NEGOTIATION PRINCIPLES

By

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Key points ...
• The main negotiation principles
• The four steps of negotiating
• A framework when planning a negotiation

Great client service isn't always saying 'yes'. How much is your 'yes' costing you?

So what is negotiating? There are various long textbook definitions for 'negotiations' which touch on 'the resolution of conflict... between two opposing parties... to arrive at a mutually satisfactory result...'

Wikipedia defines Negotiation as *'a dialogue intended to resolve disputes, to produce an agreement upon courses of action, to bargain for individual or collective advantage, or to craft outcomes to satisfy various interests.'*

My definition in the context of agencies is:

Getting more of what you want whilst maintaining, or even developing, the relationship, then balancing commercial judgement with human nature.

If you get what you want but the other party feels unfairly treated or that they have a poor deal, there is a likelihood they may walk away from the deal or plan revenge at a later date.
We then need to take account of the commercial realities of your position financially and the marketplace, balanced against the likely reaction of the other party; people respond differently. This definition is particularly relevant where you have an ongoing relationship with a client; it is less relevant to a single one-off transaction.
We negotiate all the time – we just don't realise it. The ability to negotiate is like a muscle: it requires regular exercise, it needs to develop and strengthen slowly and, as your confidence grows, so it can be used more.

Why are negotiation skills important for everyone but especially for advisers, consultants, sales people and for those working in agencies?

1. Clients want more for less. Clients are trying to squeeze every last drop from their (often reduced) budgets.

2. Agency profitability has reduced. The profitability of most agencies, and many companies, is under immense pressure. The traditional business model for an agency is becoming increasingly hard to generate a decent return on investment.

3. Competition has increased and supply exceeds demand.
There is always another agency willing to work for less. In tough times, this competition becomes even more cut-throat. Clients can be tempted to take the (perceived) lowest cost option.

4. Client service people, it seems, are genetically wired to say ‘yes’ – saying ‘no’ goes against the grain. A ‘can-do attitude’ is a great attribute and appeals to clients considering appointing an agency but it can lead you to agree fees, timings and activity which are not in your best interest long term.

5. The buyer has all the power. A common misconception is that the party with the budget or the cheque-book wields most or all of the power. Not necessarily. The best business relationships are in balance; each party contributes and each party feels they are receiving a fair return and rates the relationship as ‘highly satisfying.’ Those clients who simply abuse their position as the buyer will not get the best work in the long term.

6. Many services provided by agencies have been ‘de-mystified’.
The ‘black-art’ of many agency services has been unveiled. Clients believe, rightly or wrongly, that they are able to develop some campaigns themselves without an agency’s involvement. In fact, we have increasingly seen clients able to produce awardwinning campaigns without help from a traditional agency.

7. Buyer-supplier or peer-to-peer partnership? The type of relationship between the adviser and their client will dramatically affect the quality of work and output. I consistently produce my best work with clients who share their plans, value my input and expertise and respect my opinion. Too frequently, agencies tell me that they are experiencing a ‘master-slave’ relationship or ‘buyer-supplier’ relationship with their clients. Unfortunately, these clients are often the ‘big names,’ the trusted brands on the high street.

8. Procurement departments and professional buyers. Major companies like British Airways and Diageo have invested in the area of Procurement. These professional buyers vary in their understanding of marketing services and marketing communication and can sometimes use powerful negotiation techniques aggressively to reduce prices and agency profitability.
Some Procurement specialists have helped make some important improvements for agencies such as improved briefs, improved processes and fairer agency remuneration.
However, the malpractice by some Procurement ‘professionals,’ often not spoken of publicly for fear of retribution, is far too common and is a disgrace to the profession of Procurement and to the companies employing them.

9. Most clients are better trained to negotiate than their agencies. Major corporate clients are trained regularly in how to negotiate; most agency people are not. This puts agencies at a distinct disadvantage.

10. Commoditisation. There is an increasing danger of commoditisation within many industries. True differentiation and distinctiveness between agencies is harder to achieve as most differentiators are easily replicated by competitors. The more agencies allow themselves to be commoditised, the less profitable they will be. One of the most powerful differentiators in agencies is the agency’s people. Their relationship with their clients can be an important reason why a client appoints and retains a particular agency.

