**1. INTRODUCTION TO NEGOTIATION**

**1.1 Not just price**

* How much is this PCB?
* $1
* You’re joking! I can buy it anywhere for $0.15!
* It’s hard to find this good quality. But you can have it for $0.35.
* Not a cent more than $0.20.
* Oh, come on, you know it’s worth at least $0.30
* Well, maybe I can stretch to $0.23
* $0.29
* $0.24
* $0.28
* $0.25
* …

Often, a negotiation is about **price**. The basic idea is that the more you get, the less will be left for the other person, so you need to make him or her back down. But that doesn’t build strong relationships, and here at NCAB, we want to build strong relationships.

Our sales process is to HEED our customers’ NEEDs so that we can focus on value also when we negotiate about getting an order.

So, how do you do that? Back off and leave money on the table? Of course not! We want a healthy gross profit so we can be a sustainable business – we want to be our customers’ supplier for many years. This negotiation course is about how we can have it both ways:

* How can we **create value**, instead of just fight over price?
* How can we build a strong relationship without sacrificing our business interests?

If we do both well, the outcome will be good for both us and the customer. Welcome to my course in negotiation!

* Hey, it’s my course too!
* Well, maybe you did 30 %
* What? I did at least 70 %
* OK, I’ll settle for 40 %
* Not one bit under 60 %
* 45 %, that’s my final offer
* You’re being unreasonable now, but we can say 55 %
* 47
* 53
* …

**1.2 The ZOPA**

Let me introduce you to the ZOPA – the Zone Of Potential Agreement. If a negotiation is a dance, then the ZOPA is the dance floor, the space where you can move around.

This is a salesperson and this is a customer; they are both standing in the Zone Of Potential Agreement. The ZOPA lies between the seller’s minimum acceptable price, say $0.50 and the buyer’s maximum acceptable price, say $0.75. These numbers are the red lines of the negotiators that they do NOT want to go outside. So the ZOPA, where they can agree, is somewhere in between.

Let’s look at three common mistakes that the seller can make here:

1. Seeing only his half of the ZOPA as his area. Big mistake – when **you** negotiate, the whole ZOPA is your area. Make that clear from the start.
2. The second mistake is focusing on his red line. Big mistake – if his focus is there, that’s where he will end up.

It is important to **know** where your red line is, but your **focus** should be on the other person’s red line, which is where you want to go.

To see the third mistake, we must change perspective. Now we see the persons from above.

1. The third mistake is only seeing this narrow area of the ZOPA – ‘the price corridor’.
In the price corridor, if you take one step forward, the customer has to take one step back. That feels like losing. Do you like losing? I’m sure you don’t, and neither do customers. In the price corridor we only have two choices – make the customer feel like he/she is losing, or we back off and lose money.

That means that the dance floor – the ZOPA - can be much, much bigger than the price corridor. This is where you can find win/win alternatives that are **better** for the customer, which makes them more willing to pay. Other alternatives mean lower costs for NCAB, so you can accept a lower price.

If you have a strong relationship with the customer, you can get creative together and find even more value. Who knows how much your ZOPA can expand?

So, this is the ZOPA you want – plenty of room to have a productive dialogue with the customer about creating more value for them.

This diagram shows a real example: The circles are NCAB-quotes to a customer; we won the orange and lost the blue. The big order was lost because the other supplier had a shorter lead time. The smaller orders were lost because the other supplier got a meeting with the ODM’s R&D, and suggested a different design. **None of the orders were lost because of price**; instead, the other supplier had a better ZOPA.

In this course, we will show how you can expand your ZOPA, and then claim your share of the value you create here. By finding such value, we can get away from everything being about the price.

**1.3 The mental ZOPA**

The ZOPA is built on facts – numbers, conditions, and technical solutions. But it is also a place where attitudes mean a lot. A negotiation is very much a mental game.

