

Traps Expert Negotiators Encounter and Ensuring You and Your Team Overcome Them

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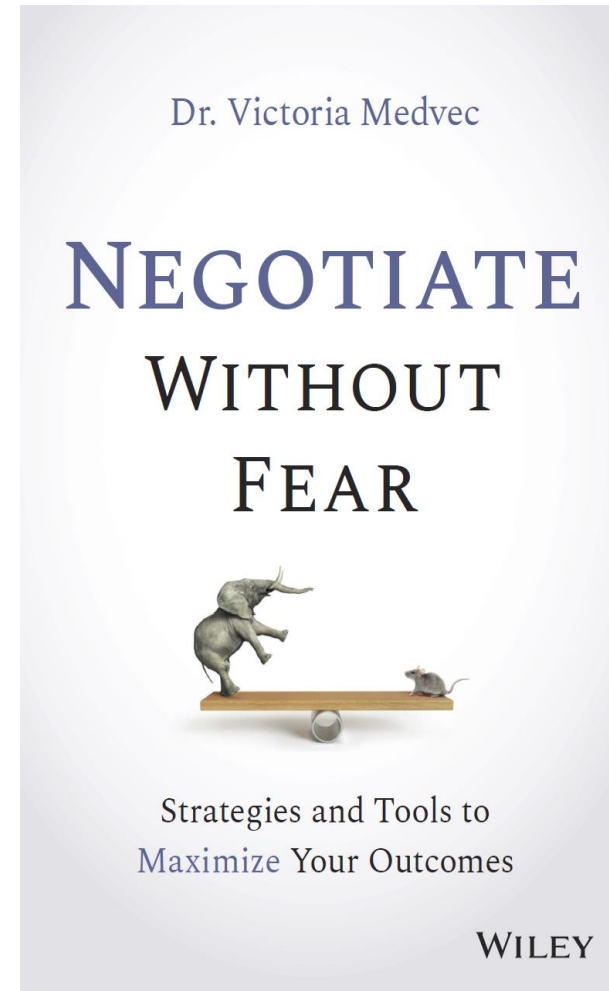
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“Negotiate Without Fear” to Improve Negotiated Outcomes

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- Deep dive into the topics discussed today
- Expanded topics to increase your ability to drive the right behaviors in your organizations
- Coaching tips
- Numerous negotiation examples ranging from personal to business settings



Traps Expert Negotiators Encounter



Negotiating the wrong deal – focusing on a single quantified issue



Failing to establish an ambitious goal for the negotiation



Telling no story or the wrong story in a negotiation



Making single offers rather than employing a multiple offer approach

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Generating The Issues: Coaching Your Team

- Remember that we do not want to have single-issue negotiations
- Multiple issues allow us to trade off on the differences in preferences between the two sides
- Generate the issues by considering your objectives for the interaction
- After creating a list of issues, try to fractionate the issues down to smaller issues



Putting The Right Issues on The Table

Objectives

- Addressing the other side's pressing business needs
- Differentiating yourself, your products/service, and your company
- Building relationships with whom in what time period
- Maximizing your outcomes

Negotiable Issues

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Typical Objectives in Customer Negotiations