The Four Steps of Negotiation

There are four key steps in negotiation:

- Prepare
- Open
- Bargain
- Close

These are not always totally discrete and can merge, especially in a quick negotiation. However, there are specific issues and considerations within each of the four steps.

Prepare: In a nutshell, this is about getting your ‘ducks in order.’ It can be formal planning or simply taking time to stop and think. This step involves gathering information, understanding what is valuable to both parties, clarifying what it is that you want, choosing your mindset and how you will go about the negotiation. Anticipation of how the other party may react to your approach is helpful. In our negotiation workshop we spend as much time on preparation as on the other three steps put together.

Open: This is a key time to influence the other party. Everything from your body language, your opening words, your questions, your confidence and demeanour will affect the quality of your opening and their likely reaction. This is when you expose to the other party what it is that you want. Whatever your opening position, you need to have a reason for why you are proposing it. You need to articulate it clearly, concisely and confidently.

Bargain: This is the classic perception of ‘negotiating’ – the ‘to and fro’ nature of the bazaar or market-stall. Each move you make should be planned rather than a knee-jerk reaction to what they say or do. Your ability to ask high-quality questions, manage and even pre-empt their objections and your listening skills will be vital tools in achieving your goal. Trading is a crucial skill to be employed during this stage. High quality questions can give you time to think, help you gather valuable information and also demonstrate your expertise and confidence.

Close: Generally, the close should be straightforward if you have prepared, opened and bargained well. However, the close can be fraught with danger. Last-minute tricks can be employed. Our urgency to close the deal can lead to giving away unplanned valuable concessions at the last minute. Often we are far more aware of our deadlines than the other party. In the best negotiations, both parties leave satisfied and feeling they have achieved the best deal for their requirements and situation.

Key principles

There are a number of negotiation principles that will help you achieve your goal. Many are relevant during all four key steps; however, they tend to sit neatly with, and are more relevant to, one of the four steps.

Prepare

Prepare 1. Spend time on your preparation. This gives you confidence and increases your likelihood of achieving your goal. The relatively small amount of time spent on your preparation will provide a huge return on investment. It is common when we are under pressure to skip the preparation only to regret it later in the meeting or negotiation.
There are few areas in life where preparation pays off more than in negotiations.
When you prepare properly you will have more time to observe the body language of the other party, listen actively to what is being said and to think through and plan your response. Your preparation means you can concentrate much more on the other party, their requirements and their level of confidence.

Plans are nothing. Planning is everything.
Dwight D Eisenhower

Prepare 2. Aim realistically high. When you are selling, it is much easier to come down in price than it is to go up in price. In the long run, those who aim higher do better; however, you will need to have reasons for the level of your fee or price. If you aim too high it can be counter-productive. Price levels do also suggest quality levels; a higher price is generally associated with higher quality. We expect to pay more for a Mont Blanc pen, a Rolex watch, a fillet steak. Leave yourself room to negotiate.
Fear can play an important part in how high we aim. It can prevent us aiming high. F.E.A.R. stands for **F**alse **E**xpectations **A**ppearing **R**eal. Most of our fears are rarely as bad as we expected. So aim high, but realistically high. Some take this to extremes!

If you want a hamster aim for a pony!
Amelia, aged 8

This is probably too extreme in the business context but demonstrates clearly the emotional leverage in relationships.

Prepare 3. Plan your ideal, target and walk-away. Have three different price levels in your mind: your **ideal** which you will be thrilled if accepted; your **target** which you will be happy with; and your **walk-away** which is the point at which we say 'no.' You may decide to attach different conditions and concessions to each price level. If you go into a negotiation with just one figure in your mind, you are more likely to be put on the back foot and start dropping your price and/or more likely to become emotionally intransigent and unable to move on price. The other reason I am keen on three different price levels is that it gives your client options and choice. Choice enables them to feel more in control.

The walk-away price is particularly important. It can save you agreeing to a deal which you later regret. Curiously, the act of walking away – whether in reality or metaphorically – often causes the other party to soften their position and concede to you.
A walk-away is particularly important in an e-auction. It is easy to get carried away in the moment. You can also prepare an 'alternative position.' This is a different approach to offer the other party if all else is failing.