As a salesperson, it is easy to think that customers have all the power – you want to sell, other suppliers want to sell, and customers can buy from whomever they want. But this is only partly true:

* It is true that we have to be on our toes to become our customers’ favorite choice. We have to take responsibility, be smart and to work hard to achieve this – this much is true.
* But customers do **not** have unlimited choices. They want to buy from a company that adds value to them, not just from any supplier. All buyers have had bad experiences, where they bought from someone who messed up and caused huge costs and headaches.
So in **theory**, it is true that customers can buy from anyone, but in **reality** they only want to buy from someone they trust.

Few customers will admit this, in fact, most customers will try to give you the impression that they have lots of suppliers lined up with excellent quotes. And it may be true that they have 4-5 quotes, but they will only trust one or two. If you have been invited to negotiate, you are one of those.

Most of the others will offer a lower quality than NCAB; most will therefore have lower prices. This is not surprising; they have a different strategy. Many suppliers are high volume/low tech and make PCBs for automotive or household appliances. NCAB is in the low volume/high tech segment, with higher quality and higher costs.

Of course, when negotiating, buyers will not admit that there is a difference; buyers are liars. OK, maybe that’s not fair, but buyers are usually… let’s say selective with information. They will claim that NCAB should have the same prices as the others.

Don’t let this bother you – other suppliers’ strategy is not your problem! **Your** job is to make sure that the customer knows how much **value** you can offer and that you can be **trusted**. This should be your focus.

So, what can you do?

First, you can **prepare** yourself well – both mentally and with solid facts.

Second, you can be aware of how both you and the customer **communicate**.

Third, you can learn how to capture the opportunities that arise during the **negotiation** itself.

These are the three lessons in this course – preparation, communication, and negotiation. Do these three well, and you will build strong relationships **and** make a good business deals, at the same time.

The ZOPA is, almost always, **much** bigger than you think it is.

**2. PREPARATION**

**2.1 What do you want?**

The purpose of preparation is to expand the ZOPA so that you are ready to grab all opportunities, and to boost your confidence so you can stand strong under pressure.

What you need is a briefcase full of alternatives that will **either** make the customer willing to pay more, **or** lower NCABs costs.

The idea is to prepare several different alternatives, and to know what each of them would be worth to NCAB. This way, you can make quick decisions in the meeting, and if your customer needs the cost to come down, you will know what to ask in return. As in “That price is OK if we can deliver in September.” Never give anything away without asking something in return.

If you first say $20 and then back down to $18, the customer will immediately forget that you ever said $20. Those two dollars are gone, and the customer won’t even be grateful. **Get something in return.**

Alternatives also make it easier for customers to back down. If the buyer’s red line is at $1.40, and she has said “I won’t pay more than $1,00” (remember; buyers are selective with information), it can be mentally hard to suddenly agree to $1.20. But if you offer something on top, like a better lead-time, it’s easier for her to agree.

There are **SO** many solutions, other than just giving away the price. And the best thing is when it feels like a win for the customer, and you make it profitable for you too. **Win/win.**

Finally, even if it’s not all about price, you need to know where your red line is, and never step over it. Know it, but don’t focus on it; it’s the customer’s red line that should be your focus.

So, the next step is to prepare for what the **customer** might want.

**2.2 What do they want?**

So, we want to understand where the customer’s red line might be. We cannot trust that they will give us an honest answer if we ask them, but with some preparation, we can have an idea.
Remember, we are needs-analysts.To understand the customer’s position, these are some questions to think about:

* **How is the customer’s business doing?** If they are struggling, price is probably important, and payment terms. If business goes well for them, speed is probably important, and volume flexibility.
* **What is their position in the market?** High quality, innovation, low cost, …
* **What’s new on their website and on social media?** Do you get their newsletters?

Be aware, that the customer always has a bigger picture than only the PCBs. The more you understand the bigger picture, the better you can show why they should choose NCAB.

Then you want to understand the customer’s expectations:

* **What suppliers does the customer currently have?** What do you know about their offering and prices?
* **Have we quoted to them before?** They will expect something similar.
* **Have we delivered to them?** Were they happy? You do not want to be surprised by a complaint during the negotiation.

If you know the expectations, you can prepare to meet them, exceed them, or have very good arguments for why not.

