



**HOW BUSINESS OWNERS CAN USE
SALES & PURCHASING NEGOTIATION STRATEGIES
TO IMPROVE MARGINS & CUT EXPENSES
IMMEDIATELY**

*A PRACTICAL GUIDE TO DEPLOYING LEADING
PRACTICE BUSINESS NEGOTIATION SKILLS IN YOUR BUSINESS
FOR IMMEDIATE MARGIN IMPACT*

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PART I

HOW SALES LEADERS CAN LEVERAGE 3 POWERFUL NEGOTIATION CONCEPTS TO CLOSE MORE CLIENTS, HIGHER & FASTER

*A PRACTICAL GUIDE TO CLOSING MORE CLIENTS THROUGH USING
LEADING PRACTICE BUSINESS NEGOTIATION SKILLS*

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1. See Negotiation As A Process, Not An Event

Most salespeople think of negotiation as a chess match between rivals that one will win, and one will lose. They typically think of it as an isolated step in the process of sales or purchasing, and when it does happen, it's seen as an event—infrequent at best— rather than an ongoing process.

This is a serious and costly mistake! Let me explain.

The Latin root of the word negotiation, negotiatus, literally means “to carry on business.”

Even seasoned leaders and executives fall into the trap of thinking that negotiation is something that only takes place when it comes to the time to agree on a price or sign a contract. The opportunities missed to both create and claim value through negotiation in the larger sense are profound.

The modern day development of formal sales methodologies has been largely responsible for relegating negotiation to an event when the truth is that sales is a subset of ‘carrying on business’ (negotiation) rather than negotiation being a subset of sales!

In practical sales terms, this means that the very first time you make contact with a lead or a prospect your negotiation has started! If you do not apply business negotiation best practice throughout the entire sales process then you set yourself up to deal with many objections and you will probably have to resort to a whole lot more discounting and margin sacrifice than is needed.

When each step of the ‘sales process’ is matched with business negotiation best practice it offers the opportunity for you to create an experience for your counterpart that will help you to ultimately close the deal faster, at a higher level and with less objections.

Here are three key negotiation elements that you should include in the early stages of your sales process:

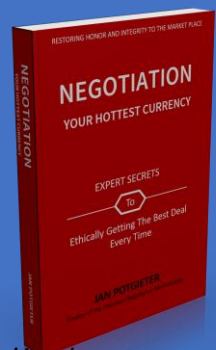


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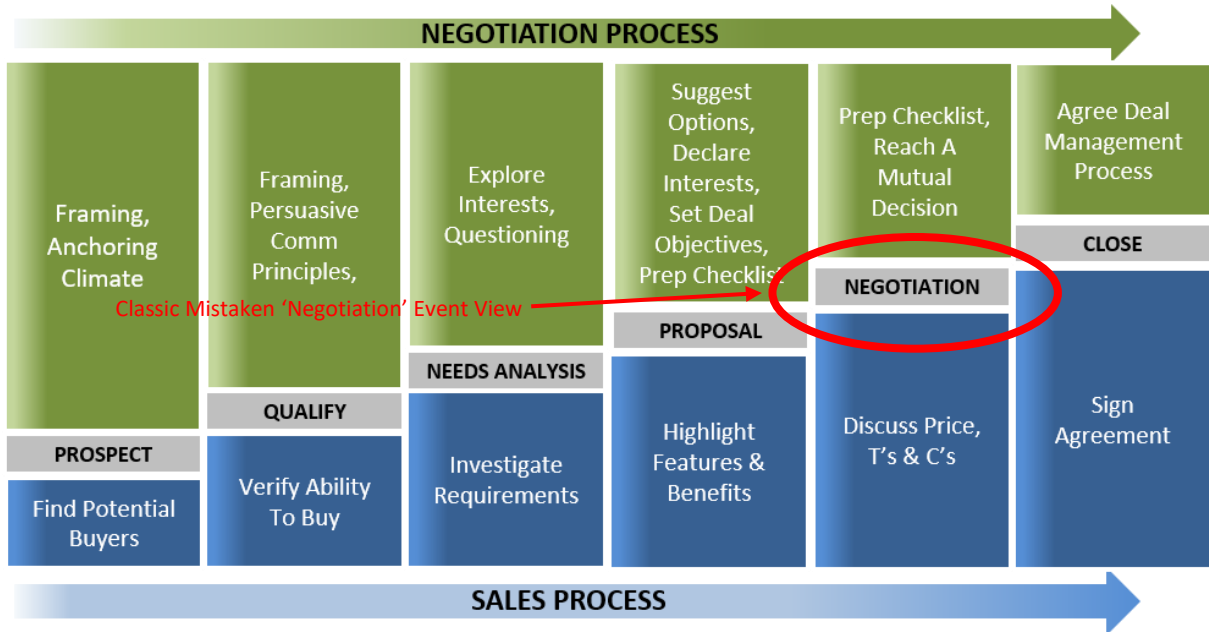
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I. Anchoring your counterparts' expectations & aspirations through framing.

