

Best Practices White Paper



Insights to help move
the performance needle

Assess Needs

Grow Revenue

Satisfy Customers

Create Leaders

Manage People

Optimize Projects

Measure Results



The Exact Expertise to
Ignite and Sustain Performance™

Negotiation Myths What They Mean for You and Your Business

Let's start by blowing away the two most common negotiation myths:

Myth #1

"I can get the same thing cheaper."

Myth #2

"Negotiations are a moving target; you never know what's going to happen."

The truth is that your customer most likely can't get the "same thing" cheaper, and negotiations are not a moving target. We can predict (almost) exactly what is going to happen in most B2B negotiations.

Based upon a relentless pursuit for negotiation alternatives and how to help our clients effectively deal with them, we have collected the "most difficult" and "most common" verbal negotiation tactics over 3 years in 19 countries with Fortune 500 firms from a wide range of industries.

We did this to determine if negotiation tactics followed any kind of predictable pattern or if negotiation is truly as random and unpredictable as most companies think. The reality astounded us. While negotiations often feel unpredictable and challenging, 97% of verbal tactics globally followed a very, very predictable pattern.

The main problem sellers face in negotiation is the lack of good data to counter typical tactics, which would otherwise allow them to know in advance what is likely to happen.

We can no longer be intellectually lazy about business negotiation by putting the blame on something as subjective or esoteric as a "moving target."

GET MORE
SOLUTION
DETAILS



HAVE AN
LSA EXPERT
CONTACT ME

GO TO
LSA GLOBAL
WEBSITE



The Exact Expertise to Ignite and Sustain Performance™



Negotiation is not a moving target, and understanding that changes the rules of the game. Negotiation is, and always has been, about one thing: data, data, and more data.

Don't get me wrong; the tactics that buyers use are amazingly effective, but not because the tactics are good. It's because we as salespeople have not taken the time to prepare effectively to counteract these tactics. In the face of strong data, these tired tactics are virtually useless.

In the words of one expert,

“We have to change the conversation with the customer and it is only with the right data that this can be done effectively.”

Finding the right data to prepare for any B2B negotiation is as simple as collecting information around these **two questions**:

1. What are the consequences in the event an agreement is not reached?

2. What are the likely terms in the event you do reach agreement?

While the questions are relatively simple, drawing out the answers is not so simple. Nonetheless the answers are critical so that we can avoid negotiation trouble in the form of commoditization and price pressure. Remember, it is the job of a buyer to oversimplify negotiation and boil it down to “I can get the same thing” and “it's only about price.”

It is our job as sellers to bring the natural complexity of the business deal to the table so that all sides can make better decisions. We like to think of this as a negotiation blueprint; planning the structure of a negotiation much like planning the structure of a building before it is built.

**GET MORE
SOLUTION
DETAILS**



**HAVE AN
LSA EXPERT
CONTACT ME**

**GO TO
LSA GLOBAL
WEBSITE**



The Exact Expertise to
Ignite and Sustain Performance™

“I Can Get the Same Thing Cheaper” – Part One

Chances are that your buyer cannot get the “same thing” cheaper. In virtually every business negotiation where there are professional buyers on one side of the deal and professional sellers on the other, the business solution being negotiated has virtually no chance of being “the same” as what your competitor is offering.

Buyers say these things because the selling world has trained them well – i.e. they work – but not because the tactics are based on fact. If two providers were offering the same thing, then why not always use the web and/or reverse auctions and both parties could obtain higher margins by eliminating the people representing the buy and sell side?

Let’s take the first question to help us break away from the “same thing” trap: *“What are the consequences in the event an agreement is not reached?”*

This question forces us to think through our customer’s alternatives and the consequences if they were to choose that alternative over us. Let’s assume the alternative is our closest competitor. Most sellers fall prey to the (mostly false) perception that what they are selling is exactly what their competitor is offering.