And then it is the customer’s bargaining power:

1. Are many other reasonably good suppliers available? Do they have capacity?
2. What switching/tooling costs are relevant here?
3. What is their need for engineering, audit…?
4. How important is NCAB’s reliability to the customer’s project?

These preparations will help you understand what value the customer may be willing to pay for. But, of course, assumptions are assumptions and you still need to keep your mind open during the talk.

By inviting you to negotiate, the customer has shown that they want to make a deal with you.
So be bold! In Ingrid’s purchasing career, less than 10% of sellers touched the edge of her ZOPA. The other 90% made less money than they should have.

Also prepare for the meeting itself:

**Who will be there?** Usually, managers think about strategy, economists about money, engineers about design, and project managers worry about the time frame. If you are well prepared, you can show all the people in the room how NCAB-qualities are important to them.

**What are their expectations?** Will they make a decision? Or are they just exploring? Or will someone else decide who is not coming? How much time do you have?

And let’s follow Howard’s advice in the 5Ps course – **send an agenda**! By sending an agenda with the price discussion **at the end**, you give yourself time to explore the ZOPA, and reduce the risk of getting stuck in the price corridor.

**2.3 Find your BATNA**

A business negotiation is numbers, engineering, logic and reason on the one hand, and psychology and feelings on the other. So, when you prepare yourself for a negotiation, don’t forget to set your mind and feelings in order. “Desperation doesn’t look good on anybody”.

It is ***so*** easy to get carried away in a negotiation. You can become so focused on closing the deal, that you allow yourself to get pushed back one step at a time. And if you are up against a good negotiator, they will certainly know how to push.

A BATNA will help you say ***no*** to a bad offer.

So, what is a BATNA? It is the **B**est **A**lternative **T**o a **N**egotiated **A**greement.In other words: if you won’t reach a deal, what’s the best thing you can do instead? That’s your BATNA.

At NCAB, we want to sell PCBs, but we don’t have the ambition to sell **every** PCB to **every** customer. We want to sell high-quality PCBs to customers who need them and can pay for them. We want to grow our business, absolutely, but there is no growth in accepting bad deals.

Walking away from a bad deal, is **not** a loss. And if we can do it in a way that builds a strong relationship with the customer for the future – it’s even a win.

At NCAB we take full responsibility, so as soon as we get an order, a lot of high-skilled professionals start working on it. These resources should not be sold at low prices. Strengthen your BATNA by thinking about how NCAB resources could be used better than losing money on one customer’s project.

Another way to make sure you have alternatives, is to know more than one person in the company. If you only know the purchaser, and it’s a difficult person, you’re stuck. If you have good relationships with people in engineering, production, sales, maybe they want to help, or you can find information to expand your ZOPA. If your customer is an EMS, maybe the ODM can be convinced to ask for NCAB as the PCB-supplier. **Don’t get stuck with one person.**

The purpose of the BATNA is to help you see when it is time to calmly walk away, and to never feel that your back is against the wall. Then it is easier for you to focus on what the other party is saying and doing, and it frees your mind to be creative and make the right moves.

So, to summarize, a good BATNA will help you:

* Keep your brain clear, even under pressure
* Not back down on what’s important to you and to NCAB
* Feel better throughout the process.

It’s like any dance floor – you need attitude and confidence!

**3. COMMUNICATION**

**3.1 Show your interest**

So, now you have prepared your facts and figures. You know what you want and what the customer may want, and you have a BATNA to keep yourself calm. It is time to think about how you communicate with the customer.

All business is about people and we are emotional, irrational, and impulsive when it comes to decision-making. You need to connect with your customer to help them make a good decision.

To do this, mirroring and labeling can be useful. Both methods will show the customer that you are paying close attention to what he/she is saying – an important factor in building trust.

**Mirroring** is the repetition of key words that the other person uses. For example:

* "NCAB has a good quality but the PCB price is too expensive.”
* “Too expensive?”

When you repeat (without sounding ironic or questioning), you show that you're listening and that you understand what people are saying, which puts them at ease.

**Labeling** is putting words on feelings – “You seem upset about this”; or “This seems important to you.” It has the same purpose as mirroring: to show that you listen and understand. It also has the advantage that the customer can let us know if we misunderstand him/her.

