



NEGOTIATION:

HOW TO WIN A BETTER DEAL EVERY TIME

The secret 5-step process revealed!

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STEP 1: DECIDING TO DO IT

Often, people do not negotiate in deals. If and when they do, they do it in a very feeble manner...

“Can you give this for a cheaper price?”

“Oh, sorry, no.”

“Alright. Just thought I’d ask.”

...and then they stop right there. No more questions asked.

In this guide, we will discuss a fail-proof five step process on how to ramp up your negotiating skills and win better deals every time. Negotiation is indeed a skill that not everyone utilizes, mostly because they do not even try, which is why the first step in this guide is this: **deciding to do it**.

The first negotiation you do might go badly, but once you have tried it, you will get better in each next try. Although not included in the aforementioned five-step secret to negotiating success, deciding to do it is the most essential step to take as it will kick-start all the remaining steps into action.

BUT WHAT IS NEGOTIATING, AND WHY DO PEOPLE AVOID IT?

Most people do not try negotiating because they do not realize it as a game. The art of negotiating is in questioning, in finding out what is on the other person’s mind, their agenda, and their need.

Negotiating is bargaining. Negotiating is solution-tailoring.

When a person is bad at negotiating, the tendency is that they always walk away from what could have been good deals. On the other hand, people who are skilled at negotiating will always deliberately mess with you and frustrate you with things you will not expect. Sometimes, their agenda may even be not to buy from you.

This is why the core of negotiating is trying to understand the other person's position, which they will always try to hide from you.

...AND HOW DO YOU ACHIEVE THIS?

Contrary to a popular school of thought that tells you to deliberately frustrate people when you are negotiating, **it makes more sense to keep your calm and be nice all throughout the negotiating process.**

Being liked will help you much more in probing them with questions on what their agenda is. The more you can probe and find out from the other person, the more information you have that you can work with to come up with a good trade. It is important to build this kind of reputation with the other person. After all, no one wants to deal with a horrible person.

More on this later as we discuss the five steps in detail.

HOW IS NEGOTIATING DIFFERENT FROM SELLING?

Negotiating and selling are parallel, with the latter starting a little earlier in the process.

When you sell something, you do not only plan your sales pitch. You also plan your negotiation trades and bargains.

Once you start speaking of your proposal to a client, the negotiation process will have started too. Same as with the selling process, there is a lot of questioning and listening that happens in negotiating.

Negotiation is finding the balance between providing solutions for the client's needs and securing yourself a good, profitable deal.

And it does not end with closing the deal – a bit more negotiation happens even after agreeing upon a deal. This is called the nibble, where clients would ask for items or services on top of the agreed upon package.

Negotiation happens within the selling process, making it an essential skill sales people should be equipped with. Negotiating makes a huge difference to your bottom line – and a lot of sales people don't realize this.

Negotiating can have a huge effect on the profitability of a business, and sales people are largely responsible for it.

Say you sell your product at 100, with costs at 90, if the price comes down from 100 to 95, your profit goes from 10 to 5. This 5% markdown may seem small, but it actually cuts down your profit in half.

Negotiating extras can also decrease profit.

Say the customer buys the product at 100, but asks for a little extra here and there. You will still only get half of your supposed profit because of the additional costs for the extras.

If you are not careful with negotiating, your profit is at risk of being cut in half – or it can even be completely wiped out!

DECIDING TO NEGOTIATE

When you are deciding whether to negotiate, you have to keep in mind that it is not a yes or no decision. **You always have the option of negotiating instead of saying yes reluctantly or saying no in a rather unhelpful way.**

If somebody asks for a very difficult, extra feature, you can say that you can do it, *but it's going to be expensive*. Or when someone wants something done unreasonably quickly, you can charge them more.

Instead of saying yes or no, remember that you have the power to negotiate.

Is there any good reason for avoiding negotiating?

There are several reasons, but none of it should be a reason to avoid it.

1. Wanting to be liked

We have a fear that if we start negotiating, the other person won't like us.