This is easy to believe since the focus is often on the most visible component: the product itself. For example, let’s think of “stents,” the medical device that surgeons use to clear heart blockages. Before the advent of drug-coated stents, virtually every manufacturer of stents produced the same thing. In this instance, the buyers were well-served to suggest that “your competitor has exactly the same stent as yours and is priced lower.”

What most sellers fall prey to is the (mostly false) perception that what they are selling is exactly what their competitor is offering.

But times have changed. Let’s start with the “exactly the same stent” analysis.

On face value, the stent is the same.

However, when you dig into the value proposition of Firm A vs. Firm B and get a sense of all the other solutions and services they each provide, i.e. corporate stability, availability of supply, the technology that might be supporting the relationship, new product pipelines, educational training, etc., the “decision” for the buyer gets more complex.

Likewise, it may be true that one aspect of your value proposition could be commoditized or seen as “exactly like your competitor,” but **it is the sum of your overall value proposition that differentiates you** – and that is the focus of this article. If your value proposition does not differentiate you, your problem is not in negotiating; it’s a larger business strategy issue.

. . . it may be true that one aspect of your value proposition could be commoditized or seen as “exactly like your competitor,” . . .

Knowing that it’s in the buyers’ best interest to commoditize your offering, what do you do?

(First realize that you’ll likely need practice and patience. Precedents may have been set and true commodities, i.e. t-bills or pork bellies, do exist where price is the only differentiator. It can take time to reverse those precedents and change the conversation.)

GET MORE
SOLUTION
DETAILS

HAVE AN
LSA EXPERT
CONTACT ME

GO TO
LSA GLOBAL
WEBSITE



The Exact Expertise to Ignite and Sustain Performance™

An Example

One of our clients is an E-learning company. They began with the question, “What are the consequences in the event an agreement is not reached?”

While preparing to answer that question, the company limited comparing their value proposition to their closest competitor who claimed to offer the “same thing cheaper.” Here’s how our client applied the negotiation blueprint process:

1. First, they started this analysis well in advance of the pending negotiation (6-9 months).
2. Then they mapped all levels of buyers and got into the mode of thinking like their customers.
3. Then they asked the question, “If I were buying influence ‘A,’ what factors would I need to take into consideration when comparing two E-learning companies’ value propositions side by side?”
4. At the first level they brainstormed broad categories like technology, content, service, quality, corporate stability, etc.
5. After coming up with six broad category headings, they brainstormed the measurable detail under each heading. For example, under technology they determined their buyers should be comparing “up time,” the ability to “integrate into existing systems” and the “reliability and downtime.” After doing this for each of the six categories, they came up with 43 items the various buying influencers should be considering when comparing one E-learning company to another.
6. A key point here is focusing only on the information that is significant to the buyers’ needs on this specific deal. What our client found, after asking effective questions, was that many of the 43 things were not entirely appropriate because the customer did not value them. They began to narrow the list and netted it down to 23 relevant items. They then looked at how many of these items the competitor had that were similar and realized that there were 20.
7. That left 3 key areas that were superior to the competition. The E-learning company used these items very effectively to combat the “same thing” analysis. Ultimately, they were successful.

“What are the consequences in the event an agreement is not reached?”

We use this same analytical process with our own company. We prepare the same spreadsheet referenced above that allows us to make better decisions by considering all aspects of the deal. In fact, in a few instances, we have been successful in altering a prospective client’s RFP process by focusing them on these key criteria. This style of negotiating not only helps to avoid commoditization, it helps customers make better and more balanced decisions.

Once you have answered the first question: “What happens in the event agreement is not reached?” you are ready to tackle the second key question.

GET MORE
SOLUTION
DETAILS

HAVE AN
LSA EXPERT
CONTACT ME

GO TO
LSA GLOBAL
WEBSITE



“I Can Get the Same Thing Cheaper” – Part Two

Having spent some time working through the first half of this statement, “the same thing,” let’s turn to the “cheaper” part. **This again is the same attempt to oversimplify typically complex B2B negotiation to a commodity where the only negotiable is price.**

Remember, if this were true, there would be no need for professional buyers and sellers, and trade would happen consistently online. For the majority of deals, there are many more moving parts. Let’s take the example of a home improvement retailer who was negotiating with their carpet supplier.