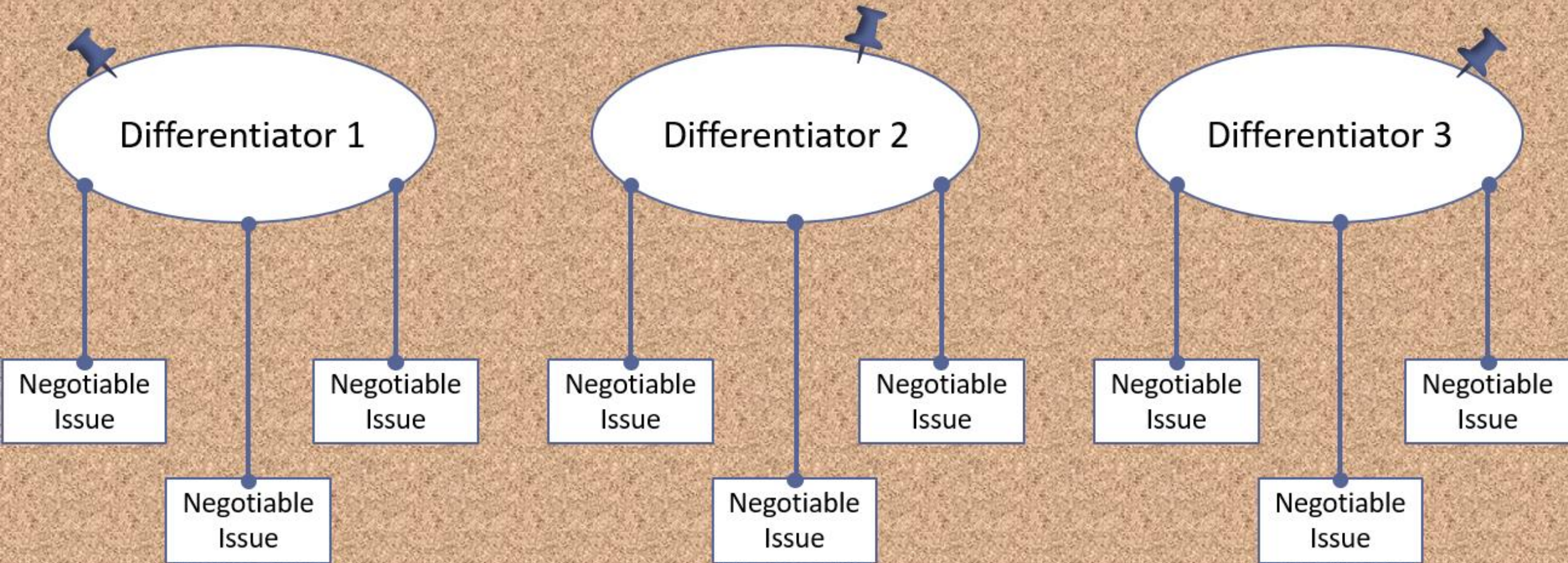
Objectives

- Addressing the customer's pressing business needs
- Building the relationship with whom in what time period
- Differentiating your company
- Expanding your footprint with the customer
- Gaining referrals
- Increasing the customer's dependency on your company
- Demonstrating confidence in what you can do
- Maximizing margin