For example, in buying a car: we get too afraid to ask the seller to give us a lower price for the fear of getting disliked. However, purchasing the car in full can also give the seller the wrong impression because then they will think, "*I should have charged more!*"

And that is why we owe it to the other party to negotiate a little bit.

If we negotiate in a nice way, then being disliked would not be a problem.

2. Fear of embarrassment

If you are going to negotiate, you have to leave your pride at the door. The key is to be detached from yourself and just tell yourself that this is a game.

Go in the shop, mess with the salesman's head, and just see what happens. The worst that could happen is paying the full price.

3. Fear of losing the deal

When analysed, the fear of losing the deal is a completely irrational fear. If you think about it, that's not going to happen. As long as you are nice and leave it open, you can never lose a deal by negotiating.

You can never lose the deal if you are prepared to crumble.

In buying, crumbling is being prepared to agree to pay the whole price.

On the other hand, crumbling with selling is when you are prepared to come down and agree to the customer's terms. Provided it is still worth it and profitable for you, then crumbling is okay.

Once you realize you can crumble, it is absolutely fine. It is highly unlikely that they would go below your bottom price, but if they do, that's not work you want anyway. Customers who are the most price-obsessed are always the ones who are a pain.

If you are going to crumble from your opening price to a lower one, remember these three things:

1. **Always be nice.** If you are going to crumble, be nice about it and give lots of compliments.
2. **Blame it on yourself.** If you have to crumble, blame it on you and not on the offer being overpriced or the buyer being stupid.
3. **Leave the door open somehow.** If you lose the negotiation, do not close doors on the client and instead tell them that you are still open to accommodating them should they decide to come back.

What can you do when you get these fears?

It's important to get your head in the right place: believe that you are good value for money. Do not worry about the competitors – there could be someone more expensive but not worth the extra money, and there could be someone cheaper that is just plain rubbish.

Believe that you are the best solution and make them believe that you know your market, and they will believe your credibility.

You have to believe that you are a better option than your competitors. Negotiating is all about your inner strength and willpower.

WIN-WIN SITUATIONS: ARE THEY POSSIBLE?

A win-win negotiation is not the same as a win-win sale.

Imagine you're sitting in the beach on a really hot day, thinking of your favorite drink as you are quite thirsty.

Suddenly, this guy comes in selling piña coladas – *your favorite!*

You ask, "How much is it?"

He answers, "£27."

You think, "*That's ridiculously expensive!*"

This deal can end in three scenarios:

Scenario 1: Because you are so thirsty and you are so rich, and he is a great salesman after all, you buy one glass – and it is indeed delicious!

This is a win-win sale: the seller made a profit so he's happy, but you also won. Although you paid £27, it was at least worth that for you too as you were so thirsty and it was indeed delicious.

However, there is no negotiation in this scenario.

Scenario 2: You tell him you cannot afford the £27, and you start haggling for a lower price. He'll offer it a lower price of £26, but you still won't buy and would haggle more at £10 – on and on until you both reach an agreed price of £15.

Is it a win-win sale? Yes, as you got a delicious drink that would quench your thirst at only £15!

However, this is a win-lose negotiation. You gained £12, and he lost £12. This is a kind of negotiation where the only factor is the price. This is sometimes called the **zero-sum negotiation**, where everything that you gain, he loses, or vice versa.

Scenario 3: You say to him, “Look, I’m going to be here all week. If you give me a good price, I’ll order a piña colada in the morning and in the afternoon every day of the week. I’ll order ten, but that’s if you give me a good price.”

This would prompt him to think.

And so you add, “I also have friends coming over on Thursday, what about I guarantee a pre-order of twenty piña coladas on Thursday?”

The salesman goes, “If you pay upfront now, I can give you a good price.”

You will agree – but then he sees a copy of his favorite magazine on your lap. He asks if he can have a read at it, and you negotiate that he can sit on your chair and read for a bit while you go for a swim, in exchange for a good price for the piña coladas and the magazine.

He says yes, and you both come up with a deal of £12 for each piña coladas.