One of the key ways that you create satisfaction for your counterparts is through making concessions. If you do not present anchors that allow for you to make concessions as you progress through the negotiation process, then it will force you to defend your value proposition rather than create satisfaction for your counterparts. More on this in the next point on reciprocity.



II. Pro-actively managing the negotiation or business 'climate'.

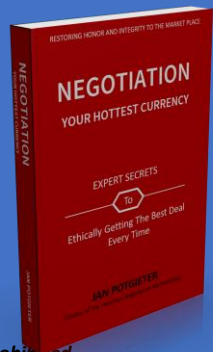
Never forget that you have to create an experience for your prospective clients. People seldom, if ever, make purely clinical decisions. We are wired emotionally, and we then find the rational reasoning to back up the emotions that we feel when it comes to make decisions. The 'climate' within which sales negotiation takes place is probably one of the most important contributors to whether a deal will be closed or not. So when you don't pro-actively manage the client experience to ensure that it is a positive and enjoyable experience throughout then you are missing a major opportunity!



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III. Using questioning to 'diagnose' your counterpart's interests & needs.

Most salespeople use questioning only as a means to justify their own value propositions rather than truly pursuing uncovering their counterpart's current and desired positions. In other words, most salespeople will only ask questions that lead their counterpart to their proposed solution. Unless you're prepared to not have the solution that your counterpart might need and you are ok to listen to whatever your counterpart says in response to your questions, you are unlikely to build empathy and movement towards agreement. You have to be prepared to walk away from some deals if you want to establish a peer level connection with your prospects so you can maximize your returns.

2. Consistently Harness The Power of Reciprocity

The Rule of Reciprocity states that we return to others the form of behavior that they exhibit towards us. If I were to approach you in a contentious or combative manner, the Rule of Reciprocity would compel you to respond in kind—contentiously or combatively. Likewise, if I were to lead with the evidence that supports my case (or in sales language, leading with the features & benefits of my solution) then you are most likely to look for the evidence that refutes my case. Conversely, if I were to approach you with a view toward helping you achieve your desired outcome, then you are more likely to respond by helping me get what I want.

My life has become so much easier, both professionally and personally, since I realized that the easiest way to convince people to move in my direction is to advance in their direction first; to focus my energy on satisfying their unique and specific needs, rather than convincing them of the strength of my argument. The only way to uncover your counterpart's unique and particular perspective is by asking them questions.

Not only will you uncover information that is probably very relevant to your sales negotiation, but by demonstrating a genuine desire to support his needs and preferences, he will most likely be moved to be just as accommodating come time for your requests and needs. This is why the poker-faced, self-focused, clinical approach to negotiation seldom works: it restricts opportunities by aggravating relationships.



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Interestingly, negotiation research has confirmed that the number one contributor to deal satisfaction is receiving concessions from your counterpart. That's right, not hitting your target or getting everything you asked for, but getting your counterpart to move in your direction by making concessions to you is what brings satisfaction to all parties.

By being cooperative and moving in your direction, your counterpart is signaling that you and your interests hold significance and importance to them to the extent that they are willing to give up some of their desires to meet yours. Isn't that how coupons and twenty percent-off sales work? You feel like you are getting something extra from the retailer.

So, when you make concessions, you send a strong signal that you recognize and understand your counterpart's interests and that you are prepared to move in their direction to satisfy those interests. In turn, this means that your counterpart will be significantly more likely to reciprocate by making concessions in your direction. Just as evidence will attract objections and counter-evidence, concessions will attract counter-concessions.