This is also a way to remind ourselves to listen carefully, and to let the customer know that we are listening carefully.

Listening builds trust, makes the customer relax, and gives us important information on how to add value – all very good things.

So, the most important thing about communication is not how we talk, but how we listen.

**Show your interest.**

**3.2 Read their mind**

As mentioned, customers will not tell you what they are thinking in a negotiation. But with some knowledge of body language, sometimes you can figure it out.

Also, if you know how bodies behave to reveal feelings, you can control what your own body is revealing.

We will not enter in the clichés, but here some key positions in a meeting: How you, your customer, or your colleague sit.

This is a scenario:

1. They start off neutral, feet on the floor, hands on the table. This is a healthy situation.
2. The seller now understands that the price is too high. Shows nervousness, touches face and neck. The buyer pulls back, showing that he’s not interested.
3. The seller is also disengaged now, defensive, backing off, struggling to find arguments, still touching neck and face. The buyer is arrogant, detached, waiting for a better proposal from the seller.
4. Now they have reconnected, both are forward, engaged, feet on the floor, hands on the table. This is what you need to find a win-win solution.

So, what should you look for here:

IN YOURSELF:

* Don’t show your discomfort, keep your hands away from your face and neck.
* Stay engaged and forward, that’s where the solutions are.

IN THE BUYER:

* Most people can’t help themselves; they lean forward when they hear something interesting. Watch them to learn how attractive your proposals really are to them.

**4. HERE WE GO**

**4.1 Take the heat**

So, you are well prepared; you know what you want and how to look and listen for clues of what the customer wants. It’s time for the real thing – the negotiation. The goal is that you and the customer should both feel that you have come out with a better result than you expected; that you are both winners.

From your preparations, you have your bag of alternatives to bring out when the timing is right. You may also have thought about some good SPIN-questions to ask the customer about risks and possibilities.

These are good places to start.

And actually, the start is all that you can plan for! The rest of the negotiation will unfold in collaboration with the customer – it takes two to tango.

Customers will have very different styles and behaviors; they will put pressure on you in different ways. Make sure that you know your ZOPA - the Zone that you can agree in – the buyer may try to use more than one song to dance you out of it!

Here are some examples of different dancing styles:

## **Emotional**

Some customers will be sad, angry, confused, or frightened due to pressure from a boss. If they do, keep a cool head. Show sympathy but stick to the facts. Invite them to discuss alternatives that will cool down emotions. *Be soft on the person and hard on the problem***.** You can be very empathetic and kind without giving up your plan or cross your red line.

## **Salami slicing**

The second negotiation/dancing style is the salami slicing. Some customers will bring up one small thing at a time, hoping that you will not notice how much it adds up to in the end. There are two things you can do about it.

* *Never give anything away without negotiating back something else*. As you learned before, you have prepared alternatives in advance that will be very useful here. And do not be afraid or shy to negotiate – people, that are using the salami slicing, mostly enjoy negotiating.
* The second or third time a new demand comes up, you can suggest that all those demands should be collected for example on a whiteboard, to be dealt with as a bundle at the end of the negotiation.

The third negotiation stile is an uncomfortable one.

## **Attacks, threats, heavy pressure**

This is a quite unprofessional way, but as a sales person you will somewhen see it, and you need to handle it well. I will give you some ideas how.

* Even though the other is not behaving professional, you do. Pretend that this person is just trying to help you win the order, but in a strange way. It will help you not to lose your temper.
* Show real interest in their opinion. “So, you want this and that, but you don’t want to pay for it. Hmm, but these are also real costs for me, so it is difficult for me to explain this to my boss – can you explain your reasoning to me, please?” Careful, don’t be ironic!
* Make them stop acting like an enemy. “If you were my manager, what would you advise me to do in this situation?”

Most people don’t want to admit being aggressive. If you point out their bad behavior, they will just get defensive. Treat them like good guys and they will be recognize you professional behavior and adopt to it. Ask open questions and dare to stay quiet while waiting for the answer, this puts the pressure on them.