This is a win-win sale and a win-win negotiation. You win with a better, lower price for a week’s supply of piña coladas and a chance to go swim without worrying for your valuables, while he gets a chance to rest for a bit and read his favorite magazine and also have a steady business deal going for the whole week. *No one loses!*

With tradeables, you can create extra value that was not there before. Even though he comes down in price and you got a bargain, he is still more than happy. Exploring these extras is what a win-win negotiation really means.

In project management, there three factors that can be adjusted for these tradeables: **cost** (trade for cheaper price), **quality** (trade for less work in the offer), and **time** (trade for a longer lead time).

REMEMBER: YOU WON'T WIN THEM ALL.

You will have customers who will do weird things, who will just suddenly say no.

Some will not negotiate at all.

And that is okay. Everything can be written off to experience.

Even though the game is crazy and messy, it's okay to not win every time.

We do not know what will happen, but we will learn every time.

STEP 2: PREPARING

Step two is probably the most important part of negotiation.

But what is there to prepare anyway?

PREPARE YOUR WALK-AWAY POINT

Always set your walk-away point and never, ever, **EVER** go below this point.

If you are *buying*, you have a limit of how much you are going to spend. Never spend below your walk-away point.

If you are *selling*, you have a limit of how low you will go, at which point the job is no longer viable. If you take a job lower than your walk-away point, you are losing money on that job.

Never go below your walk-away point. Don't go below the point that is not worth it. There is a reason why you set that walk-away point, and it would say a lot about you if you go beyond it: that you did not mean it when you set it, and that you are weak and spineless.

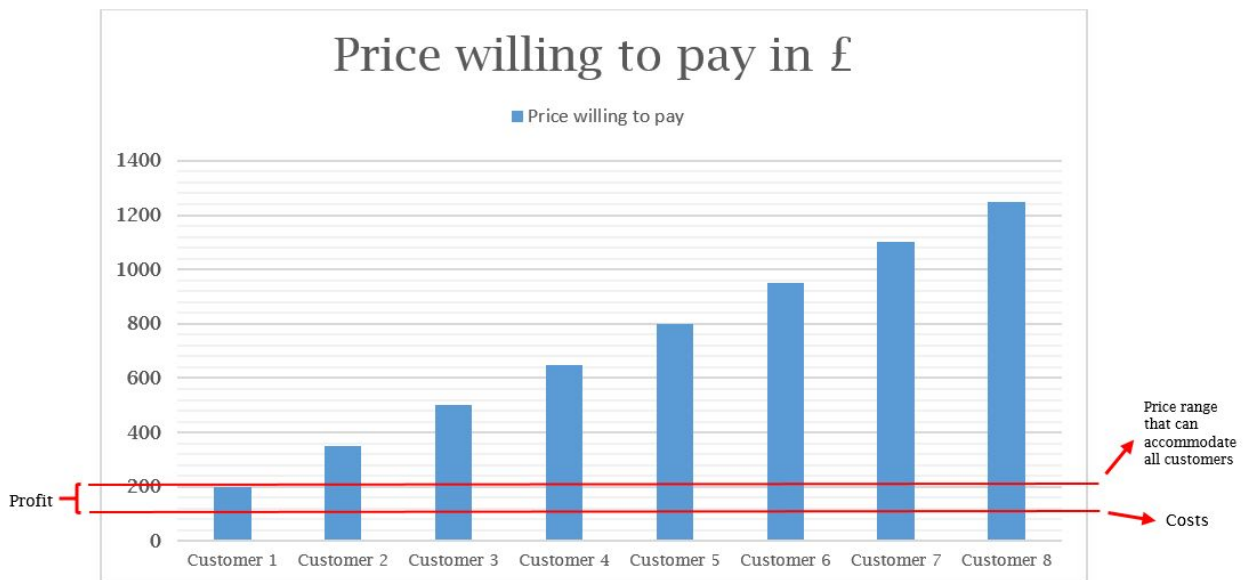
And you must never say that to yourself!

You walk-away point is all about you: it is the cost of doing your job.

