Think! Inc.
business negotiation, redefined

"I Can Get The Same Thing Cheaper" (And Other Negotiating Myths...):

How to Anticipate and Prepare for 97% of Verbal Tactics

by Brian J. Dietmeyer, President & CEO, Think! Inc.

Here at **Think! Inc.** we have been on a relentless pursuit for negotiation alternatives. In the process, we've collected the "most difficult" and "most common" verbal negotiation tactics for 3 years in 19 countries with Fortune 500 firms from a wide range of industries.

Why? The reason is simple: we were curious to discover if these tactics followed any kind of predictable pattern or if negotiation is truly as random and unpredictable as most companies think. The reality astounded us:

97% of verbal tactics globally followed a very, very predictable pattern.

In fact, they followed the **two areas**:

1. The buyer's alternative to you (most often your nearest competitor)

2. Price (or something else for free or discounted)

Most often, the buyer's "alternative" tactic was articulated as one of the usual negotiation-busting suspects, i.e. "better," "cheaper," "faster," "more flexible," etc. The "price" tactic was most often articulated as asking for a discount or a service or product for free. Some examples of these combined tactics are:

- *"Your competition is so much more flexible than you are…"*
- *"You are way out of line with the market…"*
- *"Everyone else gives that away for free…"*
- *"Your service and reliability are lower than your competitors…"*

Do any of these sound suspiciously familiar? Did you know they were all basically code for *"I can get the same thing cheaper somewhere else?"* It takes a little practice, but eventually you can recognize these seemingly disparate tactics as variations on a theme. In fact, there are two aspects to this tactic: first there is an element of comparing you to their alternative and then there is an element of give away or discount.

"So, what does all this mean?" you might be asking yourself right about now. We think it means nothing less than a **complete and total redefinition of B2B negotiation**. This change is complete, long-lasting and far-reaching. It changes the precedent set describing negotiation, it changes how negotiation courses are taught, it changes how you and your team prepare for negotiation, it changes how you capture data in your organization and it changes the results you can expect from negotiation.

If we can successfully anticipate most of what's coming our way, we can prepare fully *and* change the nature of the negotiation with our customers. This data flies in the face of how virtually every negotiation writer and consultant thinks about negotiation. For example, there is a brand new book out now by a distinguished Kellogg Business School Professor at Northwestern University entitled *53 Negotiation Truths* (Leigh Thompson/Financial Times).

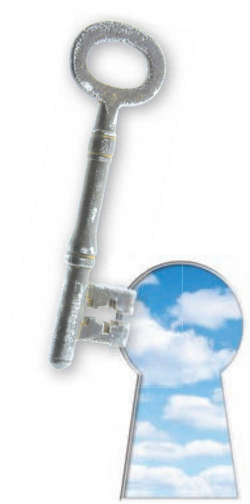
How do we as individual negotiators prepare for 53 truths? How do companies try to install corporate negotiation competency around 53 truths? But it doesn't stop there. Recently we saw an ad in *Selling Power* magazine for a report about negotiation training. It included:

- **Five** lessons
- **Nine** important ways to prepare
- **Seven** key behaviors
- **Twelve** predictions

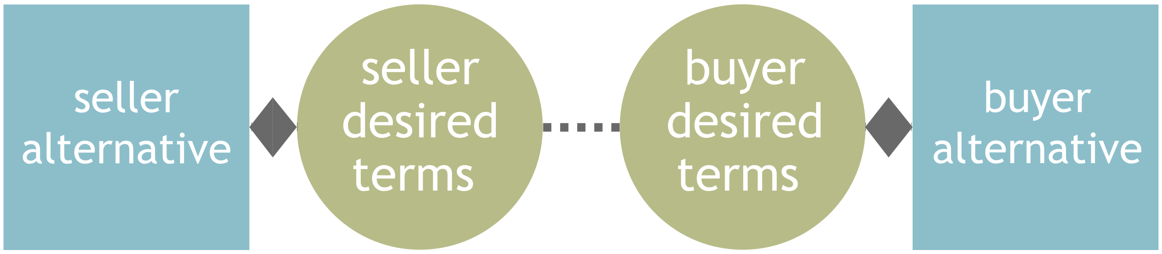
Okay, so there aren't as many responses to memorize as 53 but we ask the same question: How does an individual user or an organization optimize and adopt 33 items? Our response is much simpler: they don't. Negotiators need only ask two key questions to "blueprint" a business deal.