Prepare 4. Get their shopping list. Understanding what is of value to the other party and what their priorities are will prove to be very useful. As a diligent adviser to your clients, you should be asking them insightful questions about the outcomes they require, what would be really valuable to them and what they have had previously that was particularly useful. This helps you achieve greater clarity over how they define value. If you are able to ask the client to prioritise their shopping list then this will be even better. Simply ask, "Which of these factors is most important to you?" And then, "Which is next most important? What is really valuable to you? Why is that?" These very simple questions will enable you to provide a more on-target proposal which is more likely to be bought by the client, everything else being equal.

Prepare 5. Your state and level of confidence. In advance of a negotiation, think how you can be in the right state and your confidence at the appropriate level. Many of us don't bother; we simply turn up and hope for the best. Confidence in your position, your value and yourself is vital. The other party will very quickly pick up your confidence level. We like to buy from people who are confident. Nervousness will put clients off from choosing you and your proposal. Your confidence enables the client to feel confident in their decision to buy from you.

The right level of confidence is important. Too much confidence can come across as arrogance which will repel clients; the right level will feel congruent, natural and authentic.

Prepare 6. Plan your/their concessions in order of priority. By considering everything on your wish list and their shopping list you can then prioritise them accordingly. Understand what is not negotiable, what are your 'must-haves,' 'like to haves,' 'can't haves' and non-negotiables. What issues are you unable to compromise on under virtually any circumstance? The value of concessions can easily be under-estimated, yet they can be immensely valuable. The best concessions the client can offer you are those which have a high value to you and low cost to the other party. The best concessions you can offer the other party are high value to them and low cost to you.

For example, early payment terms may have high value to the agency especially if cash flow is poor. Yet for many marketing clients, whether they pay now or in three months' time has no impact on their overall budget.

Prepare 7. Precedents. Can be very dangerous and can commit you for the long term to something you originally offered as a one-off

. ***A short-term act of generosity, which becomes a long-term obligation.***

Think into the future. What might I be committing myself or my company to for the foreseeable future?

Imagine you and your partner visit a local new Italian restaurant run by Luigi to celebrate an important anniversary for you both. You have a wonderful meal, great wine, great service, great conversation and great atmosphere. When you ask for the bill,

Luigi also brings two complimentary glasses of brandy 'on the house.' This is a lovely gesture which is the finishing touch to a great evening.

A month or so later you have another important celebration (perhaps to celebrate the results of your new negotiation skills?) and decide to return to Luigi's restaurant. Again you have a

wonderful meal, great wine, great service, great conversation and great atmosphere. You ask Luigi for the bill. He brings only the bill.
What else are you expecting? Two glasses of brandy perhaps?
Luigi has set a precedent. You now expect the brandy each time you visit his restaurant. Your likelihood to return has now reduced, yet everything else (a wonderful meal, great wine, great service, great conversation and great atmosphere) remained the same.
So unless Luigi intends to give a free glass of brandy to each customer every time, what should Luigi have done to avoid this expectation in the future? He needs to give a 'condition.'
Luigi could say, "This is our first week of opening our restaurant and, to celebrate, I'd like to offer you both a complimentary glass of brandy," or
"I believe this is your first visit to my restaurant. Can I offer you both a complimentary glass of brandy to celebrate this first visit?"

How often have you provided some extra value to a client as a short-term gesture and it has then become expected by that client every time in the future? So in future, as part of your preparation and planning, ask yourself, 'What precedents might I be setting for the future?'

Precedents can sometimes sneak up slowly on you. They become more and more established and more and more expected. When that happens, the gesture becomes very hard to stop.
An agency client was telling me how their 'soft drinks client,' after a meeting at the agency's office, asked the agency if they could continue to use the boardroom for their own internal meeting. "Sure," the agency said, "can I get you more coffee?" What's wrong with that? Nothing - yet.
However, a few weeks later the soft drinks company phoned the agency to book the agency's boardroom for an 'away-day.' "Sure," said the agency, "What do we need to do to prepare for the away-day?" "Nothing," said the client, "It's just for us internally, you aren't involved."
When the day came, the client kept the junior account executive occupied all day with requests for more coffee and tea, photocopying and various other tasks.
A month later the client rang again asking to book the agency's boardroom. At what point do you put your foot down and politely say 'no' or say something other than 'yes'? The longer you leave addressing the precedent, the harder it becomes or the bigger an issue it becomes.