This is why the use of ambitious anchoring early on in the sales process is so important – you are creating room for yourself to make concessions during the sales process so that you can avoid ending up in a position where you are unable to make any concessions and you have to defend your value.

3. Practice Your Skills Through Sales Negotiation Simulations

The easiest, quickest and most effective way to rapidly improve your sales negotiation skills is through participating in simulations. So many salespeople think that participating in sales negotiation simulations is a waste of time because it is not like real life, not exactly like a real sales call. Can you imagine a professional football player suggesting that they will only turn up for games against real opposition because the practice sessions, drills and simulations don't seem real? If you look at excellence at any level in sports, politics, the arts and business you will see that the players regularly participate in simulations, dry runs and exercises to make sure that they are always on top of the basics, never mind the complicated stuff!

You see, muscle memory is only built against resistance. You can read as many books as you can on playing golf, watch as many videos as possible on great golf technique, but if you don't go out



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to practice hitting golf balls on the driving range then you simply will not achieve great golf results. The exact same thing applies in sales. If you are not regularly practicing your objection handling, framing and closing skills and scripts, then you should lower your expectations!

I know of Fortune 500 companies that include in their sales process a policy which states that before any sales representative is allowed to engage with a client, they have to run through a simulation of that meeting with a colleague in preparation. If they don't participate in a simulation before the sales presentation or meeting they run the risk of becoming subject to disciplinary action! They view it in the same light as a sports team not having their players turn up for practice in between games!

So if you want to drastically and dramatically improve your sales results my suggestion would be to make sure that you simulate your sales phone calls, video calls and face to face meetings. You can easily create great scripts which you can continually refine to help you deal with common objections or to help you set up calls effectively or even to close deals the most effective way. You can then continually refine and practice these scripts & approaches until you have truly mastered them.

In "[So Good They Can't Ignore You](#)," author Cal Newport says that what makes ridiculously successful people so successful is they're experts at *practicing*, they can push themselves to the exact limit of their skillset and thus expand their abilities day after day. If you're not expanding yourself in such a fashion, called *deliberate practice* in the organizational psychology literature, you'll never be ridiculously successful.

So get out there and practice your sales negotiation skills and techniques regularly!



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PART II

HOW BUSINESS OWNERS CAN LEVERAGE A 'CONTRACT RESTRUCTURING NEGOTIATION SUMMIT' TO ACHIEVE IMMEDIATE SAVINGS

*A PRACTICAL 4 STEP GUIDE TO NEGOTIATING IMMEDIATE
SAVINGS WITH KEY VENDORS*

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SAMPLE KEY VENDOR CONTRACT RENEGOTIATION PLAN FOR PROCUREMENT LEADERS

The approach outlined in this document is a summary of a simple but effective approach that Jan Potgieter has used to assist procurement leaders to obtain rapid savings from implementing a 'Vendor Contract Renegotiation Summit'. You are welcome to use and customize this simple yet effective approach to pursue savings with your key vendors.

Step One – Identify Prime Targets For Immediate Savings Negotiations

You probably have your own linear or fractal criteria & process for identifying prime targets for savings negotiations, but I wanted to include an easy fractal way to identify targets for your consideration.

1. Identify the 20% of your spend categories that's responsible for 80% of your total spend.
2. Within these categories identify the 20% of the vendors that attract 80% of your spend per category.
3. On top of this, make sure you identify all sole & single source vendors in each category and add them to your list.

Step Two – Team Composition

Assemble a core team of experienced buyers with **collaborative negotiation experience & skills**. Where possible, select buyers that have a track record of good relationships with suppliers and/or good relationship skills.

This approach may at first seem counterintuitive as you may think that to get swift reductions you should be pursuing a hardcore, competitive approach. However, you will achieve the best results through the pursuit of a **compromising** or **collaborative** approach leveraging concessions and based on a relationship driven mode of engagement to provoke the right kind of reciprocity and break through resistance, particularly from sole & single source vendors.



