EBOOK

6 Essential Rules of Sales Negotiation

by Mike Schultz, John Doerr, and Bob Croston

RAIN Group

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Executive Summary

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Authors
Mike Schultz, John Doerr, & Bob Croston

Having now spent two decades studying sales negotiation, observing negotiations, and coaching and training sellers to negotiate, we at RAIN Group have determined that the best sales negotiators consistently excel in 6 key areas. Those who learn to excel will be in the best position to negotiate the best solutions, win sales at favorable pricing and terms, and enhance the strength of their relationships.

6 Essential Rules of Sales Negotiation

1. **Always Be Willing to Walk.** Your mindset is critically important when it comes to negotiating. If a buyer knows you need a sale, they have leverage. If you're willing to walk, and a buyer knows it, you level the playing field. It's always okay to *want*, but never okay to *need* the sale.

2. **Build Value.** Faced with a challenge or pressed on price, too many sellers cave. However, objections—whether they are focused on price, trust, urgency, competitive challenges, or anything—can be met with problem solving and value building. If you focus on objectives, and help buyers and yourself meet them, you can almost always come up with ideas buyers will appreciate without lowering the price.

3. **Lead the Negotiation.** Too many sellers allow the buyer to drive the sales negotiation. This leaves sellers playing catch up, reacting instead of leading the negotiation. Sellers should lead. They should set the agenda for meetings, and go first with offers and ideas, objectives and concerns, and pricing parameters. Too many sellers ask for budget when they should be sharing pricing proactively.

4. **Effect Emotions.** Sales negotiations are emotional affairs. There's anxiety, wariness, anger, frustration. But there's also satisfaction, fulfillment, and relief. The best sales negotiators bring about, or effect, emotions of buyers deliberately. These sellers make buyers feel connected, engaged, respected, and valued. Sellers also manage their own emotions so they can do what they must without fear of loss or conflict.

5. **Trade. Don't Cave.** Buyers often test sellers' cave tolerance. They ask for a lower price and other concessions, and they often get them. The best sales negotiators are willing to explore new possibilities, change scope, or make a trade that could change the price. Sellers who plan for trades, and have them ready when it's time, develop and win better agreements.

6. **Plan to Win.** Preparation is often cited as the greatest determinant of negotiation success. If you know what you want, work to understand what the buyers want, plan your strategy, and plan for any tactics you might face, you'll create great agreements consistently, and win maximum sales at favorable terms and pricing. See our one-page planning checklist on page 24.

The first letter in each rule creates the acronym **ABLE T**o **P**revail. Remembering **ABLE T**o **P**revail will help you commit the 6 Essential Rules of Sales Negotiation to memory.

Introduction

I (Mike) have been studying and teaching martial arts for 20 years. Even today I'm still practicing the kata, or forms, I learned in my first year. A fellow karate student once told me that when you learn a kata, you see a few obvious techniques that are helpful in self-defense, but you don't see anything else.

As you keep practicing the same kata, you get the effect of spending time in a dark room; as your eyes adjust, it seems to get brighter. You can see more. Eventually you see so much more in the kata than when you first learned it. In the same form, with the same moves, you see hundreds and thousands more applications.

The same effect happens with the 6 Essential Rules of Sales Negotiation. The model allows us to introduce beginner sales negotiators to core concepts they can apply immediately to increase their negotiation confidence and success while, at the same time, providing experienced sellers and negotiators a framework for honing their skills on the path to mastery.

Negotiation is a huge topic. But, like most things, the 80/20 rule applies. 80% of your success comes from just 20% of your input—as long as it's the right input. Learn the 6 Essential Rules of Sales Negotiation and practice their application, and you'll be on your way to mastering sales negotiation in no time.

Rule 1: Always Be Willing to Walk

You can want, but you can't need. Know when to walk. Walk when you should.

Alison Brooks and Maurice Schweitzer, two researchers at the Wharton School at the University of Pennsylvania, conducted an experiment to induce varying levels of anxiety among negotiators.

One group was subjected to the not-so-melodious screeching strings from Psycho. The other group was treated to Water Music by Handel. After listening for a while, the groups were sent off to conduct simulated negotiations.

The post-Psycho negotiators were anxious, and they negotiated quite differently. They had lower expectations, made lower first offers, responded more quickly to first offers, and exited the negotiation sooner than the post-Handel group. The authors of the study surmised that if "incidental" anxiety triggered by unrelated stressors can negatively affect negotiation behavior and results, then anxiety stemming from the negotiation itself should have an even greater effect.[1]

Anxiety is the most common emotion associated with negotiations.[2] Our field work confirms that anxious negotiators don't perform well. They show weakness that others exploit, make and take lower offers, give up too soon, and typically have trouble thinking straight.

When negotiators are feeling calm and clear-headed, the difference is stark.

The idea, then, is to decrease anxiety to increase success. Decreasing anxiety seems like a tall order, but changing how you think about each negotiation can go a long way.

All you have to do is be indifferent to the result of the negotiation. Indeed, you should always be willing to walk away.

This doesn't mean you don't want the sale. You can want the sale, but you can never *need* it. (Or be perceived to need it.) Being willing to walk is an incredibly freeing feeling. It means that if the sale doesn't happen—or it can't happen at terms that are favorable to you—then it's not worth worrying about.

1 A.W. Brooks and M.E. Schweitzer, "Can Nervous Nelly Negotiate? How Anxiety Causes Negotiators to Make Low First Offers, Exit Early, and Earn Less Profit," *Organizational Behavior and Human Decision Processes* 115, no. 1 (May 2011): 43-54.
2 Ibid.

In fact, the faster you can find this out the better, because then you can walk and free your time to focus on more fruitful activities.

Being willing to walk, and knowing when you should walk (typically referred to as BATNA, or best alternative to a negotiated agreement) because you know the pricing and terms that will *not* work for you, gives you something very powerful in a negotiation: control.

According to a study conducted by Harvard Business School's Michael Wheeler, "lack of control" is one of the three top sources of negotiation anxiety.[3] Gaining a sense of control is critical for your ability to negotiate a favorable outcome.

Sellers often feel like the buyer is in control of a negotiation. They perceive buyers to hold the decision power and purse strings. Buyers exert pressure on sellers to lower prices, give more favorable terms, or otherwise squeeze sellers in a variety of ways. When sellers feel like they have no control, and then become anxious or cave, they signal they have a weak position and open themselves to being exploited.