Prepare 8. Think about your bottom line. Ensure you are clear in your mind about the implications for your profitability of every negotiation, or at least every major negotiation. Profitability has come under huge pressure in most businesses especially during recent tough economic times. For most client-facing people who are essentially 'selling' to clients, their focus is predominantly on the top line or revenue line – the price we will charge the client. We must also understand how the revenue translates into profit.
All clients must be profitable unless there is a specific strategic reason, such as you want to develop a particular expertise, to raise your profile working with a particular client or in a particular sector or there is greater potential longer term.
If your agency works on 10% profit on revenue earned, then every
1% more revenue without increasing other costs increases your profits by 10%. So if you can negotiate an extra 1% revenue, this cascades as 10% onto your bottom line. A corresponding 1% reduction in negotiated revenue will reduce your profitability by 10%. By good negotiation you can achieve much more than a 1% improvement in revenue.

This is the ultimate in ‘working smarter, not harder.’

Rafi Mohammed in his book *The Art of Pricing* explains that a study of 27 different industry sectors, from retail to IT to banking to travel, found on average that:
1% increase in average price typically leads to an 11% increase in operating profit; conversely, 1% decrease in average price typically leads to an 11% decrease in operating profit.
Recent work in 2010 by McKinsey has found a similar relationship. They found that each 1% increase in price typically leads to a 9.7% increase in profitability. (Perhaps the small difference between the 11% and the 9.7% is due to reducing profitability for many businesses during the recession).
Profitability for many agencies is on a knife-edge. It is therefore vital to understand the impact of each decision you make on your agency’s profitability.

Small change, big impact. Small change on the top line, big impact on the bottom line.

Prepare 9. Put yourself in their shoes. Great negotiators take time to see the deal from the other party’s perspective. This often affects your language and thinking, enabling a resolution to be achieved more easily. Take time to actually see the deal from the other party’s perspective. Imagine you are the other party. What is important to you? What is a ‘must have?’ How do you see ‘you?’
If there is any great secret of success in life, it lies in the ability to put yourself in the other person’s place and to see things from his point of view. Henry Ford

Prepare 10. Test the water. Don’t leave all the negotiating to the negotiation meeting. See if you can sow seeds to manage or change the other party’s expectations.
For example, you could say to a client, “How do you see your requirements for next year? We have been looking ahead and we may need to make some changes to the team and/or fee levels.” The client’s response will give you useful clues as to their receptiveness to an increase in fee or change in the team members. Turn up your ‘antennae’ to full sensitivity, watching for little clues, body language changes and flinches made by your client.

Prepare 11. Fast preparation. If you have very little time to prepare then at least consider the following:
• Your ‘wants’ or ‘must haves’ in order of priority
• Plan your opening offer and opening remarks
• Decide your walk-away position
• Be prepared to say ‘no’
• Plan your concessions and your wish list
• Aim for win-win
• Be ready to give yourself time to think
• Can authority, or absence of authority, be used to good effect?
(‘My board insist on xyz’)
• Consider what options are available to give the other party choice

Open
Opening is what you initially put on the table as a price, budget or requirements. It is a key time to influence the other party.

Open 1: Set the agenda. Take control of the meeting without taking over. Lead and guide the meeting. Ensure you control the order of topics for discussion.
Open 2: If you don't ask, you don't get. You cannot afford to be timid and passive. You are in 'sales' and as such need to be assertive. You may not always get what you want by asking but you have a much higher chance if you do at least ask.
Open 3: Open first or second? Intuitively we think it is better to open first. Most of the research and my experience suggest that in the majority of situations it is better to open second. However, it is not a black and white issue. There is a school of thought that recommends opening first. What are the arguments for and against each?

Opening first Opening second
Arguments For

- Straight away gives a strong assertive confident position.
- May influence the other party to moderate their position.
- By opening second you can see more clearly what it is that the other party wants and what is most important to them.
- 'The longer you take to say your price the more money you will make.'