Q1: What are the consequences in the event you don't agree?

Q2: What are the likely terms in the event you do agree?



Negotiation Blueprint



Our research shows:

- 51% of tactics correlated to both questions one and two, *“What happens in the event you don’t agree?”* (alternatives) and *“What are the likely terms in the event you do agree?”* (economics). This sounds something like, *“I can get the same thing cheaper”* and, as mentioned earlier, is the most common negotiating tactic globally. We hear it expressed in many ways, with different terminology and different emotion, yet in the end it means the same thing.
- 46% of tactics correlated to the second question only, *“What are the likely terms in the event you do agree?”* These sound like, “lower your price,” “sharpen your pencil,” “my budget is only x amount of $,” “you need to accept more risk”, etc.

Thanks to our exhaustive research, what we now know is that 97% of verbal tactics can be **anticipated** and **prepared for**. Can negotiation really be this systematic and simple? Yes! IF you are willing to collect the right data and prepare.

Fair warning: it takes practice, because buyers are skilled at extracting pieces of a larger negotiation and taking elements out of context. It is our job to bring all moving parts of a negotiation back on the table at the same time. This can only be accomplished by systematically collecting the data on the negotiation **before the actual event**. We call it “fire prevention.” This will go a long way in helping you to stop reacting to your customer’s demands and start taking proactive control of your negotiation outcome.

I like to think of it in terms of **two**: most negotiation is about defining: **1.)** first what is “it” that’s being negotiated and **2.)** then go about agreeing on what they will pay for “it.” Thorough answers to our two questions will assist you in doing this. Do you know why professional buyers tell us they say these things? Because the sales world allows it and they work! It’s time to put an end to that.

Let me start by blowing away **two myths**:

1. "I can get the same thing cheaper."
2. "Negotiations are a moving target; you never know what's going to happen."

Truth is, your customer most likely can't get the "same thing" cheaper, and negotiations are not a moving target; we *can* know (almost) exactly what is going to happen in most B2B negotiations.

The main problem sellers face in negotiation is the lack of good data to counter typical tactics, which would otherwise allow them to know in advance what is likely to happen. We can no longer be intellectually lazy about business negotiation by putting the blame on something as subjective or esoteric as a "moving target."

Negotiation is not a moving target, and understanding that changes the rules of the game. Negotiation is, and always has been, about one thing: data, data and more data. Don't get me wrong; the tactics that buyers use are amazingly effective, but not because the tactics are good. It's because we as salespeople have not taken the time to prepare effectively to counteract these tactics. In the face of strong data, these tired tactics are virtually useless. In the words of one **Think!** consultant, we have to "change the conversation" with the customer and it is only with the right data that this can be done effectively.

Finding the right data to prepare for any B2B negotiation is as simple as collecting information around these **two questions**:

1. What are the consequences in the event an agreement is not reached?
2. What are the likely terms in the event you do reach agreement?

The questions are relatively simple; drawing out the answers is not so simple, but nonetheless critical so that we can avoid negotiation trouble in the form of commoditization and price pressure. Remember, it is the job of a buyer to oversimplify negotiation and boil it down to "I can get the same thing" and "it's only about price."

It is *our* job as sellers to bring the natural complexity of the business deal to the table so that *all* sides can make better decisions. We like to think of this as a negotiation blueprint; planning the structure of a negotiation much like planning the structure of a building before it is built.

"I CAN GET THE SAME THING ***CHEAPER****"* – PART ONE

Chances are your buyer cannot get the "same thing" cheaper. In virtually every business negotiation where there are professional buyers on one side of the deal and professional sellers on the other, the business solution being negotiated has virtually no chance of being "the same" as what your competitor is offering.

Buyers say these things because the selling world has trained them well – i.e. they work – but not because the tactics are based on fact. If two providers were offering the same thing, then why not always use the web and/or reverse auctions and both parties could obtain higher margins by eliminating the people representing the buy and sell side?