The good news here is that both sides knew the negotiation was much larger than price, but still could not reach agreement. They took the second question into consideration, “What are the likely terms in the event you do reach agreement?” Based on their desire to put a deal together, they began listing what we call Level One negotiables that they felt may be important to both sides, such as:

- Price
- Volume
- Services
- Products
- Warehousing

They then moved to **Level Two negotiables**, such as:

- Legal terms
- Conditions
- Materials clauses
- Length of contract
- Cancellation fees

Let’s stop here.

Most buyers attempt to ignore the robustness of negotiation by simply saying, “Well, the other side’s price is lower.” Remember, that is like trying to make a decision with the majority of the criteria missing. We all know that price is a function of many things; how much volume is being purchased, what products and services are included, who is assuming more risk, and so on.

Our job as professional negotiators is to get all the moving parts on the table simultaneously so both sides can make well-informed business decisions.

Once again, it is the “robustness” of B2B deals that makes them fundamentally different from interpersonal negotiations and therefore requires a different mindset and a different data collection process.

GET MORE
SOLUTION
DETAILS



HAVE AN
LSA EXPERT
CONTACT ME

GO TO
LSA GLOBAL
WEBSITE



The Exact Expertise to Ignite and Sustain Performance™

Back to our example: The two sides were doing a great job of uncovering all the variables in Level One and Two negotiables. Next, they decided to brainstorm possible creative Level Three negotiables. These are items that are not currently on the table and presumably not part of the negotiation.

In this instance, the brainstorming led to how to use the relationship to grow the top lines of both firms. This opened up a discussion of consumer databases and marketing, and the two sides realized that one had a segment of the market in their database that the other valued. They agreed to marry the databases and develop a joint consumer marketing program.

Level Three Negotiables

This Level Three creative trade saved more costs (from merging rather than purchasing a new database) and generated more revenue (with the marketing program) than all the cost savings or lower prices of carpeting that could have afforded the buyer, or all the margin improvement and higher prices that could have afforded the seller.



The word “cheaper” usually refers to acquisition price or price per unit. It is almost impossible, and certainly illogical, to take this one piece out of context of the overall negotiation because, as we all know, price is a function of many other things. Most of us know the difference between acquisition price per unit and overall total cost of ownership (TCO).

Price is what we have been negotiating; TCO is what we should be negotiating. Remember, a pure commodity is the only negotiation where price can be the only focus, usually aligned with volume. For a typical commodity, negotiations are quite simple; the more volume the lower the price, usually in basis points or tenths of a percent. However, we are not negotiating commodities; we are negotiating solutions.

Specifically, buyers are looking for solutions to problems or enhancements to their value chain, and sellers are doing their best to assist the buyers in solving problems or improving processes.

Take steel, for example. A buyer could easily say that concrete is cheaper than steel but when one looks at the cost of maintaining the two over time and the expected life of both, the calculation is fairly easy to see how, over a longer time period, steel is superior.

There are also other elements such as volume, length of contract, type of service and support, and warranty that determine price.

A seller refusing to focus on just price is not playing hardball; they’re being logical.

But professional buyers are consistently (or cagily) resilient to logic. So how do you “show them the light” and move the conversation away from price and toward other, more valuable features?

GET MORE
SOLUTION
DETAILS



GO TO
LSA GLOBAL
WEBSITE



The Exact Expertise to
Ignite and Sustain Performance™

You are also prepared to change the conversation from the price of products and services to negotiating something far more valuable to both sides: a lasting business relationship not based on the prices of products but the value of solutions.

To move the focus away from price, systematically answer the second question, “What are the likely terms in the event agreement is reached?”

Analyzing Level One, Two and Three negotiables, or trades, for both sides of the deal completes the second half of your negotiation blueprint and you are now prepared to face 97% of the tactics that will come your way.

You are also prepared to change the conversation from the price of products and services to negotiating something far more valuable to both sides: a lasting business relationship not based on the prices of products but the value of solutions.