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Step Three – Battle Plan

Convene your core team and set in motion the following key actions:

1. Set targets for savings per category and per vendor. Here we will be using solid negotiation best practice by using anchoring and reciprocity to manage your counterparts' experience and expectations:
 - Set ambitious savings targets per spend category – make sure to create a range split between your Aspiration Base (AB) at the top end and your Real Base (RB) at the bottom end. For example, in the Marketing Services Category, it is your AB to achieve a savings of 35% and your RB or minimum target for savings would be 25%.
 - Set savings targets for each vendor in the same way. Keep in mind that the way you will be positioning the savings target for each vendor when you engage will be in a way that your AB target for them will be positioned to be less than your overall AB for the category (this is why you should be ambitious in setting your AB for the category). This is important because it sets a frame for reciprocity which significantly enhances the likeliness of you receiving concessions from your vendors.

Important Note:

Make sure that you communicate your RB for savings in each category rather than your AB to your executive colleagues when discussing this project to enable yourself to also leverage reciprocity and create satisfaction in your internal negotiations.

2. Agree on a communication plan between members of the team and between team members and vendors that meet the following criteria:
 - No written communications between team members or between team members and suppliers. You don't want to create any opportunities for your written communications to be leaked to the press or other parties.
 - Create script outlines based on consistent application of business negotiation best and leading practices for initial phone calls and all subsequent communications with vendors that will be used by team members (*see sample basic scripts at end of document*).
3. Create a strong frame for each conversation with suppliers where you use at the very least a combination of a highly ambitious anchor, a concession and social proof. The frame for the engagement with each vendor is key to the successful outcome of negotiations (*see sample basic scripts at end of document*).



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4. Set a date 10 to 14 days in future for contract restructuring meetings with the identified vendors. Use video meetings as the mode of engagement for the scheduled contract renegotiation meetings rather than phone calls if possible as you want to be using a compromising or collaborative approach for negotiation and video is better than phone calls to this end.
5. Set dates for a pre contract restructuring meeting 'preparation call' with each vendor. Schedule this date to be 3 – 7 days before the contract restructuring meeting and no more than 4 or 5 days from your initial call. You will use these 'preparation calls' to effectively field your vendor's first offers and to confirm that they will have the authority to reach a binding agreement during the contract restructuring meeting.
6. Brainstorm and create a list of concessions that you will be able to offer to each vendor in return for them lowering their acquisition price (i.e. enhanced payment terms, increase in scope, referrals, testimonial videos, product development assistance etc.).

Step Four - Negotiate

Set up the contract restructuring negotiations with each supplier using a video call platform that can support multiple participants. Make sure that you have at least two negotiators present in each of your negotiations as one negotiator will be assuming a relationship role and one will be assuming a task focused role.

The relationship negotiator will lead discussions and will hand over to the task negotiator to discuss contract details. Whenever the going gets tough, it is the relationship negotiator's task to bring discussions back to a cordial footing using reframing. You should be fully prepared to make some concessions during this meeting to create momentum towards agreement. *For more detail, see 'Sample Run Of Play For Restructuring Meeting' at the end of this document.*

Important Note:

Make sure your negotiators start off the contract renegotiation meetings by sharing some personal biographical information to ensure more empathy & emotional engagement (*see sample scripts at end of document*).



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SAMPLE SCRIPT FOR INITIAL OUTREACH CALL

“Hi John, I’m calling you today as here at ABC Company we need to aggressively consolidate our spend to make sure we survive these challenging times. [Vendor company] has been identified as one of the vendors in [category X] that attracts significant spend. It has become necessary for us to restructure all our vendor contracts in this category to achieve a savings of at least **39.3%** (*never use round numbers*) against budgeted spend for 2020. For [vendor company] however, we set a slightly lower target to achieve a saving of **33.45%** (*target for vendor must be lower than the target number for the overall category as this will be interpreted as a concession, never use round numbers*) on current prices (*your real target for savings for [vendor company] needs to be less than 33.45% - let’s say for the purpose of this example it is 25% so that you still leave yourself room to make further concessions as talks progress*).

We will be convening vendor contract restructuring meetings in approximately 10-14 days time via video call with all vendors in this category who agree to pursue discussions with us to reduce our spend. Unfortunately, those vendors who are not open to pursuing discussions will have their contracts terminated at the earliest opportunity and will be excluded from future sourcing plans for a minimum of X years. (*For sole suppliers you will highlight the fact that you may have to default on your terms and have been exploring options like vertical integration, insourcing etc. help you create leverage to bring them to the table. You will have to be creative in your positioning to sole suppliers but once you get them to the table this process is very likely to have a positive impact on the competitive positioning of their offer to you.*)

We need you to make sure that [vendor company] is represented in this meeting by someone that has the authority to commit the organization to the outcome of the discussions. We will need you to send across written confirmation of this person’s delegated authority to commit [vendor organization] on an official company letterhead, duly executed at least 5 days before the restructuring meeting.

