

IBP2424 (W2) Negotiation Strategies



Understanding the Nature of Negotiation

TOPIC 1: NEGOTIATION TACTICS

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Tactic #1:

The Basic Ultimatum

An ultimatum is simply a statement of your objection to a situation or condition followed by a strategic silence.

For example, suppose you're checking into a hotel, and through someone's error, the type of room you reserved is unavailable. **Don't get angry – negotiate!**

What to Say:

Start with something like "I reserved a suite, a single room is completely unacceptable!" **followed by a deliberate silence.**

When to Say It:

Use an ultimatum anytime you get less than you wanted or less than you deserve, such as get incomplete car repair, meal that's not to your liking, poorly done dry cleaning, and so on.

- ❑ Once you get a positive response, politely press for more. If they offer you a discount, ask for a longer one or a free night's stay.
- ❑ In case of incomplete car repair, they might fix the car, but have them double the usual warranty for that repair.
- ❑ Once they give up something, they have demonstrated their willingness to negotiate. That's your cue to try to get even more!

Warning

- ❑ Always deliver the ultimatum calmly so that your behavior isn't cause for comment. This keeps your target focused on the issue, not you. Also, don't turn the ultimatum into a threat.
- ❑ For instance, "If you don't do something about this, you'll hear from my lawyers!" (Do you really think your lawyer would get involved in this?)
- ❑ "I'll never eat here again!" (Are you really someone they want to see again?)

Be polite and firm, and , once you get the initial concession, go for more. You should not leave the hotel front desk without a huge discount or a coupon for a free future stay.

Bonus tip

- ❑ As in any negotiation, as you deliver the ultimatum, **maintain eye contact with your target.**
- ❑ An averted or darting glance will be perceived as weakness and a lack of belief in your position.

Tactic #2: The Ultimatum Plus

This tactic consists of the “unacceptability” statement PLUS a specific demand.

What to Say

- ❑ “These accommodations are unacceptable and I’ll do with nothing less than an upgrade to the club floor.”
- ❑ In this case, you have decided exactly what you want from the situation and are adding a demand to the statement of unacceptability.

When to Say It

- ❑ Use this tactic any time you receive subpar service and have a specific outcome or objective in mind, for example, a full refund, a future discount, or any reasonable concession you can expect to gain.

Warning

The key to success here is keeping your demand reasonable and maintaining your willingness to accept a counteroffer.

- ❑ Be ware of **demands that are completely unreasonable**, for example, “If you can’t come up with a nonsmoking room, I demand nothing less than a one-week stay at one of your resort properties.”

Warning

With this demand, you have just crossed the line from negotiation to confrontation, and now your target has to win by saying “NO” instead of agreeing with a reasonable position and granting a concession

Tactic #3: The Ultimatum Exit

This tactic is reserved for those times when you want something big.

- ❑ For example, when you discover that a contractor has no intention of beginning work on the date initially agreed upon, either you want action, or you want to get out

What to Say

- ❑ "These starting and completion dates just won't do. Either you show up on the date in the contract or I'm hiring another firm.
- ❑ It's your choice, but if you make the wrong one, you can forget about my future business as well."

When To Say It: The priority is to get the problem solved. If it won't be solved this way, you may need to go elsewhere. Before making the decision to employ the Ultimatum Exit tactic, make sure you have somewhere else to go. Be firm but polite.

This is negotiation with a strong dose of confrontation, but there may be no alternative.

Warning

- ❑ The confrontation nature of the Ultimatum Exit tactics is not to be confused with bluffing.
- ❑ Always have an alternative when you use this strategy.
- ❑ If you have to come crawling back because you really didn't have somewhere else to go, you'll do so at a permanent disadvantage.

Tactic #4: Research and Destroy

Information is power, and this tactic is an example of using that power to get what you want.

- ❑ Successful application of the Research and Destroy tactic is simply a matter of getting your information in order and presenting the target with the folly of his or her position.
- ❑ For example, anytime a competitor has a lower price, use the information in order to "destroy" the target's position.

What to Say

- ❑ "We both know Voke Motor is selling this same vehicle for \$750 less. If you want this sale, you're going to have to beat their price."
- ✓ *Note:* Matching a competitor's price is assumed. The request (or demand) is to do *better*. Otherwise, you're not really negotiating, but asking for something you can already get elsewhere.

When to Say It

Use this tactic anytime there is something wrong with a deal and you can come up with the facts to prove it:

- ✓ For example, the merchandise is not the same as that in the ad; the price isn't competitive; the finance rate is too high. Whatever the situation, having the facts is essential in getting what you want.

Caution

- ❖ Telling someone he or she is wrong can be seen as confrontational, which makes some people defensive to the point of irrationality.
- ❖ If you've caught the target in a lie, the volume of their expression of outrage will most often be proportionate to the degree of their dishonesty. Be prepared to walk in this situation.
- ❖ If something is that wrong with a deal or a price, you really shouldn't be doing business with these people.

Bonus Tip

- The Internet has put massive amounts of information at your fingertips – everything from little-known product discontinuations to hidden incentives and discounts, to name just a few. Use it to your advantage.

Tactic #5:

Goodwill Hunting

This tactic is about hunting for an advantage and using goodwill as your weapon.

- ❑ Service personnel and customer-contact representatives all endure hours of training on how to handle tough customers and difficult people.
- ❑ The other side of that coin is that they have no training on how to handle nice people. That lack of training presents an opportunity to appeal to their goodwill!