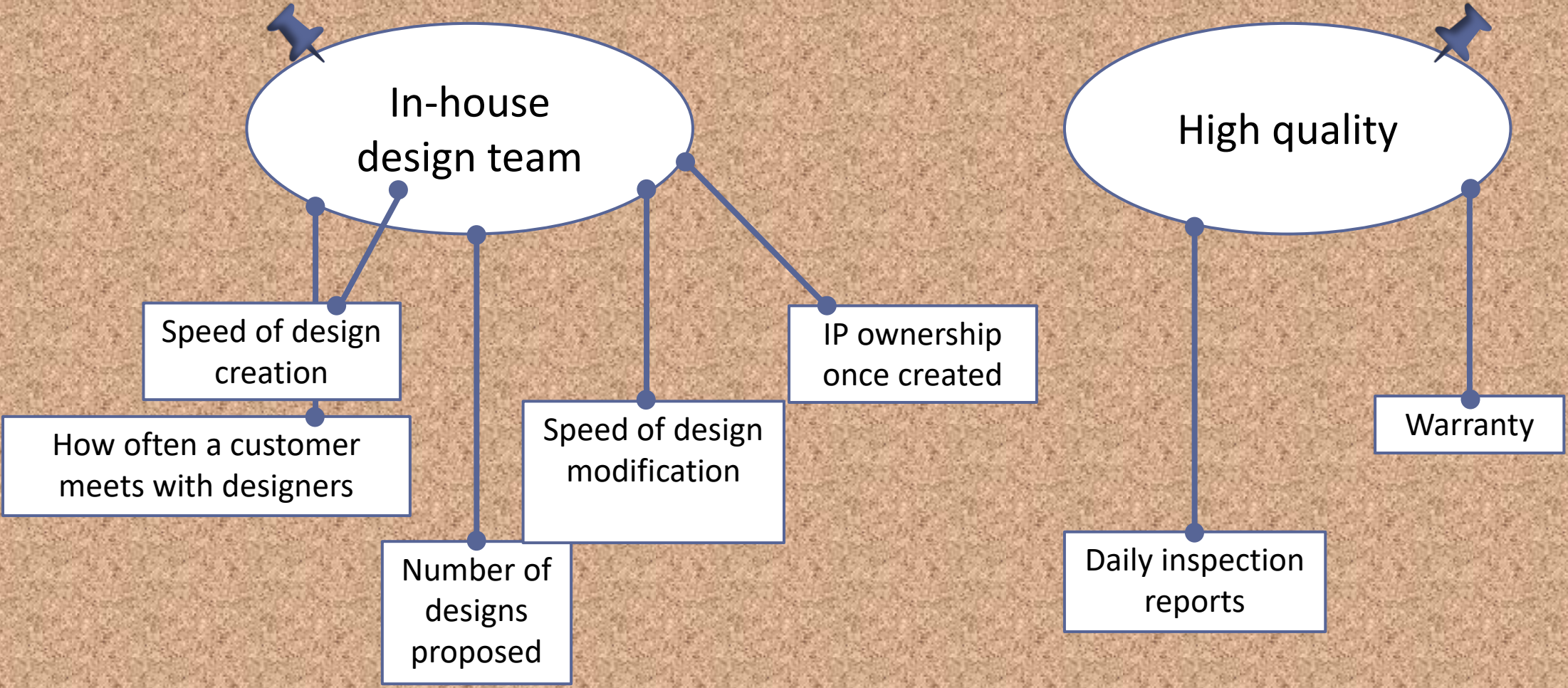
Negotiable Issues

- Briefings with senior leaders
- Insight sessions for executive team
- Dedicated, on-site team
- Volume incentive
- Upfront payment
- Exclusivity discount
- Ability to use customer's name
- Securing referrals and references
- Bet on performance
- Price

Differentiate Your Company: Coaching Your Team



Differentiator Example: Promotional Sales Company



Utilizing an Issue Matrix to Structure the Deal: Coaching Your Team



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Establishing an Ambitious Goal: Coaching Your Team

- Expert negotiators often fail to establish an ambitious goal, focusing more on what is typically achieved than what they want to achieve
- Your goal should be based on the weakness of the other side's best outside alternative (the weakness of their BATNA)
- Careful analysis is needed to evaluate the other side's BATNA
- The other side's BATNA should not be based on a single issue but analyzed across all issues
 - Switching costs
 - Risk
 - Coordination cost
 - Timing

Analyze the Weakness of the Other Side's BATNA to Determine Your Goal

- One of the biggest mistakes that negotiators make is to fail to analyze the other side's BATNA
- This error leads negotiators to negotiate largely in the range around their own reservation price rather than capitalizing on the full bargaining zone
- You need to carefully analyze the other side's BATNA
- Your goal should be based on the weaknesses of the other side's BATNA
- Remember that the other side's BATNA is not based on a single issue (i.e., the price a competitor will offer them) – it needs to be analyzed across all of the issues (what are the switching costs, how confident are they that the other side can deliver, what is the risk, what are the coordination costs, etc.)
- We recommend using a BATNA Analysis Tool to help you focus on the weakness of the other side's BATNA to establish your goal for the negotiation

Use a BATNA Analysis Tool to Evaluate the Other Side's BATNA and Establish an Ambitious Goal

- Create and use a standard **BATNA Analysis Tool** for your negotiations to analyze the weakness of the other side's BATNA
- Answer 10 questions to assess the other side's BATNA – these questions will ask you to consider what options they have, what time constraints they are under, what risk they are experiencing, what outside distractions they have, what internal distractions they have, etc.
- It is important that the whole team is using the same tool
- Score each question on a **1-10 scale**:
 - 1 is the other side has very weak options
 - 10 is the other side has very strong options
- Average the scores across the 10 questions
 - If their **BATNA is less than or equal to 5**, your team should have an ambitious goal; your team should have a goal that is more ambitious than your typical goal for this type of account
 - If their **BATNA is greater than 5 and less than 7**, your team should have an average goal
 - If their **BATNA is greater than 7**, your team should recognize that it may be challenging to achieve an average goal