In preparation for the upcoming contract restructuring meeting, we would like you to consider & share with us your feedback during a pre-meeting call scheduled for 3 days from now on the following items:

- Innovative ideas for how [ABC Company] can assist [vendor company] to further its business goals (*this communicates collaborative or compromising intent*).
- Your proposal for achieving a **33.45%** reduction in the price of your products/services/solutions with immediate effect (*extracting their first offer or AB*).

Our preparation call is scheduled for [date & time] and will take place via video call.”



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SAMPLE SCRIPT FOR PREPARATION CALL

“Hi John, welcome to this preparation call for our upcoming contract restructuring meeting. As a reminder, it is necessary for ABC Company to achieve overall savings of **39.3%** in this category and we have set [vendor company] a target of **33.45%** which is less than the overall category target due to your market positioning (**emphasizing concession against target for category**).

How this call will go is that you'll start off by presenting your discounts & other ideas for sustained savings in line with achieving your target for a **33.45%** reduction in acquisition price. We will then most likely ask you some questions to make sure that we have clarity and provide you with some feedback to refine your approach before our upcoming contract restructuring meeting.

Please go ahead and present your suggestions.”

Here it is important that their suggestion(s) are met with a silent response in the first instance. A silent response is often interpreted as displeasure and the silence is often filled with concessions by your counterpart potentially moving them some distance from their AB towards their RB. It will be your objective to get the vendor to agree a price as close as possible to their RB during the contract negotiation meeting.

Sample questions to ask in response to their suggestions if they are reasonable:

- In what ways do you believe we could be even more aggressive in pursuit of savings for ABC Company?
- How could you further improve your offer?
- What risks do you believe we have to manage proactively and collaboratively?

Sample questions to ask in response to their suggestions if they are unreasonable:

- Have you convened a brainstorming session with key stakeholders to come up with fresh ideas?
- Is there a way that we could help you be creative in coming up with solutions?
- Are you aware that whether we like it or not we will have to go to market to find new suppliers in this category if you are unable to meet your savings target?

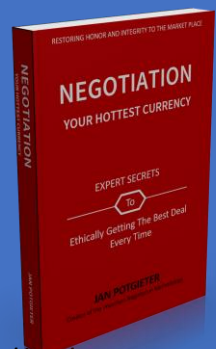


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SAMPLE RUN OF PLAY FOR CONTRACT RESTRUCTURING MEETING

- Make sure that you have two negotiators representing you in each of the contract restructuring meetings. Assign the role of relationship negotiator to one and task negotiator to the other.
- The meeting is led by the relationship negotiator who starts off by introducing their team member and themselves. Make sure to use the introductions to accomplish the following:
 - Share some biographical information to establish a connection with your counterparts. This is particularly important in remote, video or phone-based negotiations. For example, you could send some information out before the meeting to introduce yourselves or you can take a few minutes to introduce yourselves and establish rapport & authority before starting discussions. You want to use this opportunity to establish 'liking' between participants as well as to set yourselves up to be credible counterparts.
 - Establish a strong frame for the meeting. Ensure that the frame includes an anchor, at least one concession and social proof. For example:
 - “At the end of this meeting we would like to conclude an agreement restructuring your current agreement to meet the following objectives:
 - A 33.45% reduction in acquisition price rather than the category target of 39.3%.
 - A guarantee of no interruption of service or degradation of quality.
 - It is important to also note that we’ve already concluded several successful meetings with other vendors and we’re happy to report a great willingness to collaborate with us to ensure our long term viability.”

Notes:

You will have to be prepared to make some concessions including but not restricted to:

- Reducing your expectation of a **33.45%** (AB) reduction in price to a **25% (RB)** reduction *in a tapered concession strategy*.
- Your preparations for the meeting including the preparation call will have to explore other opportunities for you to move in your counterpart’s direction through extending contract agreements, providing access to additional opportunities etc. It is highly recommended that you run a creative brainstorming session to compile a list of potential concessions that can be traded.



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