Summary

The bottom line is that your clients cannot get the “same thing cheaper” and you can ensure that your sales team is prepared to negotiate.

To be successful, contemplate installing a simple, repeatable process for answering the two questions that enable your team to effectively, credibly and professionally handle 97%* of tactics used by buyers the world over.

*97%: Our research shows:

- **51%** of tactics correlated to both questions one and two, “What happens in the event you don’t agree?” (alternatives) and “What are the likely terms in the event you do agree?” (economics). This sounds something like, “I can get the same thing cheaper” and, as mentioned earlier, is the most common negotiating tactic globally. We hear it expressed in many ways, with different terminology and different emotion, yet in the end it means the same thing.
- **46%** of tactics correlated to the second question only, “What are the likely terms in the event you do agree?” These sound like, “lower your price,” “sharpen your pencil,” “my budget is only x amount of \$,” “you need to accept more risk”, etc.

GET MORE
SOLUTION
DETAILS



HAVE AN
LSA EXPERT
CONTACT ME

GO TO
LSA GLOBAL
WEBSITE



The Exact Expertise to
Ignite and Sustain Performance™

We help make companies more competitive through people.

Founded in 1995 on the principle that training "by itself" will not drive tangible change or business results, we work with a select group of clients to get the most out of their people. Every training and consulting solution we provide increases revenue, decreases costs, or raises productivity.

Who we work with

Our clients are typically mid-market business leaders who believe that investing in people is vital to their success. The majority come from the high-tech, life-sciences, and service industries and often lack the internal resources or expertise to get the job done. They want more than what traditional training and consulting approaches can deliver.

What we do

We get results. Our one-stop-shop offerings range from creating a high performance culture, to outsourcing the training function, to designing and delivering targeted learning solutions. We excel in seven key practice areas: assessment, sales, loyalty, leadership, management, project management, and measurement.

How we do it

We partner with our clients in a way that makes sense for their unique situation. First we identify the key metrics they want to improve. Then we assemble a dedicated team of experts who have successfully solved similar problems with similar clients. Our expertise and flexibility allow us to move the performance needle faster and farther than anyone else in our industry.

Our Guarantee

We are fiercely devoted to the success of our clients and guarantee results.



The Exact Expertise to
Ignite and Sustain Performance™

Our clients tells us that we are different.

Our clients tell us that we save them both time and money. Our clients tell us that they appreciate access to certified best-in-class experts who help them to move the needle.

Our sales clients

confirm that they have grown sales by 40%, increased units sold by 42%, increased average pricing by 12%, and closed over 50% of their pipeline.

Our customer loyalty clients

confirm that their customer revenue per household increased by 18%, repeat calls decreased by 48.4%, single contact resolution increased by 6.1% and their overall customer satisfaction increased by 10%.

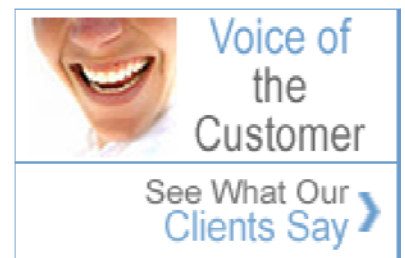
Our leadership and management clients

decrease their costs by up to 50%, increase speed-to-productivity by 60%, accelerate promotions by 20%, decrease unwanted attrition by up to 40%, and report an additional \$13m to their bottom-line.

Our project management clients

inform us that, by regularly completing projects that meet or exceed expectations, they have become an anomaly in the world where most projects disappoint or fail.

Request an LSA Expert
Contact Me >





The Exact Expertise to Ignite and Sustain Performance™

Representative Clients

We are fiercely devoted to the success of our clients and proud that over 85% of our business comes from repeat business with satisfied clients.



97.5% client satisfaction

98.2% recommend LSA

98% solution satisfaction

129% knowledge gain

800+ Assessment and Measurement Projects

45+ Client Case Studies

100+ Client Testimonials

Top 10% Certified Experts