None of this is good.

Sellers, however, do have control. You, as a seller, can say no. You can walk.

Knowing this for yourself—truly believing it—will change your negotiation outcomes for the good. You must, however, truly believe it. When you do, you'll be in the proper emotional state (Rule #4) to build value (Rule #2), lead the negotiation (Rule #3), and create a great outcome for both you and the buyer.

How do you create this belief within yourself?

After reviewing dozens of animal, clinical, and neuroimaging studies, Columbia University researchers determined that exercising choice increases perception of control and "induce[s] greater feelings of confidence and success."[4]

You can choose to remain in the negotiation, or you can choose to walk away. You can also say "no" at any point to anything if it's not in your interest to say "yes." You are in control because you can make choices.

The benefits of choice hold true even if you never actually exert control (e.g., you don't walk away). It's enough to consider that you *could*. As the researchers noted, "The benefits of perceived control can exist even in the absence of true control over aversive events, or if the individual has the opportunity to exert control but never actually exercises that option."

Know your BATNA. Write it out and keep it handy. Review it before negotiations to reinforce the fact that you are actively choosing to continue the process.

Always being willing to walk will help you curb your anxiety, and get you in the right frame of mind to succeed in negotiations. Signaling to the buyer that you may want, but you certainly don't need, an agreement will also have a tremendously positive effect on your sales negotiation results in other ways.

Gaining Leverage through Indifference

The principle of least interest is an esoteric, yet powerful, concept coined in 1938 that states that the power in relationships of all types—business and otherwise—lies with whoever cares the least.

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3 Kimberlyn Leary, Julianna Pillemer, and Michael Wheeler, "Negotiating with Emotion," *Harvard Business Review* 91, nos. 1/2 (January-February 2013): 96-103.
4 Lauren A. Leotti, Sheena S. Iyengar, and Kevin N. Ochsner, "Born to choose: The origins and value of the need for control," *Trends in Cognitive Sciences* 14, no. 10 (October 2010): 457-463.

Or, perhaps more to the point, whoever *appears* to care the least. If you know your walk away point, and are willing to signal at any time that you are willing, even interested, in walking away, you increase your leverage.

Let's say you've been working on a sale for some time with a buyer. The buyer has invested quite a bit of time in seeing it through just as you have. Buyers, however, typically expect sellers to continue to invest time, and to make concessions, in order to win a sale.

Buyers don't expect sellers to walk. A buyer might lose budget, change priorities, or simply decide not to move forward, but sellers walking away? Never!

Sellers who don't easily make concessions and instead say "no" or signal they are willing to walk are in a much better position to succeed for two reasons:

1. **Sunk cost fallacy.** The sunk cost fallacy states that the more people invest in something, the more they value it and the harder it is to abandon. By investing time and energy into buying something, buyers assume psychological ownership over the process. When they feel like they own the process, they place higher value on seeing it through. They become reluctant to "lose" their investment without some sort of payoff.

2. **Fear of loss.** Never underestimate fear of loss. People can become practically paralyzed by the feared pain associated with loss. Most people will take great measures to avoid that pain. In fact, much research suggests that fear of loss is twice as powerful psychologically as desire for gain (e.g., it's much more painful psychologically to lose $100 than it is satisfying to find $100).

You might be thinking, "Those reasons aren't logical, though."

If so, you'd be right. Decisions often are not logical. They're more emotional than some like to admit (even though decisions will likely later be justified rationally). People who don't know when they should walk make emotional decisions, often accepting agreements not in their interests.

Know your BATNA, say no when you need to, and make sure the buyer knows you want this sale, but don't need it. Do so and you'll be well on your way to successful sales negotiations.

Rule 2: Build Value

Brainstorm new possibilities for coming to agreement.

For the research report, *The Value-Driving Difference*, our team at the RAIN Group Center for Sales Research studied almost 500 organizations' practices regarding how focused they are on driving value for buyers. Companies that rose to the top as Value-Driving Sales Organizations had higher sales win rates, were more likely to grow revenue, had lower undesired sales staff turnover, and much more highly motivated sellers. They were also two times more likely to agree that they capture maximum prices in line with their value.

There's no question: if you want to succeed in sales, you should focus on driving value.

However, almost all sales organizations that focus on value do so during core selling activities: discovering needs, bringing ideas to the table, and crafting compelling solutions.

Little attention is paid to driving value during sales negotiations. This is a huge, untapped opportunity for sellers who want to win sales at favorable pricing and terms, and do so while satisfying buyers and increasing relationship strength.

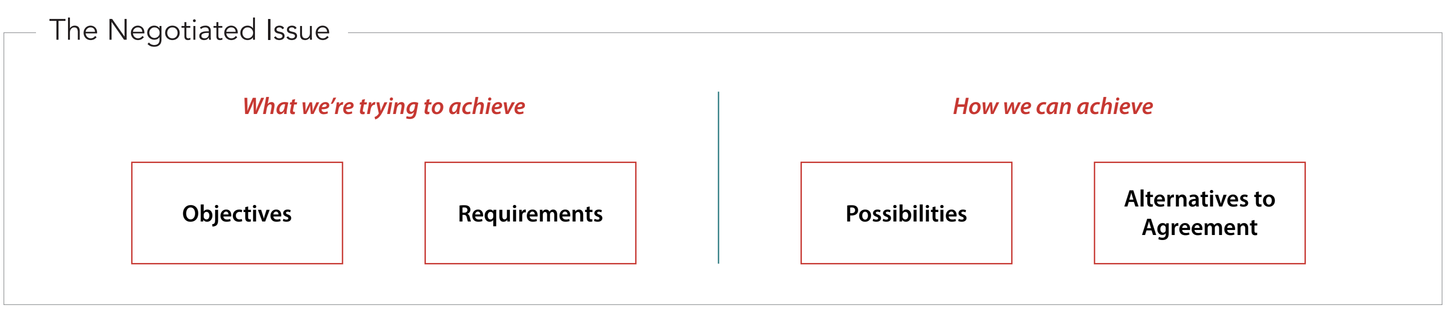
Driving value during negotiation is also a major factor for not losing sales that you should have won. The more the buyer values moving forward and doing so with you, the more likely they are to do so.

There are two keys to unlocking value in a negotiation: 1) using structure and constraints and 2) collaboration.