Arguments against

- You may miss out on opportunities to have asked for more.
- The other party may avoid their opening and simply 'attack' your opening position.
- 'The sooner you say your price, the less money you will make.'
- Because you are opening second you may be influenced to moderate your opening.
- If you moderately reduce your price, that may be bad.
- If you moderately increase your price because of something said by the other party in their opening, that could be good.
- You may appear hesitant and lacking in self-belief.

As you can see, it is not a clear-cut decision. You must decide each time whether to open first or second. Generally, I recommend agencies to open second. The reason for this is that by opening second you have a clearer understanding of your client's requirements, are more able to take a consultative approach to solving their problems and you can ask high-quality questions that can demonstrate your expertise and differentiation from your competitors.

Open 4: Create an aura of expertise. From an early stage in the client-agency relationship, demonstrate your expertise in your given subject(s). Do it without coming across as a 'know-all.' Clients often employ external advisers and agencies to solve their problems. See yourself as a 'problem-solver and profit-improver' for your clients. Prepare your questions in advance. The quality of your questions can show your expertise. You don't need to provide all the answers at the early stage, just show your understanding of your client's business. During tough times, like the recession, it seems that expertise becomes even more important. It's not simply lower prices that people want but certainty in the result they will enjoy and that they are making the right choice. They want risk reduction. Making a wrong decision in a recession is more costly than when times are better because budgets are more limited, jobs are less secure and results are more carefully analysed under the microscope.

Risk Reduction becomes more important than Price Reduction.

Open 5: Anticipate their likely opening, questions and objections. Put yourself in their shoes. What would you do? What would be your likely approach? How would ‘you’ put pressure on ‘you?’ What questions would ‘you’ ask ‘you?’ What objections would ‘you’ throw at ‘you?’ Anticipate their likely openings and plan how you should respond in each case.

Open 6: Don’t argue, ask questions. The typical reaction when our price is challenged or we are put under pressure in a negotiation is to argue our point of view. The risk with this response is that we appear defensive **and** emotional. Arguing tends to make both parties dig in, become more intransigent and less likely to be flexible and give you what you want. Instead, ask well planned, well constructed questions, then listen carefully and actively. This is a far more influential way to understand the other party’s thought processes.

This gives you more time to think, gain useful information and gauge the other party’s level of determination. When you ask questions and listen, you are in control.
For example, your client tells you they think your fees are very expensive.
Often our first reaction is to argue defensively with the client that our fees represent good value for money and are in line with market rates.
Often in this situation neither party will change their opinion.
However, if you ask questions, firstly you will find out the reasons for the client’s statement and secondly you will be more likely to influence their thinking to change towards your position. For example, ‘What makes you say that we are expensive? What are you comparing us to?
What will be the value to you of getting this project right? How much extra value, sales, new customers, profit or market share is this likely to create? What will that be worth to you?’
I have also found from personal experience that this approach keeps the conversation calmer and less confrontational.

Open 7: Talk less, listen more. Listen carefully to the other party. Don’t interrupt. Hear their full point of view. Restate their point of view to show you understand. We learn nothing when we are talking and learn so much when we listening. A trap that is easy to fall into for agency and sales people is to talk too much, especially about what we know well: ourselves, our agency and our proposal. As a rule of thumb, you should talk 30-40% and your client 60-70%, especially during fact-finding and briefing.

Bargain
Bargain 1: Seek Win-Win. This maintains the relationship. Do this byntrading and seeking high satisfaction for both parties. Aim for both parties to be highly satisfied.

Bargain 2: Trade. Don’t give things (money, concessions or tradables) away; trade them or swap them for other concessions. So if a client asks for a discount then swap the discount for something else of value to you. This can be very powerful when you ask for something that is highly valuable to you but has little cost to the other party.