Let's take the first question we need to collect data on to help us break away from the "same thing" trap: *"What are the consequences in the event an agreement is not reached?"*

This question forces us to think through our customer's alternatives and the consequences if they were to choose that alternative over us. Let's assume the alternative is our closest competitor. What most sellers fall prey to is the (mostly false) perception that what they are selling is exactly what their competitor is offering.

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This is easy to believe, since the focus is often on the most visible component: the product itself. For example, let's think of "stents," the medical device that surgeons use to clear heart blockages. Before the advent of drug-coated stents, virtually every manufacturer of stents produced the same thing. In this instance, the buyers were well-served to suggest that "your competitor has exactly the same stent as yours and is priced lower."

But times have changed. Let's start with the "exactly the same stent" analysis. On face value, the stent is the same. However, when you dig into the value proposition of Firm A vs. Firm B and get a sense of all the other solutions and services they each provide to the hospital or GPO – for example corporate stability, availability of supply, the technology that might be supporting the relationship, new product pipelines, educational training, etc. – the "decision" for the buyer begins to get more complex when comparing all the variables.

. . . it may be true that one aspect of your value proposition could be commoditized or seen as "exactly like you competitor,". . .

Likewise, it may be true that one aspect of your value proposition could be commoditized or seen as "exactly like you competitor," although it is the sum of your overall value proposition that differentiates you – and that is our focus of this article. (If your value proposition does not differentiate you, your problem is not in negotiating; it's a larger business strategy issue.)

So, knowing that it's in the best interest of buyers to attempt to commoditize our offering, what do we do? Well, let's remember that precedents have long been set and true commodities do exist; t-bills or pork bellies, as examples, point to price as the *only* differentiator. So it takes a long time to reverse those precedents and change the conversation. (That's where practice and patience come in.)

Here's an example of putting it to work: One of our clients is an E-learning company. This "blueprint" concept made sense to them, but they wanted help bringing "robustness" to the "same thing" argument. They began with the question, *"What are the consequences in the event an agreement is not reached?"*

"What are the consequences in the event an agreement is not reached?"

While preparing to answer that question, they limited comparing their value proposition to their closest competitor. In fact, what they were hearing was the exact quote that their competitor offered the "same thing cheaper." Here's how they applied the blueprint process:

- First, they started this analysis well in advance of the pending negotiation (6-9 months).
- Then they mapped all levels of buyers and got into the mode of thinking like their customers.
- Then they asked the question, "If I were buying influence 'A,' what factors would I need to take into consideration when comparing two E-learning companies' value propositions side by side?"
- At the first level they brainstormed broad categories like technology, content, service, quality, corporate stability, etc.
- After coming up with six broad category headings they brainstormed the measurable detail under each heading. For example, under technology they determined their buyers should be comparing "up time," the ability to "integrate into existing systems" and the "reliability and downtime." After doing this for each of the six categories, they came up with 43 items the various buying influencers should be considering when comparing one E-learning company to another.
- A key point here is focusing only on the information that is significant to the buyers' needs on **this specific deal.** What our client found, after asking effective questions, was that many of the 43 things were not entirely appropriate because the customer did not value all of them. They began to slim the list and netted it down to 23 relevant items. They then looked at how many of these items the competitor had that were similar and realized that there were 20.
- That left 3 key areas that were superior to the competition. The E-learning company used these items very effectively to combat the "same thing" analysis. Ultimately, they were successful!

We use this same analytical process with our own company, Think! Inc. We prepare the same spreadsheet referenced above that allows us to make better decisions by taking all these attributes into consideration early on. In fact, in a few instances we have been successful in altering a prospect client's RFP process by signaling them on these criteria and have successfully seen some of our decision criteria embedded into their RFP. This style of negotiating not only helps us avoid commoditization, it helps our customers make better and more balanced decisions.

The above is accomplished by systematically answering the first question. *"What happens in the event agreement is not reached?"* Think this through and you have gone halfway toward blueprinting your negotiation.

"I CAN GET THE SAME THING CHEAPER" – PART TWO

Having spent some time working through the first half of this statement, "the same thing," let's turn to the "cheaper" part. This again is the same attempt to oversimplify typically complex B2B negotiation down to a commodity where the only negotiable is price.

Again, if this were true, there would be no need for professional buyers and sellers, and trade would happen consistently online. For the majority of deals we do there are many more moving parts. Let's take the example of a home improvement retailer who was negotiating with their carpet supplier.