1. Using Structure and Constraints

Coming to agreement in a negotiation requires addressing the negotiated issue in a systematic way. The negotiated issue can be broken down into the following four components:

- **Objectives:** The goals you and your buyer are working to achieve
- **Possibilities:** The components of the solution you craft to achieve both parties' objectives
- **Requirements:** Guidelines or rules you and the buyer must follow in order to move forward with an agreement
- **Alternatives:** What you and the buyer can do if you choose not to move forward with an agreement



A thorough and mutual understanding of objectives and requirements allow you to create the most valuable possibilities.

In negotiations, you have tactical considerations like price, volume, contract length, terms and conditions, and roles and responsibilities, as well as strategic considerations like the overall solution and implementation plan.

"Think Objectives Over Objections"

Too many sellers enter a negotiation without considering objectives and requirements carefully enough before they propose possibilities for coming to agreement. This happens with individual points a buyer may raise (tactical) and for the sale overall (strategic). For example, a buyer may raise a price objection, or suggest cutting a part of the proposed solution in order to keep costs down.

Seller responses to price objections are too often, "Where do we need to be?" or some other response that focuses on cutting the price. Seller responses to buyer requests for scope reduction are too often, "Okay, here is a new solution and a new, lower cost."

Instead, sellers should think about—and overtly shift the discussion to—objectives. In the first case, instead of cutting price, the seller should focus on understanding why the buyer is pushing back. Is it a budget or availability-of-funds issue? Is it that the buyer doesn't see the value? Perhaps the buyer is simply testing whether the seller will cave under pressure. Money objections come in six flavors. Unless you know what the buyer's objective is, you can't come up with a solution that will satisfy it.

In the second case (scope reduction), the seller would be better served thinking about and addressing objectives. For example, the seller might say, "Well, we can certainly reduce the scope as a possibility, but before we do that, let's review what you are trying to accomplish. If we cut A, that will make it less likely we will achieve B. Is it worth it to reduce the scope by $X to do that? Or can we achieve B another way? Let's think it through."

Do this and you may find another way to achieve B. However, what often happens is the buyer sees it's not a good idea to cut scope and pursues the original purchase.

Without a full understanding of objectives and requirements, the capacity to build value is limited. Not only are objectives the underpinnings of the positions that the buyer might take at any time (e.g., the price objection), objectives are the scaffolding for your construction of the final agreement.

Knowledge of objectives and requirements allows you to create possibilities that buyers will value, and, at the same time, make you distinct and more valuable than the alternatives.

Constraints Unleash Creativity

When it comes to creativity, we often picture unrestrained imagination: freedom in all directions. Surely you want to be "breaking the mold" and thinking "outside of the box" to come up with new possibilities?

The truth is: creativity depends on constraints. You need to know the box you're playing in to break out of it. Artists know this well. In her book *Creativity from Constraints, the Psychology of Breakthrough*, Dr. Patricia Stokes looks for the common thread that unites great leaps forward in the arts. Her conclusion: "From Picasso to Stravinsky, Kundera and Chanel to Frank Lloyd Wright, it is not boundary-less creative freedom that inspires new ideas, but self-imposed, well-considered constraints."

Approaching the negotiated issue with structure—defining all your constraints and meeting obstacles head on—is the key to generating breakthroughs that move the process forward and increase likelihood of winning the sale at favorable pricing.

Consider the study conducted by social psychologists Janina Marguc, Jens Forster, and Gerben A. Van Kleef.

Participants were asked to play a maze game. Some participants sped right through to the end of the maze with no obstacles. Others encountered a frustrating obstacle which limited the number of routes to escape the maze.

When the two groups of maze participants were then given a word test (example: find a word that connects "dust," "cereal," and "fish"[*]), the obstacle group was **40% better at coming up with solutions**. Constraints, barriers, and limitations encourage us to step back and look at the big picture. This allows us to make connections between things that are not obviously connected when we're zoomed in on details.[5]

Use structure and constraints when addressing the negotiated issue. Know the objectives and requirements of both sides in order to maximize creative output, find the best possibilities, and build value.

2. Collaborate

At the RAIN Group Center for Sales Research, we studied more than 700 business-to-business purchases made across industries by buyers who represent a total of $3.1 billion in annual purchasing power. Our goal was to find out what the winners of these major sales did differently from the sellers who came in second place.

We found that sellers who win the sale don't just sell differently—they sell radically differently than second-place finishers.[6]

A major finding of this research is that sellers who win collaborate with buyers significantly more often than those who lose. Not only does collaboration help sellers win sales, it also helps them negotiate the best agreements at favorable pricing.

Collaboration is powerful and persuasive, yet often underutilized as an influence on decision making and buying. When collaboration happens, sellers:

- Effect emotions in the buyer that support negotiation success, inspiring buyers to feel connected, engaged, respected, and valued
- Deepen relationships and trust, leading to better negotiated solutions[7]
- Deepen understanding of objectives and requirements which, as noted previously, sparks insight and innovation, strengthening the quality and applicability of solutions
- Differentiate themselves in the minds of buyers (because most sellers don't collaborate with buyers), creating negotiation leverage as alternatives become less attractive
- Create a sense of psychological ownership in buyers

To the last point: when a seller proposes a possibility without collaborating, picture a gladiator in front of a Roman Emperor waiting to get the thumbs up or down verdict on their life. Similarly, when a seller simply pitches ideas, it's like a dog and pony show; the buyer is the judge but doesn't feel any particular attachment to the seller's proposals for coming to agreement.

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* Answer: Bowl

5 Janina Marguc, Jens Forster, and Gerben A. Van Kleef, "Stepping Back to See the Big Picture: When Obstacles Elicit Global Processing," *Attitudes and Social Cognition* 101, no. 5 (2011): 883-901.

6 Mike Schultz and John Doerr, *Insight Selling: Surprising Research on What Sales Winners Do Differently* (New Jersey: John Wiley & Sons, Inc., 2014).

7 Roy J. Lewicki and Beth Polin, "The role of trust in negotiation processes," in *Handbook of Advances in Trust Research*, ed. Reinhard Bachmann & Akbar Zaheer (Cheltenham: Edward Elgar Publishing, 2013), 29-51.

It shouldn't be like that. It doesn't need to be like that.

