Mercuri International

FIVE MISTAKES TO AVOID IN SALES NEGOTIATIONS

You are in negotiations to land that one large year-end deal. With that sale in your pocket, you will sail past your annual sales target by a big margin. And your bonus will double. Then comes the bad news. The Customer demands a major concession that will eat into profitability and end up as a bad precedent. You thought you had overcome the objection early on in the negotiations and set it aside. What went wrong?

Contributing to INSEAD Knowledge, Peter Hiddema, founder and CEO of Common Outlook Consulting Inc and Visiting Professor of Decision Sciences at INSEAD lists the *Top five sales negotiation mistakes* and offers advice on what to do about them.

1. Selling instead of meeting a need

All products and services, regardless industry or sector are created to fulfill a need or want. Identify that need in the Customer before getting into negotiations. You may have the most impressive product on the planet. But if it doesn't meet the prospect's need, then nothing can work .

How to avoid this **-** Uncover the Customer's needs and put your best foot forward from there. If you find that you can't fill the need, move on. A mismatch will only waste time and energy for you and your Customer.

THE MERCURI VIEW

One of the major challenges that sales people struggle to overcome, is a tendency to "fulfil an assumed need".

Selling does not mean merely understanding the (stated) need. It involves the creative process of spotting latent requirement in Customer situation, bringing it up and influencing it suitably. Such a need generated by the salesperson but owned by the Customer becomes the 'service' provided by you to your Customer and it can be a very real differentiator.

The DAPA © Process is Mercuri International's proprietary technique empowering sales people to lead the Customer's buying experience in ways that are mutually beneficial to both the buyer and the seller.

2. Acting on untested assumptions

Your approach to a sale is often guided by what you assume, is motivating your prospect. But the assumption could be off the mark, unless it is tested. If you've made a wrong assumption about what drives your prospect, chances are that the sale won't happen.

How to avoid this – The simple solution is to become a little more curious, exercise humility and ask questions instead of assuming. While simple, this is not easy to practice. It means you should check every assumption you make about why the prospect did or did not respond to your cues during the sales process.

3. Not enough listening and questioning

Salespeople are mostly extroverted and that can sometimes become a challenge. The typical salesperson loves to talk and the problem with that is when you are talking, you are not learning. Inadequate listening and questioning could be worse than acting on untested assumptions. It's hard to sell if you don't know why someone is buying.

How to avoid this - The best thing to do is – Ask. Short, open-ended questions like "Can you help me understand more about …" or "What's the concern?" are a big help. All you need to do after that is stay quiet and listen. Be curious and ask clarifying questions. Focus on understanding and summarize what you think you heard. Once you are through, you will know so much about the Customer, you'll have enough information for several years' worth of business.

4. Addressing prospect's position instead of underlying interest

Hiddema rates this as the core of almost any negotiation or sales error. A "position" is a stated request or demand. It is what someone says they want. For example, a Customer may ask for a 15 percent discount. Now that is the Customer's position.

An "interest" on the other hand, is the underlying reason behind the stated request or demand. In our example, as a salesperson, we would automatically assume that the Customer is demanding a discount because our product or service is perceived as too expensive

So, we might end up extending the discount fully or partly. Or we may give up on the sale.

How to avoid this – The solution, once again, is to ask the right questions and listen intently. Going back to our example, if we asked the Customer, we might discover that they do not think our product is expensive or unfairly priced. The reason they asked for the discount is because their budget is limited for the current quarter but they still want to buy the entire quantity right away as they have a need.

Once this real reason is identified, solutions can be developed. One option is to sell it all to the Customer now at the full price, but spread the billing over the next two quarters.

If we hadn't figured out the underlying interest behind the position, either we would have lost the deal or a substantial margin on the sale.

5. Negotiating against yourself with unilateral concessions

Business, or life for that matter, is always a two-way street. For a relationship to be sustainable there has to be reciprocity. To get, you have to give. In their eagerness to clinch the deal, salespeople often offer incentives and concessions even if they are not asked. If the prospect is still unmoved, more concessions are offered in the hope that eventually the prospect will give in and accept the offer.

How to avoid this – There is a time and place for making concessions, provided you get something in return. For example, you could seek a tentative commitment (Trial close in sales parlance). "If I am able to make this concession, can we close the deal?" or "If I can get this concession for you, can we have a two-year contract instead of the annual one?". The moral is simply this: If your prospect isn't interested in making it win/win for both of you, is that business worth doing?

Next time you have a sale stalled in negotiation, run through this checklist. It might help you save the deal or your margins. Or both.

The article as published in the INSEAD Knowledge blog is **here**.