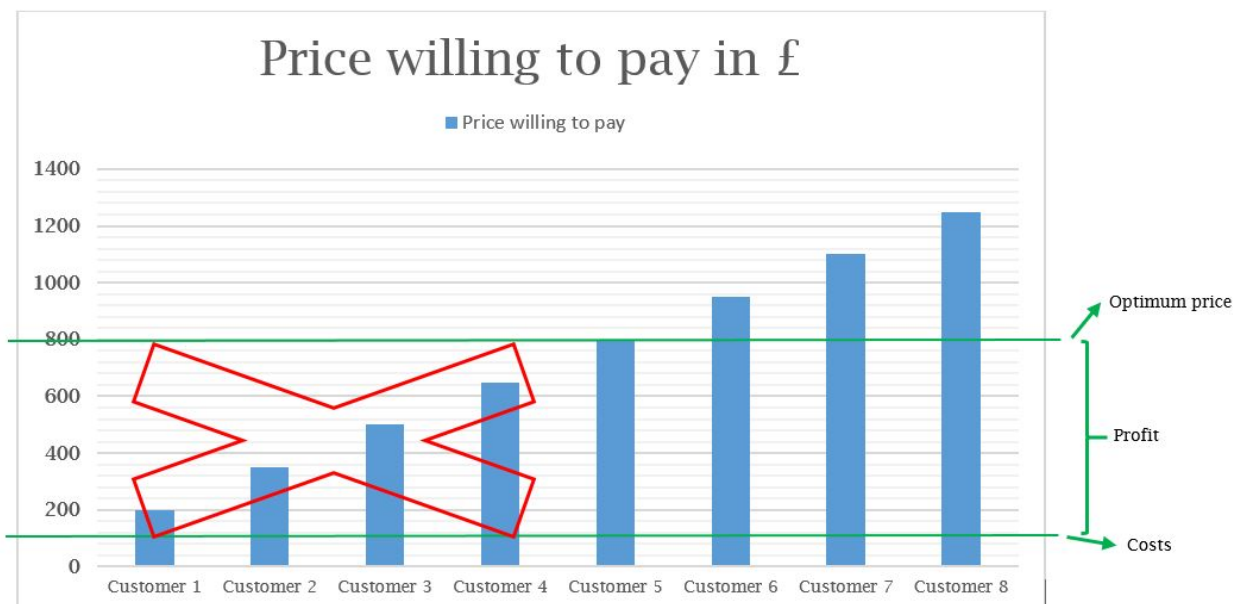
If you have plenty of leads, you feel stronger, and that gives you more walk-away power.

Suppose you can read the mind of your customers and you can find out how much they are prepared to pay...

