learned that today's standard for a great sales force significantly differs from yesterday's picture.

Today a sales force not only needs to be able to sell a competitive advantage ... they must *be* a competitive advantage. Because sales people must learn more than ever before, and master it to a higher level of proficiency, the demand for an entirely new class of effective sales training programs has emerged. Sales training programs must be qualitatively different from sales training offerings of the past in how they are designed, developed and priced. They must be designed to impact business results and priced affordably.

In 2010 we also began to offer our sales training programs to mid-size and smaller companies under our Sales Horizons brand.

**Dr. Richard Ruff** has spent the last 30 years designing and managing large-scale sales training projects for Fortune 1000 companies. These projects have varied in scope from targeted sales training efforts for launching new products to international sales training engagements.

Richard spent the first part of his sales training career with Neil Rackham during the start-up years for Huthwaite, Inc. In 2000, Richard and Janet founded Sales Momentum. Sales Momentum specialized in designing a new generation of sales training programs that focused on helping Fortune 1000 companies achieve high-impact business results.

Richard has authored numerous articles related to sales effectiveness and co-authored Managing Major Sales, a book about sales management, Parlez-Vous Business which helps sales people integrate the language of business into the sales process, and Getting Partnering Right – a research

based work on the best practices for forming strategic selling alliances.

Dr. Ruff received his Ph.D. in Organizational Psychology from the University of Tennessee and a B.S. from Rensselaer Polytechnic Institute.

**Dr. Janet Spirer** has followed two different, yet complimentary paths. First, as a B-School Professor she taught marketing, sales, and business strategy courses. She also managed a consulting practice focusing on sales productivity and marketing.

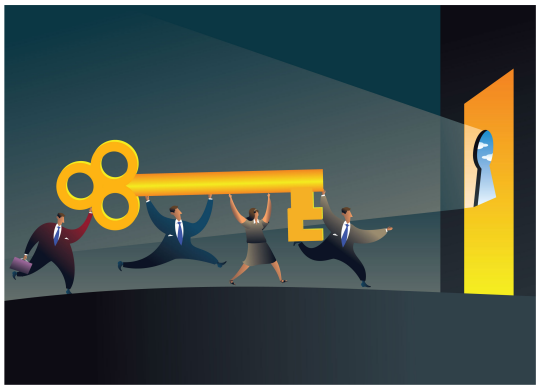
Pursuing both a consulting and an academic career has provided Janet with a unique perspective – keeping up-to-date with current thinking in the field, as well as, seeing these ideas implemented in the market place. She translated those experiences into Parlez-Vous Business – a book that helps sales people develop the business savvy to sell successfully.

Since co-founding Sales Momentum in 2000 with Richard, Janet has worked with Fortune 1000 clients across industries to design customized sales training programs to improve their sales effectiveness.

Dr. Spirer received her Ph.D. from The Ohio State University, an M.P.A. from The University of Texas at Austin, and a B.A. in Economics from Brooklyn College. She holds the appointment of Professor Emeritus at Marymount University.

SECTION 2

# Sales Training and Blogging



Our sales training programs cover a variety of sales skills to help salespeople master major account selling, including:

- Sales Call Essentials
- Sales Strategy
- Sales Coaching
- Sales Negotiation

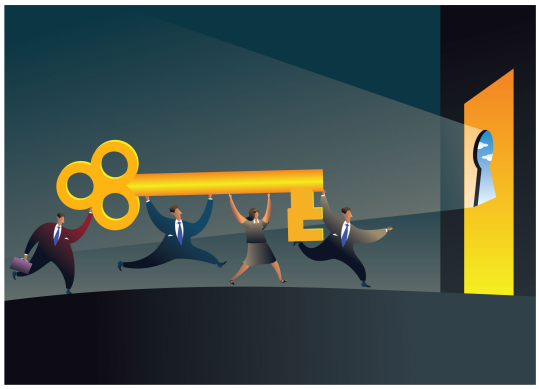
We also offer Sales Simulations that can be customized by industry to the sales challenges and sales skills issues a company is facing.

Learn more about our sales training programs by looking at our website – or by contacting Richard at rruff@salesmomentum.com or Janet at jspirer@salesmomentum.com. Or call us at 480-513-0900.

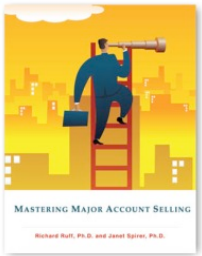
And, you can find a lot more information about sales effectiveness on our blog, the Sales Training Connection.

SECTION 3

# Sales Mastery Series



***Mastering Major Account Negotiating*** is the second book in the **Sales Mastery Series**.




You can download the first ebook and mobile app – ***Mastering Major Account Selling*** by clicking here.

Although not a part of the **Sales Mastery Series**, we also produce several white papers – including Getting Sales Strategy Right.