The good news here is that both sides knew the negotiation was much larger than price, but still could not reach agreement. They took the second question into consideration, *"What are the likely terms in the event you do reach agreement?"* Based on their desire to put a deal together, they began listing what we call **Level One negotiables** that they felt may be important to both sides, such as:

- Price
- Volume
- Services
- Products
- Warehousing

They then moved to **Level Two negotiables**, such as:

- Legal terms
- Conditions
- Materials clauses
- Length of contract
- Cancellation fees

Let's stop here. Most buyers attempt to ignore the robustness of negotiation by simply saying, "Well, the other side's price is lower." Again, this is like trying to make a decision with the majority of the criteria missing. We all know that price is a function of many things; how much volume is being purchased, what products and services are included, who is assuming more risk, and so on.

Our job as professional negotiators is to get all the moving parts on the table simultaneously so both sides can make well-informed business decisions. Once again, it is the "robustness" of B2B deals that makes them fundamentally different than interpersonal negotiations and therefore requires a different mindset and, to aid in predictability, a different data collection process.

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Back to our example, the two sides were doing a great job of uncovering all the variables in Level One and Two negotiables. Next, they decided to brainstorm possible creative **Level Three negotiables**. These are items that are not currently on the table and presumably not part of the negotiation.

In this instance, the brainstorming led to how to use the relationship to grow the top lines of both firms. This opened up a discussion of consumer databases and marketing, and the two sides realized that one had a segment of the market in their database that the other valued. They agreed to marry the databases and develop a joint consumer marketing program.

This Level Three creative trade saved more costs (from merging rather than purchasing a new database) and generated more revenue (with the marketing program) than all the cost savings or lower prices of carpeting that could have afforded the buyer, or all the margin improvement and higher prices that could have afforded the seller.

The word "cheaper" usually refers to acquisition price or price per unit. It is almost impossible, and certainly illogical, to take this one piece out of context of the overall negotiation because, as we all know, price is a function of many other things. Most of us know the difference between acquisition price per unit and overall total cost of ownership (TCO).

Price is what we've *been* negotiating; TCO is what we *should* be negotiating. Again, a pure commodity is the only negotiation where price can be focused on by itself or usually aligned with volume. For a typical commodity, negotiations are quite simple; the more volume the lower the price, usually in basis points or tenths of a percent. However, we are not negotiating commodities; we are negotiating solutions.

Specifically, buyers are looking for solutions to problems or enhancements to their value chain, and sellers are doing their best to assist the buyers in solving problems or improving processes. Take steel, for example. A buyer could easily say that concrete is cheaper than steel but when one looks at the cost of maintaining the two over time and the expected life of both, the calculation is fairly easy to see how, over a longer time period, steel is superior. There are also other elements such as volume, length of contract, type of service and support, and warranty that determine price. A seller refusing to focus on just price is not playing hardball, they're being logical.

But professional buyers are consistently (or cagily) resilient to logic, so how do you "show them the light," so to speak and move the conversation away from price and toward other, more valuable features?

A seller refusing to focus on just price is not playing hardball, they're being logical.