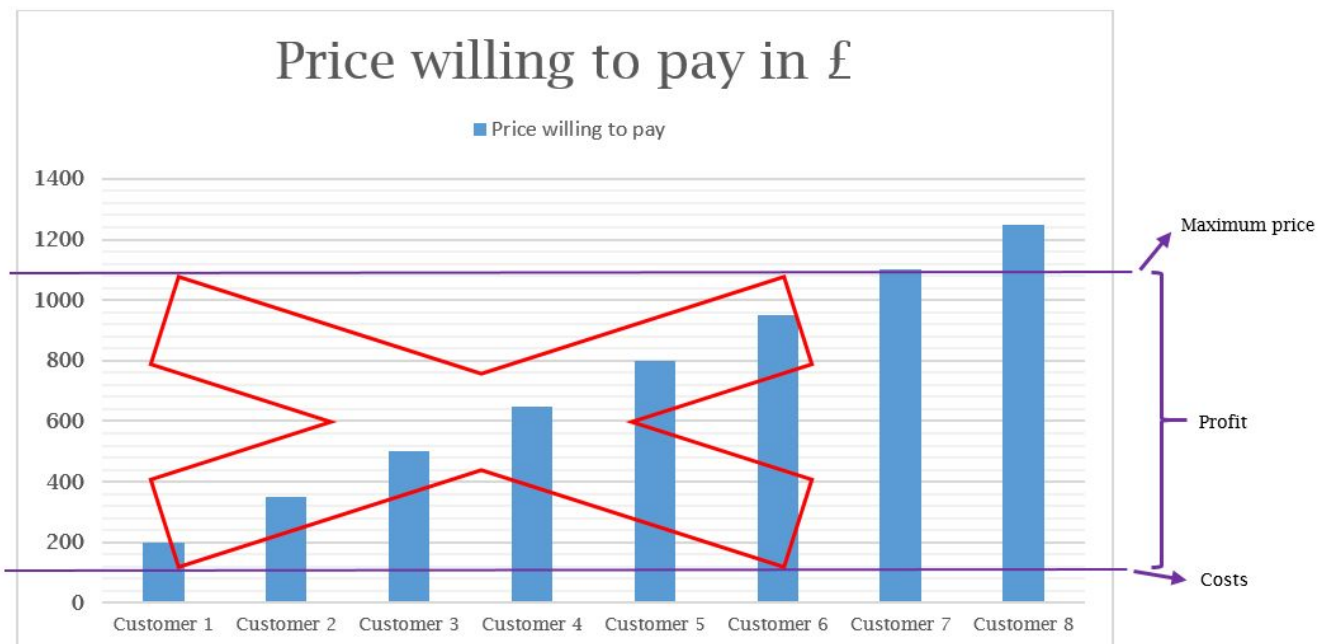
This is what happens when you try to accommodate all possible customers and set your price at the lowest possible price: you get a measly profit for so much work, and would probably have to deal with stingy customers.



However, **if you set your optimum price at that which half of your customers can afford, you will be able to maximize your profit.** Although you lose half of your customers, you will still be making more profit with a lot less hassle doing half the work.



If you push this to the extreme and only get the top two customers, your profit might just be similar with the first situation, although with less work.



The point of maximum profit is where you are losing about half of your customers, because people forget that you lose all the possible profit when you set your optimum price at the lowest possible.

You have to be prepared to lose half of your customers on price. *If every person you quote says yes and does not even negotiate, then you are not charging enough.*

It might feel great if you are a sales person as you are getting a lot of customers, but it only means you are not charging enough.

PREPARE A LIST OF TRADEABLES

In negotiating, people can either ask for less cost, a wider scope of offers, or a longer or shorter lead time.

Always assume that they will ask for these while negotiating, so better to be prepared with what you can trade.

Most of these things will be the same every time, and if you have a list of these things prepared, you will be geared forever.

THINK ABOUT THE OTHER PERSON'S WEAKNESSES

Think about the other person's weaknesses instead of your own, and then *probe them with these weak spots during negotiation.*

STEP 3: OPENING

This time, we are face to face with the potential customer.

THE PREAMBLE

The opening stage is preceded with a sub-stage: the preamble.

In this stage, you sort of get friendly while trying to feel out the other person. **This is where you ask lots of questions and do lots of listening.** Prepare some good opening questions that would start the questioning funnel, where you can then probe more.

Do not give away too much information, as it would weaken your position in the negotiation. While diagnosing their needs, also find out what weaknesses they have.

During this preamble, we are probing for the other person's weaknesses. The more you can learn about their situation, the better.

We do not reveal our own, but we listen for theirs.

Another thing to remember during the preamble is **to not open first unless you really have to.**

For example, rather than saying that you can do something in a specific lead time, ask when they want the service to be completed. This way, they would probably answer and provide a specific lead time.

It is possible to avoid opening first even on money. If they ask how much your products or services are, simply get back to the *cost-quality-time concept*. Turn the question back to them by asking if they require something of high-quality, or if they need something quickly, or if they have a budget in mind.

If they state a budget that is really big, you can tell them you can do it reasonably for that price.

If they state a small budget, you can tell them that it would cost more than that, or that you can only do so much on that price.

By probing them to open first, you can get so much information and work on it.

THE OPENING OFFER

Plan beforehand what your opening offer is going to be. You don't want to be planning in your head while doing the preamble as you want to be doing more listening at that time.