BATNA Analysis Tool: Customer Negotiations

Cannot replicate	← 1	To what extent can the customer replicate the services or produce the product themselves?	10 →	Can replicate	<input type="text"/>
Key to the customer	← 1	To what extent are you critical to the customer's strategy?	10 →	Not very crucial	<input type="text"/>
Poor track record	← 1	What is the reputation and operating track record of the customer's alternatives?	10 →	Great track record	<input type="text"/>
Exceptionally strong	← 1	How strong are your relationships with the customer's senior leaders?	10 →	Nonexistent	<input type="text"/>
High exposure	← 1	What type of exposure will the other side's negotiator or senior leader have if things fall apart?	10 →	Little exposure	<input type="text"/>

BATNA Analysis Tool: Customer Negotiations

Central to the core products	← 1	How critical are you to the customer's core products?	10 →	No involvement in core products	<input type="text"/>
High switching costs	← 1	What are the customer's switching costs if they left you?	10 →	Low switching costs	<input type="text"/>
Few substitutions	← 1	To what degree is the customer able to accept direct/indirect substitutions of your product?	10 →	Many substitutions	<input type="text"/>
Many products	← 1	How many of the customer's products will be delayed if the customer switches from you?	10 →	No products	<input type="text"/>
Very crucial	← 1	How critical is your product to the customer's end customer?	10 →	Not at all crucial	<input type="text"/>

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Craft and Deliver a Compelling Message: Coaching Your Team

- Highlight how your differentiators can address the other side's pressing business needs
- Requires negotiators to do the proper diligence to understand the business needs of the other side
- Always be a pronoun checker: Focus on them, not yourself
- Deliver the message via synchronous communication; "Say it, don't send it, and see them when you say it"
- Those who speak first - WIN
 - Creates an anchoring effect
 - Frames the discussion
 - Sets the table with the right issues
 - Maintains the "relationship enhancing" position

Rationale: The Importance of Framing

People are risk averse in the domain of gains and risk seeking in the domain of losses

When you want the other side to maintain the status quo, highlight gains

Gain words include:

benefit, advantage, increase, improve, enhance, value, value proposition, savings

When you want the other side to move off the status quo, highlight losses

Loss words include:

competitive threat, vulnerability, exposure, cost, loss, risk

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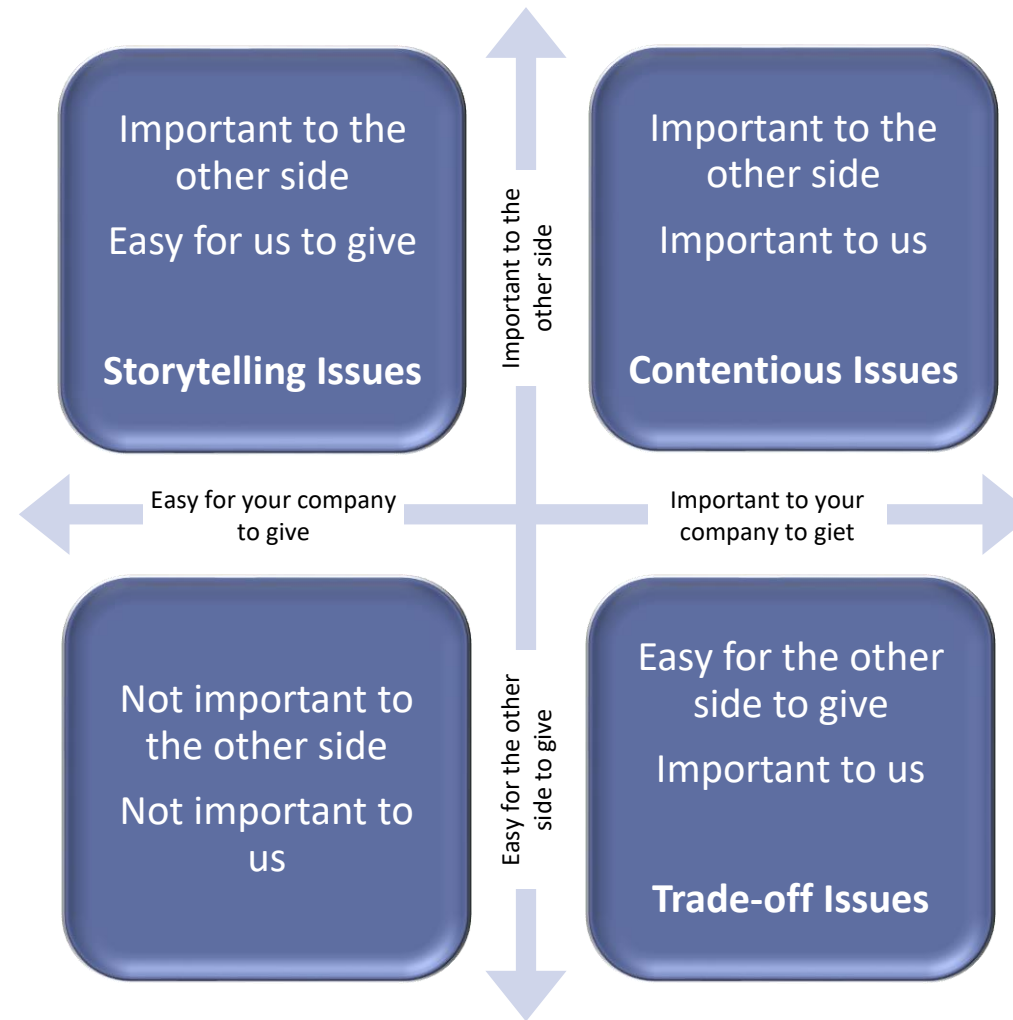
Advantages of Multiple Equivalent Simultaneous Offers: Coaching Your Team and Deploying in High-Stakes Negotiations

