



## **TOPIC GUIDE: NEGOTIATIONS (PART II)**

It is recommended that this topic guide be read in conjunction with the guide on “Pricing Breakdown”.

### **Key Points**

The key points to remember are that:

- a) Our aim in purchasing is suitable quality, delivery, level of risk and reaction to customer needs at best price.
- b) “Everything is negotiable - there is no such thing as a fixed price”.
- c) Remember the four one rule “two eyes, two ears, one mouth”. Use them in that proportion. Look, Listen, Learn.
- d) The art of negotiation is trading mutually advantageous concessions. Never concede anything for free, trade it for something else.

### **A. Preparation & Planning**

- Identify concessions and objectives in financial value order. Place in order of value.
- Note your ideal position, realistic position and walk away point for each.
- Research the market place - analyse the competition.
- Aim high but have credible reasons. Be demanding but realistic.
- Identify strengths and weaknesses for buyer’s and seller’s positions.
- Distinguish between facts and assumptions.
- Invite suppliers to send representatives authorised to make a deal.
- Plan your strategy:
  - team members roles
  - style and approach to supplier
  - seating plan
- Decide who will say what and in what order.
- Set an agenda to give direction to the meeting
- Get everything prepared so that it can all be negotiated at once.

- Make sure the Company's Terms and Conditions and Specification are ready.
- there is only one lead negotiator who is in charge.
- Insist on seeing someone who is fully empowered to commit his/her company.

## **B. Negotiation**

- Establish a relaxed atmosphere - give the air of co-operation.
- Test the supplier's level of authority to negotiate.
- State your conditions first and be specific.
- Ask questions.
- Challenge supplier's position on key points.
- Face to face meetings are much better than telephone calls.
- Listen rather than talk.
- Be confident - don't worry about mistakes.
- Reason don't argue.
- Be tough and use strong positive language - "We need", "We must have", "We require", but always remain flexible.
- Make sure Price is all inclusive - no extras (e.g. delivery, packing, VAT etc.).
- Summarise regularly during the negotiation to clarify all points not just at the end. Make sure their understanding is exactly the same as yours.
- Don't be put under pressure.
- State that you will take a 10 minute recess if you need time.
- Draft the contract changes during the negotiation.

## **C. Post Negotiation**

- Summarise what has been agreed and confirm in writing with the supplier, unless they have taken away a copy of the amended contract.
- Make sure the terms and conditions of the contract actually reflect what was agreed, in clear simple language.

## **D. Useful Negotiation phrases**

- "We need your best price - can't you do better?"
- "Your quality is good, but your price is higher than your competitors. You need to come down somewhat/much more/by x%".
- "I simply have no further money in my budget".

- "There is considerable pressure on me over this to obtain a good deal from my Director/Purchasing Manager etc."
- This Company is growing; if you win this and subsequent contracts you could grow with us.
- If you can't do better I am sure your competitor will.
- We would be your safest and best customer. We always pay on time.

#### **E. Body Language**

There is a lot written about body language. Some simple advice is:

- Smile, be relaxed, professional, well prepared and confident.
- Sit relaxed at a table, not stressed.
- Making notes - professional type.
- Frowning - disagreement with something.
- Folded arms - resistance.
- Sideways body presentation - unease, offering less of a target.
- Use eye contact.
- Poker face - experienced negotiator.

#### **F. Influencing duration negotiation**

There are six options available to influence others.

- a) Power and coercion. This is likely to be a destructive force in negotiations and needs to be used with great care.
- b) Attitude change involving emotion. The success of such negotiations are dependent upon the gullibility, inexperience and weakness of the seller and you could well get away with using it. The experienced negotiator can readily counter such an approach on the basis of hard facts. Requests based upon emotion are easily spotted because they will often be prefixed by anguished pleas, 'surely you can.....' and 'we will all be in trouble if you don't....' and 'my boss will make me.... if you don't...'
- c) Search for middle ground compromise. Let the other party do this. Aim for a deal which favours the Company. Forget win, win; just make sure the Company wins.
- d) Trading mutually advantageous concessions. The ability to trade concessions is the hallmark of a professional negotiator. Countless numbers of delegates to sales conferences have been sent away with the following message ringing in their ears, 'Trade concessions, never give them away'.
- e) Logical persuasion. This approach is ranked highest in sophisticated purchasing because it depends entirely on detailed, factual knowledge. The

buyer who seeks concessions on bids through the use of logical persuasion will typically have at his/her disposal:

- comprehensive market knowledge
- a wide range of quotations
- economic analysis
- product knowledge
- raw material sources and prices
- product cost analysis
- financial data on the supplier.

A skilled negotiator with this extent of knowledge is a formidable opponent. The remorseless tabling of demands, supported by accurate knowledge will have a positive effect.

- f) Exploring genuine business objectives. It will require patience and extensive time for thorough debate. Remind the supplier that his/her aim should be to still be your supplier in a year's time.

### **How do we practice negotiation techniques before doing it for real?**

Although this planning sheet may help, remember that practice makes perfect! the **Buying Support Agency offers a 1-day Negotiation Training Programme** which builds on what you've just learnt; we set up role plays for delegates in a "safe" environment where you can practice techniques without negative financial consequences for your company! For more information on this, and other training courses, contact us today on **0845 5553344** or email [info@buyingsupport.co.uk](mailto:info@buyingsupport.co.uk)