When you give valuable things away without trading them, there is a strong possibility that the other party either sees what you've given away as lacking much value or that you are making so much money that you can afford to give away so much – or worse, both. This simply makes them want more from you.
A good phrase to use when trading is:
If you..... then I ...... 'If you pay in advance and agree to a three-month notice period **then I** can give you a 3% discount.'
The order is important. In the sentence above it is a statement. If you reverse it to **If I do .... will you do....**? It then becomes a closed question and has more likelihood of the client saying 'no.' For example, 'If I give you a 3% discount, then will you agree to pay in advance and agree to a three-month notice period?'
Trading concessions also reduces the likelihood of the client 'pricenibbling' and asking for lots of extras.
Does this mean that you should never do anything over and above your scope of work for clients? Isn't going the extra mile right? It is fine to provide small concessions or actions which are valuable to your client to show your commitment. However, think into the future about what implications this may have longer term. Beware of setting precedents which can quickly become expected. Very quickly the 'extra' becomes seen as the norm.

Bargain 3: Wish list. Develop a wish list of tradable items. These are items which are valuable to you and relatively low cost to the other party. There is no right or wrong as to what goes on the wish list; it depends on what's valuable to you. So if your cash-flow is poor then upfront or early payment terms will be a real priority on your wish list.

Your wish list might include such tradables as:
• Payment terms
• Introductions and referrals
• Case studies
• Testimonials
In my negotiation workshops I work with agencies to develop their own wish lists, often with a dozen or more tradables.

Bargain 4: Wish lists for your agency and also a tailored wish list for each individual client.
I recommend developing a wish list for your company which is consulted prior to all negotiation discussions.
Then tailor it to each individual client company as there are different opportunities and concessions within each client company.

Bargain 5: Negotiated money is the fastest money you will ever make or lose.
Would you like to earn the equivalent of £360,000/hour?
Let's imagine you are negotiating a retainer fee with a client of £24,000/month. The client then pressurises you to drop the fee. You agree to reduce the fee by £1,000/month. How long did it take you to drop the fee by £1,000/month – one minute, two minutes? Let's say two minutes, that's equivalent to losing £360,000 in an hour (£1,000 x 12 months x 60/2 minutes). Imagine the reverse situation where you negotiate an increase in your retainer fee – you can earn the

equivalent of £360,000/hour for two minutes' work. Can you see the potential impact that skilful and effective negotiating can have on your business's profitability?

Bargain 6: Authority is a powerful tool. Authority can be used in a variety of ways. One way is to intimidate you. This is where the client's boss or Managing Director enters your meeting at the client's offices and, on being introduced to you, tells you he can't believe how much your agency's rates and fees are. This is often simply to put pressure on you to believe 'their MD thinks we are really expensive.'

'Absent authority' can also be used against you. This is when a client explains to you that their boss thinks your fee is very expensive and that their boss says they will only hire you if you reduce your fee. The client will sometimes then tell you how they think your fee proposal is very fair. This is a form of 'good cop, bad cop.' You have to judge whether this is real or fictitious. One way to call their bluff is to ask to meet with the boss to discuss the project and the fee level. If they are reluctant, then position the meeting as you and your day-to-day client contact working together to present an important initiative to their boss.

You can use 'absent authority' in reverse to your benefit. When you are under pressure to reduce your fee you can explain that, unfortunately, your board will not agree to a reduction. (I suggest that the 'absent authority' is an amorphous group, e.g. the board or senior management, rather than a specific individual such as your boss or your MD, as there is a possibility your client may demand that they talk on the phone immediately to 'your boss'.)

Bargain 7: Keep the whole deal in mind. Negotiations can become quite emotional. One specific topic may derail a negotiation. In this situation, it is possible to lose sight of the bigger picture of the whole deal and become hung-up on a minor issue. Remind yourself what the overall big picture is. What is your ultimate goal from this negotiation?

Bargain 8: Always have a BATNA. Negotiation text-books talk about a 'BATNA' – the Best Alternative To a Negotiated Agreement. This means: what alternative do you have if you don't reach agreement?

The best way to see how this is important is to imagine a client demanding a 25% reduction in fee immediately with no reduction in team or input. If the client accounts for 40-50% of your business, you have very little choice about how you can respond. You are possibly going to agree to their demands or, at best, a reduced level; whereas if the client accounts for only 10% of your business, you have a BATNA.

You have choices which include refusing, trading, compromising or even resigning the client. These options give you more power to negotiate.

Always give yourself choices – avoid a *fait accompli* situation. You always want to have a BATNA.