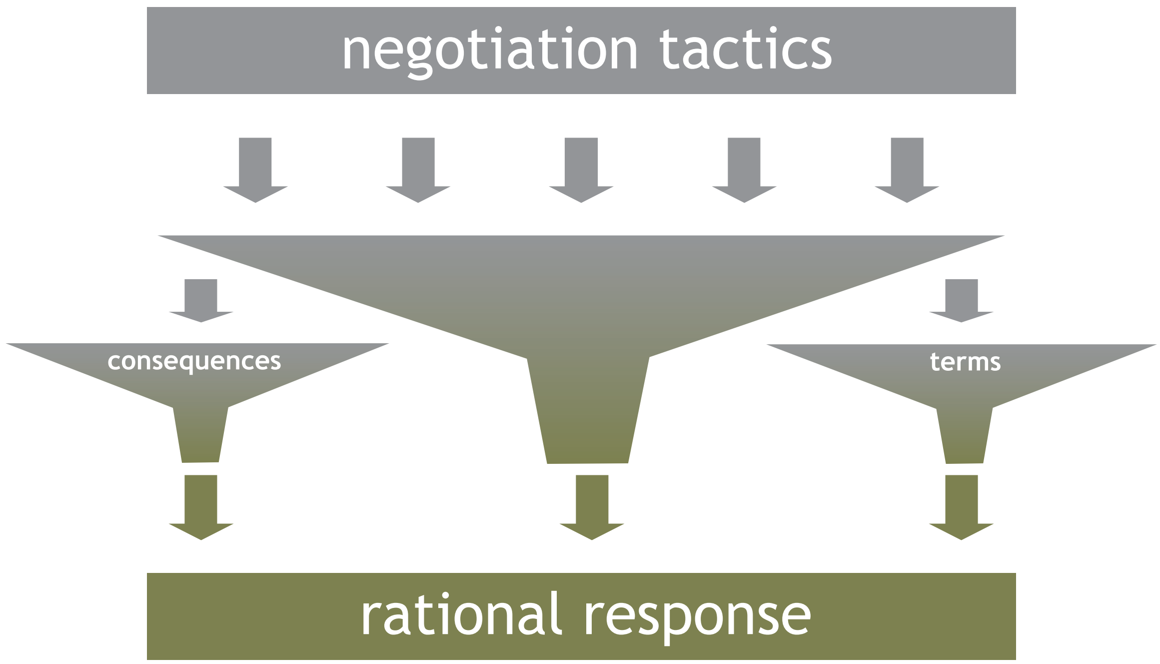
You are also prepared to change the conversation from the price of products and services to negotiating something far more valuable to both sides: **a lasting business relationship not based on the prices of products but the value of solutions**.

Successfully moving the focus away from price is accomplished by systematically answering the second question, *"What are the likely terms in the event agreement is reached?"* Analyzing Level One, Two and Three negotiables, or trades, for both sides of the deal completes the second half of your negotiation blueprint and you are now prepared to face 97% of the tactics that will come your way. You are also prepared to change the conversation from the price of products and services to negotiating something far more valuable to both sides: a lasting business relationship not based on the prices of products but the value of solutions.

SUMMARY

The bottom line is that you and your sales team do not need to prepare for 53 tactics – or 33 or even 23. Nor is it about preparing reactive answers to the "I can get the same thing cheaper" tactic used most commonly to commoditize your solution and focus on price. Remember, it's not about rote memorization or tips and tactics; it's about data, data and more data.

It is about installing a simple, repeatable process for answering the two questions that enable your team to effectively, credibly and professionally handle the tactics used by buyers the world over. The **Think! Inc.** process starts with the two questions above and empowers you to successfully combat 97% of the tactics being used.



To understand the "special sauce" and to maximize the effectiveness and powerfully present your unique value to your client, well… you'll have to give us a call! (*www.e-thinkinc.com*)

Think! Inc. was founded in 1996 by Dr. Max Bazerman of the Harvard Business School and Brian Dietmeyer, then a VP National Sales for Marriott International. Since then the firm has consulted on nearly 20,000 business negotiations in 46 countries with Fortune 500 firms.

ADDENDUM

Examples of tactics from our researchthat relate to question one:

"What are the consquences in the event you do not agree?"

- Quality of service
- Flexible
- Responsive
- Cost to serve items (things thrown in for free)
- Product is not the best
- Functionality issues
- Geographic locations
- Same as everyone else
- Not worth premium
- Commodity
- Product short fall
- Very rigid
- Do it or we go to RFP
- Competition has advanced technology
- Legacy issues (you've let me down in the past)
- Happy with current vendor
- I will build this in-house
- Better product
- Competition does it at no charge
- Don't want pain of switching
- Not differentiated
- Old technology
- Looking elsewhere

ADDENDUM (continued)

Examples of tactics from our research that relate to question two:

"What are the likely terms in the event you do agree?"

- T's and C's
- Longer Warranty
- Price escalator/CPI
- Raw materials clause
- Budget (many times)
- Incentives
- Market Share
- Travel Policy
- Scope
- Volume/quantity
- Service engagement
- Things thrown in for free
- Implementation schedule
- Early renewal
- Upgrades
- Maintenance
- Legal
- Rebate
- Length of contract
- Discount
- Low cost
- Pricing

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at both the organizational effectiveness and individual skills levels.

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