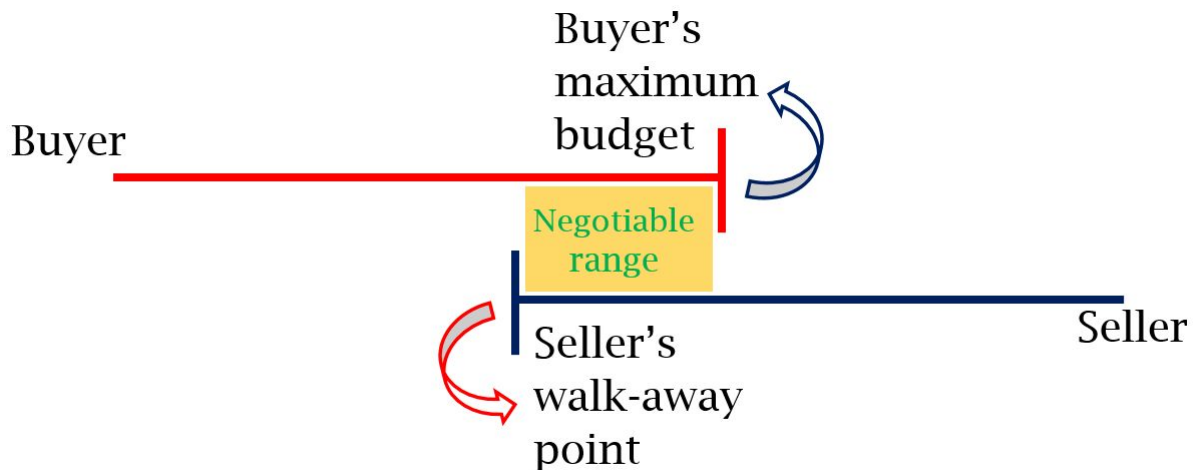
The more you can plan, the better. **Estimate for what the customer wants and what is the most you might get.**

Your opening offer should be beyond your best hope.

For example, prices for what you offer ranges from anything between £1,000 and £10,000. How much should you ask for?

You should ask for more than £10,000.

Why? If you say £5,000, *they will never tell you that your price is low and that they are willing to pay more.*



Looking at the chart above, the buyer's maximum budget and your walk-away point will always be overlapping.

This overlap is called **the negotiation range**. The game is all about getting more of this range.

If you open with something *very near your walk-away point*, then the buyer would have more of the negotiation range.

If you open with something *very near to the buyer's maximum budget*, then you are getting most of the negotiation range.

This is why you have to open beyond your best hope – think about what is the most you might get for it, and then add a little bit more to that price.

Ideally, you should *open outside the negotiation range* and move down towards it. This way, you can trade with the buyer until you know you have met their maximum budget, and you get the whole of the negotiation range.

NOT A ROUND NUMBER

A little rule to remember is to not open with a round number.

Instead of charging £20,000, charge them with £21, 400.

The point is that if you tell them a price that is *a round number*, it would sound made up. If you tell them a price that is *not a round number*, it would appear calculated, it would sound exact.

Another benefit of this is being able to round it down as part of your offer. Say you actually have your services priced at £20,000, but your opening offer is £21,400, then you can further entice the customer by saying that you can work around rounding it down to £21,000, making it seem as if they saved £400.

Customers are more likely to believe a price that is not a round number as they would assume that it is carefully calculated according to real costs.

THE FLINCH

The flinch is the reaction to the other person's opening offer. This could go from a sudden depressed slump, AKA the British flinch, to a storming-out flinch, AKA the Italian version of a flinch.

Remember: words can lie, but body language cannot.

If you open first and somebody does not flinch, what it means is that you did not go far enough and that your offer is within the negotiation range.

If they do not flinch, do not move any lower from there. Stand your ground.

If they do flinch, it's either they are acting and are actually happy, or you actually opened outside the negotiation range. And this is how you want to open!

Successfully opening outside the negotiation range means you can negotiate until you meet their maximum budget.

On the other hand, ***if they open first, always remember to flinch.*** You have to react!

Hold a pen up, ask for the budget, and flinch – put your pen down, never write the number down, and react.