And – remember your BATNA! You can always walk away. **Never, ever** give in to pressure.

**4.2 Mistakes to avoid**

**1. Don’t get into a time squeeze**. Instead:

* Keep your calendar open after the meeting
* Eat before going in
* Use the agenda to move along if someone talks too much
* Don’t talk too much!

**2. Don’t leave agreements hanging.** Lock them in as you move forward:

“So, have we agreed that…” or “So, if we can give you this, you will… etc.”
If they say “yes” many times, you will have a better deal in the end.

**3. Don’t lie or pretend.** It destroys trust. Further it is proven, that for every lie, you need another 35 lies after it, to make sure the original lie will not be identified. This will cost you a lot of energy! *Purchasers can smell your fear*…

* Admit when you don’t know.
* Ask for a time-out if you lose control of the numbers.

**4. Don’t stick too hard to your plans**. Chances are that the customer will pay more for a solution that they have participated in designing. Ask open questions and keep an open mind.

And finally:

**5. Don’t drip.** Sales coach Mike Bosworth says that salespeople are like **dishrags**. Not flattering, but hear him out: When you wring a dishrag in your kitchen, you keep wringing until it stops dripping, right? That’s how you know that there is no more water in it. In the same way, customers will push down a price as long as the salesperson is ‘dripping’. That’s how they know they get the best price.

So, every time you give something away in a negotiation, you confirm to the customer that you have more to give. Don’t drip!

**12. CONCLUSION**

As a summary, we will now present ‘*The Dos and Don’ts of Negotiating’* to demonstrate some important points from this course.

1. BUYER: “I am a buyer, and I know exactly what I want.”

SALESPERSON: “I’m a salesperson and I want a hamburger. I’m starving, I hope this will be quick. I didn’t get a chance to go over the quote, but I know the price is $0,35, and I hope to get at least $0,30 today.”

BENJAMIN: No, no. **Preparation is everything.** And don’t negotiate on an empty stomach! Go have lunch and then try again.

SALESPERSON: “I am a salesperson. I know what I want, I know what my customer wants, I have my ZOPA, my BATNA, and a briefcase full of alternatives. I am ***so*** prepared!”

BENJAMIN: Yes!
2. BUYER: “I like NCAB, but that price is too high.”

SALESPERSON: “Oh well, I suppose we could accept $0.33.”

INGRID: No, no. **Stay out of the price corridor as long as you can.** Use your alternatives. Try again.
SALESPERSON: “There are some alternatives in this project that I want to show you, just to make sure we don’t miss any possibilities. Would you mind if we wait with the price discussion until after we talked through the details?”

INGRID: Well done, you!
3. BUYER: “I think NCAB is overrated.”

SALESPERSON: “No, we’re not.”

BENJAMIN: No, no, no. **Show your interest.** Open questions. Try again.

SALESPERSON: “Really, why is that?”

BENJAMIN: Good job!
4. BUYER: “My dog is sick, and my girlfriend forgot my birthday. And now you want me to pay $0,35 for a PCB?!”

SALESPERSON: “Oh, that’s terrible, poor you. You know, maybe I could do $0.31.”

INGRID: No, no, no. **Be soft on the person and hard on the problem.** Try again.

SALESPERSON: “Oh, I’m sorry about your dog. And your girlfriend should know better, really. But I still need $0.35.”

INGRID: Nice, good job!
5. BUYER: “$0.25, it’s my last offer”

SALESPERSON: “Then I guess I have to take it, even if we lose money. \*Sigh\*”

BENJAMIN: No, no. **Remember your BATNA.** Try again.

SALESPERSON: “That’s too bad, I looked forward to working with you on this. What other projects are you involved in?”

BENJAMIN: Nice ABC!
6. BUYER: “You need to take a week off your delivery date.”

SALESPERSON: “Oh, OK we can do that.”

INGRID: No, no. **Never give anything away without asking something in return.** Don’t be a dishrag. Try again.

SALESPERSON: “If I work out a way to do that, will you give me the order?”

INGIRD: Yes!

Thank you for listening and good luck with your negotiating!

Now go out there and win/win.