When sellers collaborate, they build buyers' psychological ownership of the issue so buyers become invested in coming to agreement. (Note: Most people think collaborating and negotiating are better addressed live and in person, but doing so online often works well.)

At the same time, strong collaboration helps buyers see things in ways they hadn't considered previously. When sellers can redefine buyer thinking and improve buyer decision making, the seller becomes much more valuable to the buyer.

Rule 3: Lead the Negotiation

Set the agenda. Go first. Don't let the other party take control.

"Leadership is the capacity to translate vision into reality."

Warren Bennis, Author
On Becoming a Leader

All too often sellers:

- Don't plan for successful negotiated outcomes
- Let the buyer define the negotiation process and venue
- Allow the buyer to set the agenda for negotiation-focused meetings
- Allow the buyer to open meetings, set the tone, and facilitate
- Let the buyer go first with defining price ranges for goods and services
- Leave it to the buyer to close negotiations and set next steps

In other words, sellers are too often reactive to buyers during negotiations when they should be the opposite. They should be proactive.

Sellers should lead the negotiation.

Don't take this to mean that sellers should be overbearing or do all the talking. That's not what leaders do. They do, however, translate a vision—which, in most cases for sellers, is winning an opportunity at favorable terms—into reality.

Leadership requires planning. Proper planning allows you to answer critical questions that will guide the negotiation.

We cover planning in more detail on page 23. But think of it like this: if the buyer plans and you don't, who is likely to have a better outcome? If the buyer plans and the seller doesn't, can the seller even lead?

Planning is essential to changing your negotiation disposition from reactive to proactive, taking charge of the negotiation process from start to finish, designing what the dance should look like when it's done, and architecting how it will open, evolve, and close.

The Negotiation Process

There are four stages to any negotiation:

1. Prepare
2. Engage
3. Facilitate
4. Commit

1. Prepare

Planning, as we've already noted, is essential in the cascade. If you don't prepare, you may open the negotiation, but you won't know what you want! Or what they want. Or what challenges and obstacles you might face. You won't know what tone you want to set or how to set it. You'll be winging it, not able to set a purposeful agenda for negotiation success.

You have made your plan and you know what you want for outcomes. You know who is at the meeting and their objectives, desires, challenges, skepticisms, requirements, and so forth. You also know the buyer's buying process.

Before the meeting, set the agenda via email. For example, you might say something like:

Message   Options

From: <Your Name>

To: Jim, Amy

Subject: Call on the 14th

Jim and Amy,

Looking forward to our discussion on the 14th. It seems to us that the current status is that we've agreed on the overall solution set that will best help you enter the Asia Pacific market. Still on the table for discussion is:

- The timing of pilots and roll out
- The success milestones we need to achieve to move from pilot to roll out
- The team on your side and our side for implementation, including specific roles and responsibilities
- Whether or not we should lead the engagement with our staff, or if we should, in part or in whole, license and train your team to execute
- Agreement term

Assuming this is the case, we'd like to suggest the following meeting agenda:

- Meeting kickoff, including review of agenda and confirmation of expectations (5 minutes)
- Discussion and review of your objectives (5 minutes)
- Facilitated discussion of options and possibilities, including implications of each (30 mins)
- Discussion of best path forward (10 mins)
- Open discussion and wrap-up (10 mins)

Please let us know if this make sense or if you'd like to suggest any additions, deletions, or changes to the discussion.

Best regards,

<Your Name>

Set the agenda and you can focus on getting the best outcome. Don't set the agenda and there may not be one. If you leave setting the agenda to the buyer, they may want to talk immediately about price and concessions they'd like you to make. If they do, you'll need to back up and reframe the discussion. This isn't a good way to start.

2. Engage

Engaging the buyer means taking the lead and setting the tone. It means collaborating with confidence and maintaining a peer-to-peer dynamic. It also means opening the discussion yourself whenever possible. For example, let's say it *is* time to talk about pricing. Common advice for sellers is to ask buyers for a budget, or to let the buyers go first with setting a price range for what they plan to spend.

This isn't typically good advice.

Often, sellers feel dread when a buyer first mentions a budget. It's rarely enough, leaving the seller to backtrack and explain why, if the buyer wants to achieve their desired objectives, the budget needs to be higher.

The fact of the matter is this: **85% of negotiated outcomes align with the person who goes first**.[8]

The power of first offers is in the anchor effect.

Anchoring is an irrational part of human decision making, what's called a cognitive bias (as are loss aversion and the sunk cost fallacy on page 7.) When making a decision, people strongly favor the first piece of information they see. Every evaluation afterwards is based on this information. It anchors how far their final decision can go.

Again, this isn't rational at all: to demonstrate the completely arbitrary nature of anchors, behavioral economist Dan Ariely asked people to write down the last two digits of their social security number.[9] Then, he asked them to consider whether they would pay this amount for items—wine, chocolate, or computer equipment—of unknown value. Afterwards, participants bid for the items. Those with higher social security numbers submitted bids that were 60-120% higher than those with lower numbers.

Like social security digits in the study, first offers in negotiations act as anchors. Whoever makes the first offer, whether seller or buyer, tends to obtain a better outcome.

When to Ask for a Budget

You shouldn't *always* go first. There are situations where you might ask for a budget before making an offer, such as when you know they buy similar products/services, when you're trying to unseat a competitor, or when you have a deep relationship of trust with a buyer or a champion.

3. Facilitate

When it comes to facilitating, this is where you open the door as much as possible to collaborating. Collaboration, as we know from Essential Rule of Sales Negotiation #2: Build Value, deepens relationships and trust while creating a sense of psychological ownership in the buyer.

If you leave it to the buyer or anyone else to facilitate, they may engage in unhelpful tit-for-tat zero-sum bargaining or arguing about positions on pricing and terms. Facilitate the discussion to avoid getting derailed.

Like leading in general, facilitating doesn't mean doing all the talking. It's about guiding the discussion down the right paths. In fact, it's often better to talk less. Ask the right questions and you can guide the discussion properly while, at the same time, allowing buyers to feel connected and engaged. When they come up with ideas that are fruitful, you can allow them to own those ideas, showing them you think the ideas are productive and helpful. Then they will also feel respected and valued.