Flinching can be as easy as taking off your eyeglasses, as if there is no point in paying attention anymore.

All these little body signals add up to the flinch. *If you do not flinch, they will think you are happy with their opening offer.*

Never tell them you are happy about the offer during the negotiation, or even after reaching an agreement.

STEP 4: TRADING

Most people think negotiation is all about trading, but actually the key stages are the preparing and opening.

Nevertheless, if the trading goes wrong, you can lose the deal.

The most important thing about trading is to always trade and never concede.

Without looking dishonest, how will you come down to a lower pricing? The answer is through trading. If you come down with a trade, you don't look dishonest because it makes it possible for you to come down.

Aside from looking dishonest by not trading, you can also look weak.

With a trade, you are not losing so much – *you can even be gaining from it!*

“IF YOU... THEN I...”

“If you decide to not have that feature, then I can do it for you.”

“If you can give me a video testimonial, then I can do it for a lower price.”

The reason for using the *If you... then I...* format is that they have to concede first before it is possible for you to do the same.

The point is you cannot do anything otherwise they do one thing.

As a seller, you open with a price outside the negotiation range and work backwards by trading, and each time you come down, you gain something back for it.

TAKE SMALL STEPS

A common mistake in trading is giving away too much too early.

Remember to take small steps!

While still using the *if you... then i...* trading format, **offer to do the work in a price that is very near your opening offer.**

For example, if you open at £4,000 and offer the first trade, you can go down at £3,920. Again, small steps!

After you have traded one or two things, the buyer would look happy when you reach their maximum budget. They would then assess if they can manage to accommodate more trades, and if not, you will then be getting the whole of the negotiation range.

THE POWER OF SILENCE

Once you tell them your *if you...then i...* trade offer, you can just go silent and wait.

If they sit there silently, just sit it out – even if it gets awkward.

Remember to make the offer, ask what they think of it, and use the power of silence on them.

CAREFUL WITH YOUR WORDS

As you trade, you have to be careful about the words that you use and take note of the words that they use.

For example, saying “*I could maybe come down a bit in price, perhaps?*” is basically saying that you are agreeing to come down a bit in price.

Use strong words and notice if they use weak words. A lot of signalling goes on with words, so keep an eye out on those sort of things.

THE VALUE OF TRADEABLES

All tradeables are either something you would quite like or something you really want. You can also put some things you do not really care about at all.

However, **you do not want them to know what is valuable to you.**

If they know that you really want something, they will not budge with your offer.

Similarly, if they know you are giving them something invaluable to you, they also would not pay much for it.

The key is to do the opposite: **really fight for the things that you do not want.**

Suppose you were buying a car. Go on and on about how much you want a sunroof, and then tell the trader how disappointed you are that the car offered does not have a sunroof.

And then tell him that if he can offer you a lower price, you would be prepared to get the car even without the sunroof.

You probably don't really care about the sunroof, but making it seem important means you can get more out of it.

Make the tradeables you value seem really small, and they will probably agree to it without even noticing.

THE VALUE OF TRADEABLES

1. Buyer's tactic – The vice tactic

The vice is where the buyer says, “*You’ll have to do better than that*” again and again after every trade offer.

This is a really good tactic to use when you are a buyer. But what if you are the seller?

If you are the seller and you encounter a buyer using this tactic, simply ask them, “***How much better exactly?***”

The word *exactly* is really great because it means they have to come up with a number.

This is good as you would know where exactly you are in the negotiation, but do not forget to stand your ground and push it up your end until you get most of the negotiation range.

2. The salami tactic

This tactic is about taking thin slices, just like how one would eat a salami.

Most of the time, someone will use it on you if you are a seller. **They would ask for little extra bits of requests, thin slices of the salami, until you realize that half of your salami is gone.**

What do you do then?

One thing you can do is to **tie the next slice of the salami with one of those you have already given.** This stops the process.

This tactic is also called the “*What’s mine is mine, and what’s yours is still negotiable.*” They take and take these thin slices, but as soon as you tell them that if they want more they would have to give back one slice, they stop.