- Expert negotiators often make the mistake of using a single offer
- Multiple equivalent simultaneous offer (MESO) are helpful for several reasons:
 - Helps anchor the negotiation
 - Allows you to be aggressive while signaling cooperation
 - Gathers information about the other side's relative priorities
 - Tests what the other side has communicated throughout the negotiation
 - Provides you with the ability to be more persistent
 - Protects the relationships by allowing you to make “concessions” that do not cost you anything
 - Communicates a compelling message to the other side

Crafting the MESO

- A MESO is a story board that reinforces your message
- Vary storytelling items at the top
 - Do not vary more than 5-9 items to avoid confusion
- Hold constant all trade-off items in your initial offer
 - These will likely vary as you progress through the negotiation and concede
- Hold constant most of the contentious items in the first offer
 - Price may vary because everything falls into price
 - These items will likely vary as you concede in later rounds of the negotiation

Utilizing an Issue Matrix to Structure the Deal



Your MESO Architecture

	Option A	Option B	Option C
Issue 1: Storytelling Issue	Vary	Vary	Vary
Issue 2: Storytelling Issue	Vary	Vary	Vary
Issue 3: Storytelling Issue	Vary	Vary	Vary
Issue 4: Storytelling Issue	Vary	Vary	Vary
Issue 5: Storytelling Issue	Vary	Vary	Vary
Issue 6: Trade-off or Contentious Issue	Constant	Constant	Constant
Issue 7: Trade-off or Contentious Issue	Constant	Constant	Constant
Issue 8: Trade-off or Contentious Issue	Constant	Constant	Constant
Issue 9: Trade-off or Contentious Issue	Constant	Constant	Constant
Issue 10: Contentious Issue – Price	Vary or Constant	Vary or Constant	Vary or Constant
Issue 11: Trade-off or Contentious Issue	Constant	Constant	Constant