Discussions without a leader managing the flow often run out of time. By taking control of the agenda and the meeting, you can make sure this does not happen. For example, you might say something like: *"Looking at the clock, we have 20 minutes left. It seems we are feeling good about points A, B, and C, but we still really need to address D. I'd suggest we do that, assuming you all agree this is where we are. Does anybody see anything else we need to address in order to be able to have the right data to make a decision to go forward or not?"*

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8 Adam Galinsky and T. Mussweiler, "First offers as anchors: The role of perspective-taking and negotiator focus," *Journal of Personality and Social Psychology* 81 (2001): 657-669.
9 Dan Ariely, George Loewenstein, and Drazen Prelec, "'Coherent Arbitrariness': Stable Demand Curves Without Stable Preferences," *The Quarterly Journal of Economics* 118, no. 1 (February 2003): 73-106.

When you don't do this and don't take the reins, the meeting (and sometimes your opportunity) will not end with the right outcomes.

4. Commit

Finally, when it comes to commitment, it's up to you to close the discussion when it's time. We've seen too many sales where a verbal "yes" turns into a "no" over time because the agreement wasn't buttoned up, or it wasn't buttoned up *fast enough*.

To the first point, there's quite a bit of research on how to make sure the commitment you gain is durable. For example, influence researcher Robert Cialdini found that commitments that are verbal, written, and public are much more likely to be kept than those that are verbal or verbal and written only.[10]

At the end of negotiations, you should get verbal agreement. Listen and confirm that buyers are ready to move forward.

Then, you should summarize what was agreed to, immediately write it up as an email to the buyer, and ask them to confirm with a "yes" reply to ensure nothing was missed. Next, if possible, get the buyer to announce internally they are moving forward—even if a contract has not yet been signed.

Selling is a vision. You know what you're trying to achieve, and you work hard to achieve it. Sellers who lead the negotiation put themselves in the best position to turn their vision into reality.

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10 Robert B. Cialdini, *Influence: The Psychology of Persuasion*, rev. ed. (New York: HarperBusiness, 2006).

Rule 4: Effect Emotions

Inspire theirs. Control yours.

Negotiators are often told to minimize emotions in a negotiation. For example, the reading line of the article "Emotion: The 'Enemy' of Negotiation" is "To succeed in negotiation, says one Wharton expert, one must take emotion out of the equation."

We disagree. Emotions are primary drivers of decision making in buying, and primary drivers in negotiation outcomes. Emotions shouldn't be minimized. Instead, they should be guided and managed for both buyer and seller so that the best outcome can be achieved by all.

Not only should sellers not take emotion out of the equation, they should add it. Indeed, sellers should effect emotions.

Why Effect?

ef·fect (e fekt', i-) **vt.** to bring about; accomplish

Effecting emotions means causing emotions to come about 1) in yourself and 2) in the buyer.

1. In Yourself

Anxiety and other strong emotions—anger, disappointment, regret, excitement—are an inescapable part of any negotiation. You are human, not a robot.

However, with the right mindset, you can use emotions to your advantage.

Manage Your Emotions

Emotional intelligence—correctly identifying emotions you and others are feeling, understanding how emotions affect thinking, and reacting with emotional maturity—is an asset.

Planning (Rule #6) is not only about solving the negotiated issue. You can plan for what a buyer might do during a negotiation and what emotions that may bring about in you. By anticipating what emotions may come up, you can decide in advance how you might react.

Knowing how you are going to react will prevent you from being derailed by your emotions.

With this knowledge and forethought, it's up to you to decide which emotions you want to express, and which you want to keep to yourself so the negotiation stays on track.

Anticipate your emotions and you will be able to control your reactions.

Feeling anxious…? Meditate. Relax. Plan. Remember, you want this sale but you don't *need* it. If it doesn't happen, you'll be fine.

The more you plan, the more confidence you will build, and the less anxiety you will feel. Whatever the emotion, focus on it. Ask yourself if it'll be fruitful in the negotiation. Decide what to do about it in advance.

Embrace "No"

Approximately 68% of sellers have what is called "a need for approval."[11] Salespeople who have a need for approval avoid asking tough questions when they perceive those questions might negatively affect their relationship with the buyer. A need for approval also leads to:

- Not wanting to say no
- Not pushing back
- Not bringing difficult issues to light
- Being too concerned about the other person's impression of them

People with high emotional intelligence can sympathize too much with the other party. If you recognize this instinct in yourself, make sure you plan ahead. Know where your boundaries are. Know when you should push back in advance. Otherwise you'll miss the opportunity.

Emotional Intelligence: Double-Edged Sword

Researchers found that individuals who scored high on an emotional intelligence evaluation achieved greater rapport—resulting in greater trust and a willingness to work together again—but they did not achieve better joint-negotiation outcomes because their empathy led them to make greater concessions.[12] They caved without trading.

Positive Outlook

If your outlook or attitude is not in a good place, it's difficult to come up with creative ideas. Your negative energy can get in the way, and:

- It can cause the other person to feel uncomfortable
- It can hinder rapport
- It can hinder connection

Positive emotions help trigger cooperation. They help negotiators adopt a future focus, and increase the chances the negotiators will deal with each other again in the future.[13] Positive emotions have also been shown to fuel creativity (see page 9), important for coming up with solutions that satisfy both parties' objectives and requirements.

However, there's one time where you may want to limit your positivity: at the end of a successful negotiation, especially if it might look like the deal is very favorable to you, or when you receive a concession in your favor. Negotiators who suppress their happiness when they receive something help buyers save face, an important factor for effecting the emotions you want in the buyer. You don't want anyone to feel like they were taken advantage of.

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11 Dave Kurlan, "October Data You Can Write About," *Objective Management Group*, October 17, 2016, https://omg.bloomfire.com/posts/1267736-october-data-you-can-write-about.
12 Kihwan Kim, Nicole L. A. Cundiff, and Suk Bong Choi, "The Influence of Emotional Intelligence on Negotiation Outcomes and the Mediating Effect of Rapport: A Structural Equation Modeling Approach," *Negotiation Journal* 30, no. 1 (January 2014): 49-68.
13 Mara Olekalns and Daniel Druckman, "With Feeling: How Emotions Shape Negotiation," *Negotiation Journal* 30, no. 4 (October 2014): 455-478.

2. In the Buyer

Effecting emotions is as much about the buyer as it is you. There are four emotions you want to create with the other parties in a negotiation:

- **Connected.** You want them to feel connected and to be willing to say, "We're allies," because if they feel like adversaries, you won't work together well and you'll kill the ability to come up with creative solutions. To build these feelings of connection, focus on rapport.