What to Say

- ❑ In dealing with customer-contact personnel, pay a compliment ("Does that tag say you've been working here for ten years? That's an impressive record!")
- ❑ Getting them talking about themselves ("Many more hours before you get to go home?").
- ❑ Following that conversation with a mild-mannered inquiry as to whether you can get a better price, longer warranty, or the like, or if anyone there are authorize the advantage you want.
- ❑ The point here is to trade a bit of goodwill for some kind of advantage or concession.

When to Say It

- ❑ Use this tactic at airline counters, rental car companies, or retail stores, where salespeople work on commission and have some discretionary power.
- ❑ In short, this tactic is worth trying on any customer-contact person who has to deal with difficult people all day.
- ❑ By simply being the opposite, you are likely to gain an advantage.

Caution

- ❖ This is a soft-sell form of negotiation based on having established goodwill. If it fails, there's no need to be dejected or withdraw your compliments.
- ❖ The strongest method you should employ in this situation is to inquire whether there is anyone present who could get you that concession

Bonus Tip

- ✓ Whenever possible, get in line behind a belligerent customer.
- ✓ The employee who has just been put through some abuse and perhaps has given some in return will be grateful to meet up with any expression of goodwill and is likely to respond favorably to your requests.

Tactic #6: Solve a Problem

This tactic is about presenting what you want out of a negotiation as a solution to a problem, rather than something your target is giving up.

- ❑ It works well toward the end of a sale if there is still a lot of inventory around.

What To Say

- ❑ We both know the sale is about over and you still have quite a bit of this outdoor furniture left. How much more of a break can I get if I double my initial order?"
- ❑ You're getting more, and at a larger discount, but – most important – you've simultaneously solved the merchant's problem. (I'll reduce your inventory even more, in exchange for a break.")
- ✓ This way you both gain – or at least you're presenting it that way.

When To Say It

- ❑ When making off-season purchases, when buying late in clearance sales, or anytime a vendor is dealing with a piece of merchandise that doesn't fly off the shelves.
- ✓ Solve the target's problem by taking it off his or her hands – but only at a reduced price!

Caution

- ❑ Be gracious in "solving the problem." Nobody likes getting kicked when they're down, nor does anyone like the person who does it.
- ❑ Seeming triumphant or in anyway pleased about your target's dilemma is a mistake.
- ❑ Doing so may throw the target into a state of denial and cause him or her to wait for a better day rather than give you an advantage.

Tactic#7:

The Cash Flash

- ❑ A version of the Cash Flash was often seen on the old TV game how *Let's Make a Deal*.
- ❑ For example, the premise was that a contestant could select a prize hidden behind one of three doors.
- ❑ There was one valuable prize (a cruise or even a car), but the other two doors concealed such treasures as heads of cabbage or bales of hay.
- ❑ Just as the contestant made a selection, the host would heighten the suspense by pulling out a roll of bills and saying, "I'll give you ten of these one-hundred-dollar bills right now, or you can choose to look behind the curtain you've chosen."

- ❑ Sometimes contestants took the cash; sometimes they won a big prize.
- ❑ At other times, they went home with a few bales of hay.
- ❑ The program may not have been a cultural high spot, but it taught us volumes about how people react to the sight of money.

What To Say

- ❑ "I'm interested, and I've got six hundred dollars cash with me..."
- ❑ The Cash Flash are used in several occasions with amazing results.
- ❑ Here's how it works: Determine the asking price in advance; then stuff 60 percent (or less) of that figure in large-denomination bills into your pocket.
- ❑ After examining the item, using lots of strategic silence to heighten the vendor's tension level, take the money out of your pocket and say "How about five hundred dollars – cash – right now?"

When To Say It

- ❑ Use this tactic in any substantial transaction where cash is an option.
- ❑ More often than not, the Cash Flash produces a bit of grumbling about the low offer and how the target really wanted more, but the sight of the cash works its magic and you end up with a bargain.
- ❑ Since merchants have to fork over a percentage of each credit card sale to the card company, they are often willing to provide a discount if you give them cash.
- ❑ However, beware; make this concession only on low-risk because once you buy it, you own it!

Getting the Lowest Price

- ✓ Being direct enough to ask for exactly what you want. (ask for a price or walk away in silence)
- ✓ Simply ask for the better price. Don't blurt out an offer; let your target name the first number (It might be lower than your intended initial offering, so you gain nothing by being the first to talk numbers.)
- ✓ When you're talking price, there are also a couple of principles you should bear in mind:

1. Behind Every Huge Discount, There's an Equally Huge Lie!

- ✓ For example,
- ❖ Consider the chain store that has a going-out-of-business sale announcing 50 to 70 percent savings on all remaining items.
- ❖ Of course, what the store is not saying is that it's sold off all the decent goods to a competitor and the stuff on sale will end up in a dumpster if you don't buy it.
- In this case, be careful and check things out before you commit.

2. There Will Never Be Another Opportunity Like This!

- ❑ This statement is used to create a false sense of urgency and is true only in the rarest of circumstances. Anytime you're being urged to "act now!" the reaction is, "If I don't act now, they'll have a tough time coming up with another sucker."
- ❑ The pressure to "act now" is sometimes couched in popular myths. In the statement likes "Prices have never been lower!" mostly you might think it's the best chance to buy now – unless you want to wait until prices drop further!

Summary

- ❑ These guerrilla negotiation tactics can and should become part of your arsenal of precise and strategic tactics rather than random behaviors when you're faced with a situation where you can or should have the advantage.
- ❑ As one imbued with the negotiator's attitude, you may not *always* achieve the result you expected, but you'll always be leagues ahead of the vast majority of people who never even try.