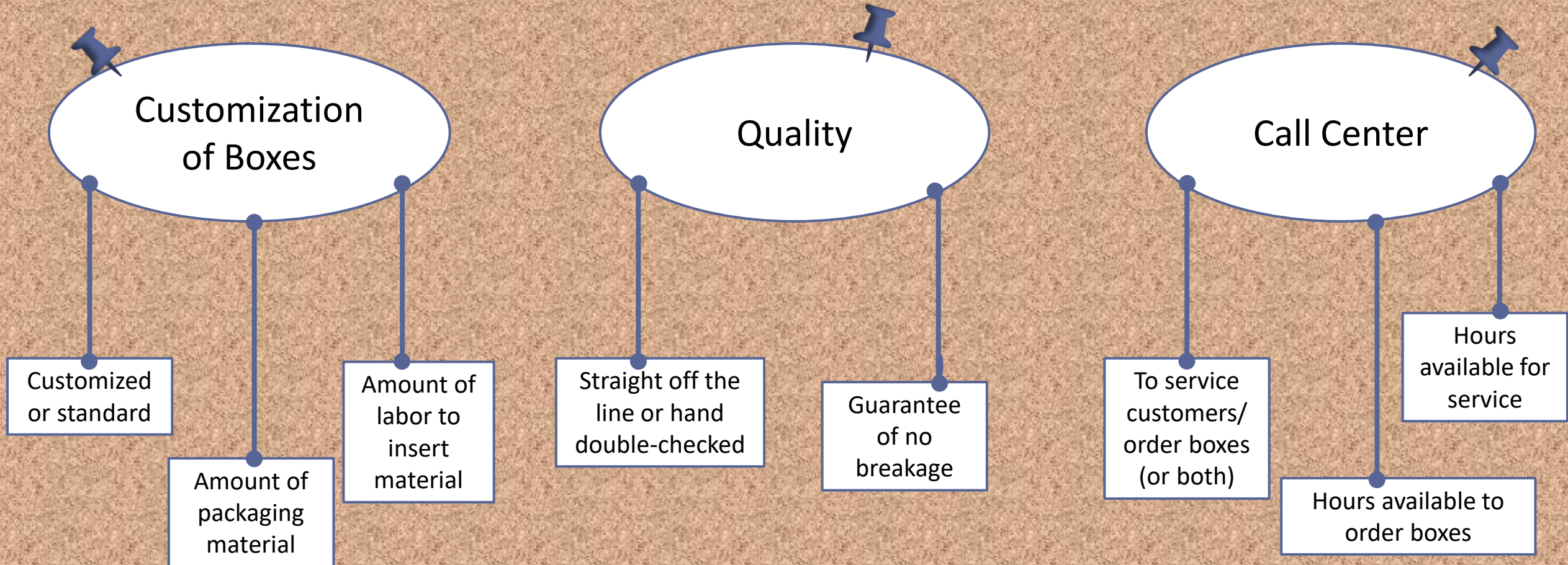
The Box Company

Client Differentiators:

- Capability to make boxes in different shapes using a unique die cut
- High-quality boxes that did not rip, tear, or have the bottom fall out, so their boxes reduced breakage
- 24-hour call service; the only ones in the industry with this call service. Potentially you could call the call service and order more boxes if you needed them to reduce the need to hold lots of extra boxes in inventory and the risk of running out of boxes and having to shut down your manufacturing line