  There are many ways to build rapport. Some of them are simple, but you'd be surprised how often sellers neglect the basics.

  Be curious about the buyer. Ask questions about their interests. People like to talk about themselves. They'll like you if you demonstrate that you are listening.

  This isn't just feel-good mumbo jumbo. There's an astounding body of research that demonstrates liking, trust, familiarity, and rapport are all associated with superior negotiation outcomes—for *both* parties. Behaviors that build rapport and increase interpersonal trust, such as mirroring the other party (for example, using the buyer's words and repeating back their objectives verbatim), help negotiators create more value overall and claim most of that value for themselves, although not at the expense of the other party.[14]

  Furthermore, negotiators who are antagonistic or overly aggressive do worse in negotiations.[15] So while you might have heard that Machiavellian traits—manipulating and exploiting others—are an asset, there's mounting evidence that nice guys do not, in fact, finish last.

- **Engaged.** You want the buyer to be willing to say, "We collaborate." When you're collaborating and when you're engaging, you're investing your time, physical energy, and psychic energy in getting something done. The more investment there is on both sides, the more desire there is to get it done.

  Not only does collaboration encourage a sense of psychological ownership, it transforms the negotiation process into an opportunity to create value and improves your chances of coming to an agreement.

  In our research for *Insight Selling*, we found "collaborated with me" was one of the top factors distinguishing top-performing sellers from second-place finishers.[16] Buyers want to be involved. They appreciate it. So, invite buyer input whenever possible.

- **Respected.** You want buyers to feel like they are important. There are two types of respect: authority and status. With authority, if a buyer feels you have not respected their role in the decision-making process, they may seek to assert their authority negatively. With status, if someone has seniority, an advanced degree, or is recognized as an expert, make sure they feel you've genuinely recognized it or they may feel affronted.

  Be especially careful if the buyer voices an objection. The one surefire way to show you don't respect your buyer is to fail to acknowledge their concerns or dismiss them.

  Even if the objection seems trivial to you or is based on incorrect information, take it seriously. Your first reaction when you hear an objection may be to jump right in and respond immediately. Resist this temptation. Take the time to listen to the objection fully.

14 William W. Maddux, Elizabeth Mullen, and Adam Galinsky, "Chameleons Bake Bigger Pies and Take Bigger Pieces: Strategic Behavioral Mimicry Facilitates Negotiation Outcomes," *Journal of Experimental Social Psychology* 44, no. 2 (2008): 461-468.
15 Tomas Chamorro-Premuzic, "The Personality Traits of Good Negotiators," *Harvard Business Review*, August 7, 2017, https://hbr.org/2017/08/the-personality-traits-of-good-negotiators.
16 Schultz and Doerr, *Insight Selling*, 9.

Make sure you understand the objection. Not only will this communicate your respect for the buyer, it will help you get to the heart of the matter. Many objections hide underlying issues that the buyer can't or isn't ready to articulate.

Only once you've verbally recognized that their objection is valid can you begin to respond. Try, "I understand why this is a concern for you…" or, "I'm not surprised to hear you say that. Some people with experience in this space have the same question…" And don't forget to confirm that you've satisfied their objections before moving on.

- **Valued.** You want buyers to feel that their contributions have meaning. If they feel they're a part of the solution, they'll want to see it through. If they don't feel they're a part of the solution, either from the idea and possibility perspective or from the process perspective, they will disengage.

  Sometimes this takes a bit of humility. It's easy to respond to an idea with, "Yes, I've thought of that too." It's much harder to keep your ego in check and say, "That's a great line of thinking. Can you tell me more?" If you've facilitated the buyer coming to the idea, wipe your fingerprints from the process. Let them own it.

  Don't dismiss the buyer's suggestions too quickly, even if they end up being dead ends. Similarly, if the buyer has made a mistake or you've gained leverage, allow the buyer to save face. Humiliation is in no one's best interest. Never leave a relationship worse than neutral.

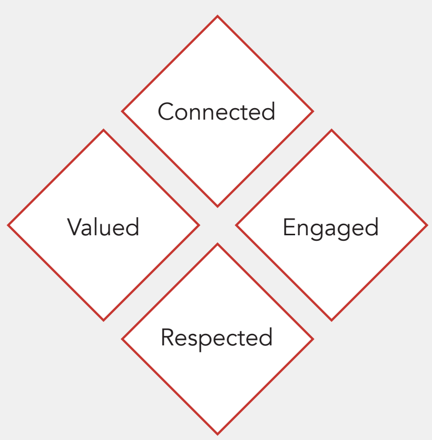
Emotions have long been villainized in negotiations. The standard wisdom has been to minimize them, eliminate them, and keep them out of the process entirely.

There's no way to erase emotions. It's unrealistic to do so, and inadvisable in any case.

Instead, effect emotions in yourself and the buyer. Have a plan for managing your own emotions, embrace "no," and keep a positive outlook. Inspire the buyer to feel connected, engaged, respected, and valued.

Effect Emotions in the Buyer

- Focus on rapport
- Find common ground
- Show vulnerability



- Don't dismiss a possibility too quickly
- Recognize great suggestions / contributions

- Ensure involvement
- Invite collaboration
- Let others take "ownership" of idea

- Don't dismiss their authority
- Recognize their role in decision making
- Allow "face" to be saved

Rule 5: Trade. Don't Cave.

Always trade for value. Don't drop price in a vacuum. Don't get bullied.

My (Mike's) grandfather, Sidney, was raised during the great depression. Often hungry growing up, he learned the value of a dollar the hard way. It stuck with him the rest of his life. When I was in college, he never let me call him because he would say it was long-distance.

I told him that the distance was long, but the call didn't cost anything. Still, he could barely stay on the phone for five minutes. I could visualize the nickels clinking in his mind, making him uncomfortable with the cost of the call.

When I was around 10 years old, we went to Lechmere, a department store in our area. He wanted to buy a specific $30 Dustbuster. I figured he'd pick it up, bring it to the register, and pay for it. But no.

He found an associate on the floor and told him he wanted to buy it, but for $20. The associate looked shocked, but my grandfather kept working on him, asking for the manager.