Bargain 9: Give yourself time to think. When we are under pressure in a meeting to negotiate, or more likely agree to a client's proposed fee reduction, there is a risk that we agree to a particular term and then subsequently regret our decision. Do not simply agree because you feel under pressure. If you are going to agree to a revised term or price then make sure you have had time to think through the implications for your business. Simple phrases can buy you time so you can consider the decision in your own time without the immediate pressure, for example:

'I need time to review the numbers again.'

‘I will need to discuss this with my board.’
‘I need some time to think this through, the implications are too important to rush the decision.’
‘I need to sleep on this.’
Even a simple comfort break can give you a few minutes to think in an unpressured environment.

Bargain 10: Let them work for every concession. When we negotiate, if we have had to work hard for the deal, typically we feel we have got a better deal. If we agree a deal too easily, there is a likelihood that the other party thinks they have not asked for enough and there is more available to negotiate – all they have to do is come back to the negotiation table and push.
‘Slice the salami thin’ – if you reduce your price, do so in very small increments. This helps to manage the client’s expectations to expect less of a reduction. The smaller the amount you come down in price, the more the other party will assume there is less room for you to manoeuvre.

Bargain 11: Give options. When you provide options to your client, this seems to have the effect that the other party feels more in control because they have a choice. Work done by Harvard Business School found that no more than three options should be provided. The three different options can be trimmed-down versions of the same proposal with three different price structures, or the three options can be three completely different proposals, such as:
1. One safe route/on budget.
2. One slightly risky and slightly over budget.
3. One more risky and over budget.

Bargain 12: Plan and use your great responses to tough statements and questions. There are various statements and questions you can use which, at minimum, give you more time to think and, in some cases, can persuade a client to come around to your view.
‘On what basis is it too expensive?’
‘Why do you think that other agency has dropped their fee so much?’

Close
Close 1: No deal is better than a bad deal. It is difficult to turn down a deal, even a bad deal, and sometimes we can be tempted to agree a deal that, long term, has poor consequences for us and our agency. We must be able to recognise a situation when we are better off declining the deal and even walking away. The alternative is to agree the deal
and then discover it is unprofitable, demands too much resource and time or other negative results for us.
It seems many sales people and agency people are unable to walk away from a deal, no matter how poor the deal is for them.

Close 2: The winner’s curse. When a deal is agreed too quickly or too easily, there is a risk that either party – or even both parties – suffers from the ‘winner’s curse.’ This is the feeling that although you’ve agreed the deal you could and should have done a better deal. There is a risk that one party tries to renege on the agreed deal.
It seems that to avoid this feeling it is preferable to have had some movement in the deal, some sense of haggling and trading.

Close 3: Time pressure to close the deal. It is often at the end of a negotiation that we tend to give away the most concessions in our anxiousness to close the deal. Some negotiation experts believe that as much as 90% of the value of the concessions given away is given away in the last 10% of the negotiation time.
It is common in property negotiations for large sums of money to be re-negotiated just before exchange of contracts. Don’t be pressured into decisions you may regret later.
This is more likely to happen when we have no alternative options or choice.

Close 4: It’s not all over till the ink is dry. Beware of relaxing too much before the contract is signed by both parties. I have seen several situations where the agency thinks the deal is done and the business awarded. The client then slips in a few extra requirements. These have ranged from:
• A reduced monthly fee till their new financial year as the client has supposedly over-spent their budget
• A last-minute extra project that needs to be included within the budget
• The budget is reduced but the results and outputs are to remain as previously agreed

Which is harder to negotiate with: a new client or an existing client?
Generally speaking, with an existing client there are various precedents which have been established over the duration of the relationship.
These precedents tend to make it hard to change the methods of working, the rates/prices and the balance of power in the relationship.
That doesn’t mean it’s impossible to negotiate effectively with an existing client; it requires planning and patience.
With new clients, there is an opportunity to start the relationship in the right way by establishing best client-agency practice right from Day One. However, we don’t always achieve that ‘best practice’ from Day One, perhaps because we are excited to have won the new client and we are in the honeymoon phase, or we avoid difficult conversations early on in the relationship thinking we can cover those points further along in the future.
The key principles and techniques outlined in this chapter are vital.
However, without the right level of confidence and self-belief they are simply principles and techniques. Your mindset must be in the right place.

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