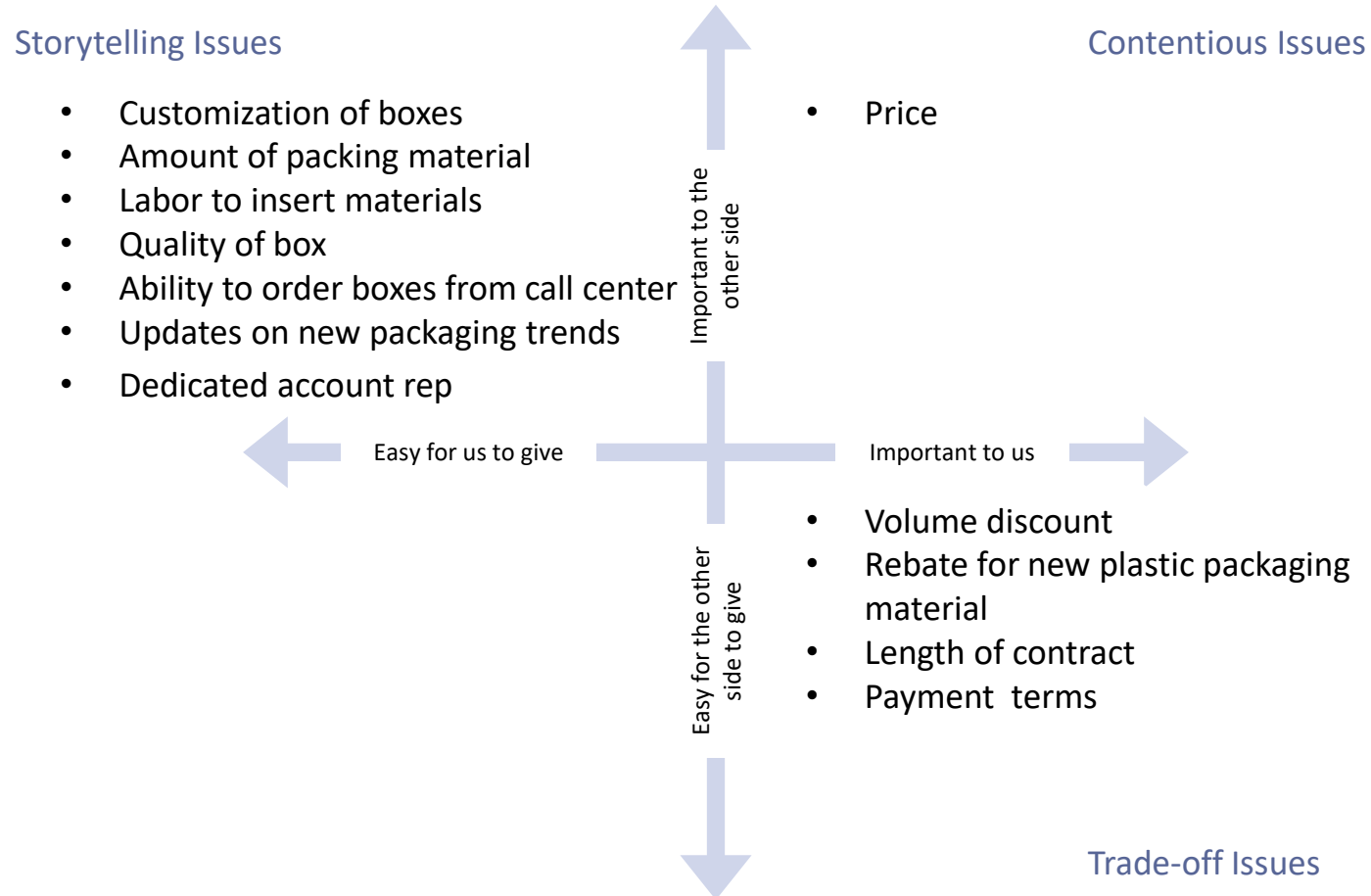
My client would highlight these differentiators all the time and their customers would often say, “How much is your box? If you match the competitor’s price, we will buy your box.” Of course, they did not want to match it (and communicate that they were no better than the competitor) so they decided they needed to use a MESO to highlight their differentiators.

The Box Company Differentiators



The Box Company Issue Matrix

Consider all the issues that you have developed for the negotiation and list them in the quadrants below, with an emphasis on Storytelling Issues



MESO Example: The Box Company

	Option A	Option B	Option C
Customization	Standard square box	Customized die-cut box	Customized die-cut box
Amount of packing material	XXXXXXXX	X	X
Cost of packing material	\$\$\$\$\$	\$	\$
Labor to insert packing material	XXXXXXXX	X	X
Cost of labor to insert packing material	\$\$\$\$\$	\$	\$
Quality of box	Straight off the line	Straight off the line	Hand-check each box
Order new boxes	Once a month (industry standard)	Using call center (8am-10am EST)	Using call center (24/7)
Updates on new packaging trends	Once a year	Twice a year	Twice a year
Volume discount	Constant	Constant	Constant
Rebate for new plastic packaging material	Constant	Constant	Constant
Dedicated account rep	Onsite one day a week	Onsite one day a week	Onsite one day a week
Price	\$	\$\$	\$\$\$
Payment terms	Constant	Constant	Constant
Length of contract	Constant	Constant	Constant

“Negotiate Without Fear”

Available for order if you want extra copies

- Amazon
- Barnes and Noble
- Porchlight

Signed book plates available to all attendees

- E-mail Victoria.Medvec@medvecandassociates.com with your address and I will send a signed book plate