The manager came and my grandfather didn't let up, trying one strategy after another. "I buy so much here. You don't want to lose my business." "This one also looks like it's been opened, maybe returned already." "It costs less at Sears I saw, but we're closer here so I came here first. I'll go to Sears next."

Eventually, we left with a new Dustbuster for $25. My grandfather turned to me and said, "Mike, everything is negotiable."

It was a part of his mindset to get the best price. His first strategy was making an offer below the stated price for what he wanted. Then he pushed the importance of his repeat business (I shop here all the time). Then he made a value challenge (this one has been opened already so it's worth less). Then a competitor challenge (Sears).

His goal: get the seller to cave.

Some might think, "This is a business-to-consumer retail example. This wouldn't happen in a business-to-business major sale."

Wrong.

It happens all the time. Buyers frequently test what we call "cave tolerance." The buyer says, "I want it, but I want it for less." All too often the seller response is, "Where do we need to be?" This opens the door to caving.

When some buyers know a seller is willing to cave, they push and push until the seller holds their ground. If the buyer and seller work together again, the buyer will know there is wiggle room in whatever price the seller puts forward.

Like Essential Rule of Sales Negotiation #1: Always Be Willing to Walk, trading (and not caving) is about mindset as much as skill.

When pressed for concessions, some sellers want the sale so much they simply cave. Others value harmony so much that they are willing to make concessions to preserve the peace, giving in quickly and without asking for something of value in return. Others simply don't know what to do, so they open the door to caving.

The good news is that sellers with these habits can retrain their brains. When you know that giving unilateral concessions almost never leads to a good place, you'll catch yourself before you do it. Consider practicing the mantra "If you...then I. If I…then you." Say out loud a few times. "If you... then I. If I…then you." It'll remind you that you should never give something up for nothing.

What does trading look like? It means asking for something in return when something is asked of you. It also means offering something proactively when asking for something from the buyer.

At its core, trading is about reciprocity. It's about mutual give and take. It means putting the mantra "If you...then I. If I…then you." into practice.

Think of it this way: if you don't trade, you make concessions too quickly, or you make concessions that are too large, anything they ask for that you are willing to concede must not have value. If it doesn't have value to you, don't expect the buyer to value it. By proposing trades, you are establishing two things:

1. **What each issue is worth** and, as well, the overall value of the agreement. If you let the buyer chip away at parts of the solution framework, price, and agreement terms without adding anything of value to you, you're allowing the entire deal to dwindle.

2. **Your own gravitas.** If they can bully you into caving, the dynamic between you and the buyer becomes awkward and unproductive.

Instead of allowing the pie to shrink, the act of trading can increase value for both sides. The classic trade is where both sides concede something of lesser value to them in return for something of greater value. This mutual gain is at the heart of collaborative negotiations. For example: *"I can offer the customer more regular deliveries to off-set their warehouse space problem as their facility is in the same industrial park as another customer. In return, they lengthen the contract to coincide with their planned factory refit."*

Tips of the Trade

Changing your mindset is the foundation. Once you've steeled your mind to respond to buyer requests with requests of your own, there are several ways to maximize your trading success.

First and foremost, prepare your trading possibilities list. Have a trade list with value assigned. Be creative and exhaustive. Consider both strategic and tactical agreement components.

Also, when trading:

- **Avoid single-issue bargaining.** This is "horse trading," not negotiating. Every time you make a trade offer, you don't change just one thing, you change the whole picture. Bundle issues creatively.

- **Focus on objectives before trades.** Make sure to engage the buyer, asking them for their ideas and zooming out to see the big picture. Think buying first, selling second. Have the buyer consider how the trade will impact their own objectives and how it meshes with their requirements.

- **Pace yourself.** Don't make two concessions/trades in a row. Invite response from the buyer. Don't agree too quickly. Think. Deliberate. Make sure the buyer knows you value what you give up.

- **Make increasingly smaller concessions.** If you have to make concessions, make them increasingly smaller. This signals to the buyer that your tolerance for giving up more is wearing thin.

> **Remember the mantra "If you...then I. If I...then you."** By trading instead of caving, you establish what each issue is worth and your own gravitas.

Again, it all comes back to mindset. Caving is not an option. A senior seller at a company we worked with recently shared with us how ingrained trading had become to even casual conversations with long-term clients.

> "We'd been working with this client—a cybersecurity firm—for several years. In the third year, the CEO came to me with a price pushback on our customization fees:
>
> 'Aren't you using similar materials as last year? Don't you know us well enough by now?'
>
> I said to him, 'Yes, we know you well, but if we don't engage with each team we work with, they won't feel engaged going into the process. Plus, your business has changed a lot in three years, hasn't it? Our process is similar to what it was then.'
>
> I could tell, however, he was hoping to get a lower fee. I asked myself what it was worth. Since our work has been so successful for them, I thought a case study would be well worth a fee reduction.
>
> I asked my client, 'If we lower the fee, will you participate in a case study for us?'
>
> He agreed.
>
> In this case, it was easy. We had a good relationship with the client. But it would have been just as easy—but a mistake—for me to agree without asking for anything in return.
>
> Sometimes it's less straightforward. However, if you know what's of value to the client, and the value to you of various trades, you'll be in the ballpark."

We agree.

Rule 6: Plan to Win

Know what you want. Plan for tactics you might face.

Preparation is often the greatest determinant of negotiation success. Across negotiation studies and surveys, we see sellers who get the best outcomes: know what they sell, research buyer wants and needs through sources other than the buyer, have a keen understanding of the buyer's day-to-day life and concerns, and prepare for each negotiation with trades, counteroffers, and knowledge of their walk-away points.

Sellers who don't plan often get taken advantage of.

Planning and preparation are like retirement savings. Everyone knows they should do it, and 51% of people are worried their retirement nest eggs won't cut it, yet 84% of people have less than $100,000 in retirement savings.[17 18]

Don't be like them.

Knowledge is a source of power. Lack of knowledge introduces doubt on both sides of the negotiation, which can lead to fizzed negotiations and lost sales. You can anticipate so many aspects of negotiation if you do your research beforehand. Eliminate doubt and drive toward creating strong agreements by preparing properly.

A major reason people don't plan is they don't know the elements of good planning.

Luckily, we've compiled these elements into a simple checklist (see the next page).

If you have an important negotiation, prepare a complete negotiation plan. Use the checklist to make sure your plan covers all the bases.