Another thing you can do is **to counter-attack by saying that the next one would add to the cost.**

You can go a bit further and recap every little request they have asked for, and say that the deal seems no longer worth it. **If you catch the salami tactic a little late, taking the whole salami off of the table is an option.**

3. The higher authority tactic

This is where customers mention needing the approval of a higher authority, like their boss, or a buying committee.

There is nothing to answer to this kind of tactic except maybe recognizing that it is a tactic. Ask to meet with the decision maker.

If possible, go back to the sales process of checking who is making the buyer's decision before meeting with a customer to verify if this is a tactic or not.

4. The reluctant buyer tactic

These buyers would tell you that they would purchase from someone else ideally, but if your price is lower, they would buy from you.

While it could be genuine, the safe thing to do is **to assume that it is a tactic.**

5. The friendship tactic

“But you are my friend...”

The argument to be used in this situation is that **the time you will give to your friend at a lower price or even for free can be used for somebody else who can pay the actual price.**

6. The “We’ve got somebody else we’re also looking at...” tactic

This tactic is almost often fake, kind of like the reluctant buyer tactic.

Tell yourself that the other person they are looking at is probably crap. If they are looking at somebody else who is brilliant enough, they would already have gotten them.

Do not sound frightened of the competition; instead, **know your worth and do not let them knock your confidence.**

ARGUMENT DILUTION

A lot of research has been done about people who are good at arguing, and what was found is that **strong arguers stick to one argument, while weak arguers will keep shifting to different points.**

These weak arguers dilute their arguments by not standing their ground on one specific point. Strong arguers stick with their position and would just keep repeating it.

You are only as strong as your weakest argument, so stick with your strongest one.

FINAL OFFERS

Never say that something is your final offer. Never ask about the other person’s final offer either.

When one puts a final claim during the trade, it stops everything and neither party can get more from each other.

STEP 5: CLOSING

Closing is a critical stage as you have gotten this far, but still thousands can slip away at this final close.

You have to be pretty careful in the closing stage.

SPLIT THE DIFFERENCE

If the other person tells you to split the difference, **SAY NO.**

When somebody suggests splitting the difference, what they are actually saying is that they have already given up. **It is just one last feeble effort to haggle.**

When you say no, they will settle for what you are offering and close the deal.

In the unlikely event that they take the whole deal off when you say no, you can always reel them back in and offer to split the difference – and then offer to come down a bit more.

THE NIBBLE

This is where everything is done and agreed upon, everything is sorted out – *and then they come up with something else to add.*

As a seller, you should never nibble. If there are things that you want included in the deal, you should be upfront about it even before the deal is closed.

What about if the customer tries to nibble you?

You have to tell them directly that anything added after the deal is done would cost them extra.

Do not be tempted to agree to extras just for the sake of goodwill because if you do that, it could easily wipe out your profit margin.

THE QUIVERING PEN

The quivering pen is a variant of the nibble: *instead of asking for extras after the deal, the customer asks for extra just before or while signing the deal.*

Even with the quivering pen, you can say no and that the request would cost them more.

WALK AWAY

Even at the closing stage, **you have to be prepared to walk away.**

It's good to walk away occasionally as you know that you will be stronger next time.

The great thing about having a walk-away point is it makes it easy for you to walk away even in the closing stage.

DON'T LOOK PLEASED

Do not ever look pleased – even if you are – about the price.

Do not complain about it either. It is best not talk about it.

If they bring it up, never say that it is a good deal for you.

FINAL TIPS

1. Review what you learned.

How did it go?

Did you follow all the rules?

Did they open first?

Did you agree to split the difference instead of saying no?

Did you let yourself get nibbled?

Was your opening offer extreme enough?

Think back over the whole process and think of what worked and what could be done differently next time.

It's just a game and you have to keep learning.

2. Practice.

As soon as possible, go to the store and haggle. Have a go at your newly-acquired negotiating skill.

3. From home to work and work to home

Practice at home and use it at work – but you can also use this at home!

Do it for both!