Sometimes, however, you have a smaller negotiation, or you may have only an hour to consider major issues. If you have limited time to prepare, these are the crucial steps to take:

- Identify your objectives and their objectives
- Brainstorm possibilities and trades (use a checklist)
- Know your BATNA and Reservation Price
- Decide how to open
- Analyze leverage. How much do they want or need you?

"Unfortunately, there seems to be far more opportunity out there than ability... We should remember that good fortune often happens when opportunity meets with preparation."

Thomas A. Edison

In any case, never go into a negotiation unprepared. Negotiation is not an arena for improvisation. You can end up caving to buyer demands or accepting an offer that is not in your interest. You can end up giving the buyer pause when they question your preparedness, skill, and overall competence, casting doubt on their desire to buy from you.

Most importantly, however, with the right plan, you can expand the pie, build confidence, handle challenges and issues that come up along the way, and lead the way to successful agreements for both you and the buyer.

If you are not familiar with how to address some of the topics on the checklist on the next page, you can find more information on a number of them using the links below:

- Decision-making authority
- Relationship strength
- Positional vs. partner negotiations
- Buyer personas
- Handling objections
- Buyer tactics

17 Todd Campbell, "Americans' 5 Big Fears About Retirement," *FOX News*, December 17, 2016, http://www.foxbusiness.com/markets/2016/12/17/americans-5-big-fears-about-retirement.html.
18 Elyssa Kirkham, "1 in 3 Americans Has Saved $0 for Retirement," *Money*, March 14, 2016, http://time.com/money/4258451/retirement-savings-survey.

PLANNING TO WIN
SALES NEGOTIATIONS

Use this checklist for each negotiation you face. **In each section, ask yourself, "Have I..."**

TEAM

- ☐ Mapped the other party's team?
- ☐ Determined their dominant personas (i.e., who may be skeptical or a good collaborator)?
- ☐ Learned who has decision-making authority?
- ☐ Quantified my relationship strength with each team member?
- ☐ Determined whether their negotiation approach is primarily positional, partner, or mixed?

ACTION PLAN

- ☐ Identified the desired outcome for the next meeting?
- ☐ Set the agenda beforehand?
- ☐ Chosen the meeting venue?
- ☐ Defined an opening strategy?
- ☐ Assigned next steps and research to complete?

POWER AND LEVERAGE

- ☐ Established sources of power and leverage for both sides?
- ☐ Planned steps I can take to increase my leverage?
- ☐ Considered steps the buyer might take to increase their leverage?

BUYER TACTICS AND OBJECTIONS

- ☐ Identified potential buyer tactics and objections?
- ☐ Chosen my response strategies?

OBJECTIVES, REQUIREMENTS, AND POSSIBILITIES

- ☐ Fully defined objectives and requirements for both sides?
- ☐ Brainstormed ideas and possibilities for coming to agreement?
- ☐ Prepared to facilitate a creative process to find mutually agreeable possibilities and maximize value on both sides?
- ☐ Compiled a list of possible trades and asks with defined value for each?
- ☐ Prepared to respond to requests with trades ("If you...then I. If I...then you.")?

AGREEMENT AND ALTERNATIVES

- ☐ Outlined the key points of the agreement as it stands?
- ☐ Listed current and possible buyer counteroffers and asks?
- ☐ Worked out my BATNA and its value to me?
- ☐ Reminded myself that walking is always an option by focusing on my BATNA?
- ☐ Determined my reservation price?
- ☐ Determined my ideal agreement?
- ☐ Analyzed the buyer's BATNA and its value to them?
- ☐ Surmised their ideal agreement?

EMOTIONS

- ☐ Anticipated buyer actions that may trigger strong emotions and planned how to manage my reactions?
- ☐ Developed ways to make the buyer feel connected, engaged, respected, and valued?

RAIN Group

Create a Team of Masterful Negotiators

Develop Sales Negotiation Skills that Increase Margins, Profitability, and Customer Satisfaction

Negotiations are all around us. From negotiating an important sales opportunity to negotiating with your kids at bedtime, we're constantly working to reach agreement with others.

In the RAIN Sales Negotiation program—featuring the 6 Essential Rules of Sales Negotiation—participants learn how to negotiate the best solutions, win sales, and enhance the strength of their relationships along the way.

We've helped thousands of sellers negotiate the best deals, shorten sales cycles, and improve close rates.

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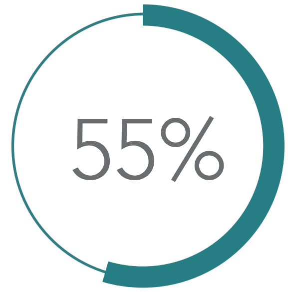
- Understand negotiation strategy
- Sell the value of your solutions and reduce price pushback
- Deal with customers who are just trying to get concessions
- Identify and respond to buyer negotiating tactics
- Avoid critical mistakes in the negotiation process that kill credibility and the sale



of companies do not believe their sellers have the negotiation skills needed to consistently win business.

Delivery Options

- Tailored on-site, instructor-led programs
- Train-the-Trainer, Licensing
- Blended learning: Online and on-site, instructor-led curriculum

Your team will be introduced to the RAIN Sales Negotiation Planner, the Buyer Persona Reference Sheet, and Negotiation SPEED℠ Cards, three proprietary tools that will help your sellers internalize their new knowledge and transform into skilled negotiators.

Contact Us to Transform Your Team

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- Focus the discussion on value over price
- Avoid common and predictable negotiation mistakes
- Lead negotiations that get the best outcomes *and* enhance the strength of relationships
- Handle the variety of price and other objections

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RAIN Group is a sales training, assessment, and performance improvement company that helps leading organizations improve sales results. We've helped hundreds of thousands of salespeople, managers, and professionals in more than 62 countries increase their sales significantly with RAIN Group's consulting and sales methodology.

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Grow Your Key Accounts

At most companies, there's a huge, untapped opportunity to add more value—and thus sell more—to existing accounts. We help our clients capitalize on these revenue growth opportunities. Whether it's simply increasing cross-selling and up-selling or implementing a major strategic account management program, we can help.

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About the Authors

Mike Schultz and John Doerr are Co-Presidents of RAIN Group and bestselling co-authors of *Rainmaking Conversations* and *Insight Selling*. Bob Croston is Vice President and Principal Consultant at RAIN Group.

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