

THE THREE DIMENSIONS OF COMMERCIAL NEGOTIATION

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Many companies from all market sectors are constantly trying to find ways to counter the exceptional pressure for “price down” requirements. Sales teams want to prevent themselves being “beaten up” by the heavy handed buyers who approach every situation from a “transaction” point of view.

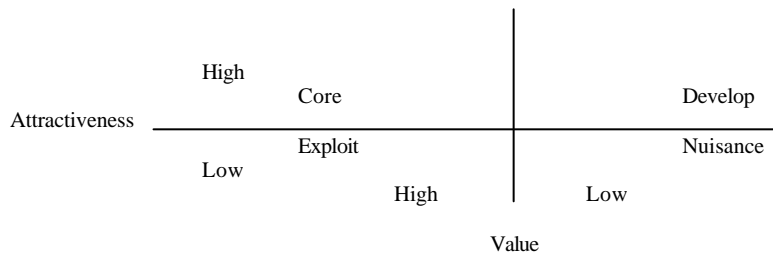
Far too many negotiators approach the task from only one dimension. The successful and productive negotiator invests heavily in time looking at the complete negotiation process from both their opposite number’s perspective as well as their own. The third dimension involves a fundamental shift in mindset from the ‘soft’ aspect of ‘win / win’ to the more assertive and productive ‘win / won round’ viewpoint. Getting the other negotiator to ‘change their minds’ must be the goal of every commercial and industrial negotiator.

THE FIRST DIMENSION – SALES

There is a need to recognise that negotiation does not start, if it needs to start at all, until the ‘selling’ process stops. It seems perverse that buyers spend more time ‘selling’ their point of view and their needs than do salespeople. It is also significant that buyers recognise the need to get as much into the package before they start to negotiate. This task is made so much easier by the salesperson’s relationship approach.

This relationship approach expresses itself in the non-commercial desire to put as much into the package as possible as a mistaken attempt to make a significant differentiation from competition; competition which in many instances does not exist! The inevitable result of this approach is the salesperson finding themselves in the position of having nothing left to negotiate.

When considering negotiation strategies it is fundamental as a first step to accurately determine an existing or potential customers placing upon a simple matrix which considers the “attractiveness” of a customer (highly attractive or not attractive) and similarly the “value” of a customer (highly valuable or not so.) See the “sales matrix” below.

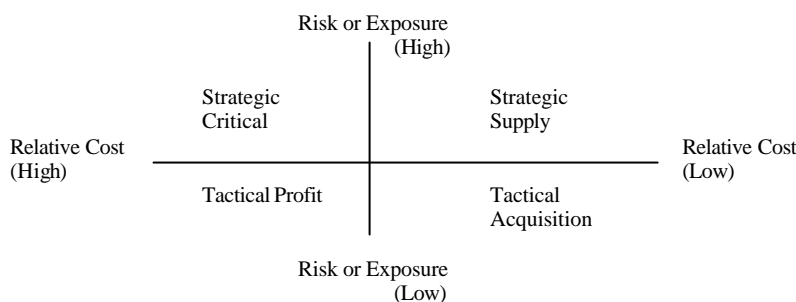


Both the negotiation strategy and the negotiation behaviour would be dependant on the “positioning” of the customer on this matrix.

THE SECOND DIMENSION – PROCUREMENT

With thanks to the many procurement organisations who assisted in this research, the buyer approaches the procurement task predominantly from a strategic point of view. This strategic analysis enables the buyer to conduct negotiations from a purely transaction point of view.

The strategic thinking of the buyer creates an early and clear view of any areas of weakness or exposure thus promoting a desire to ‘manage’ supply lines and market forces. The procurement matrix below identifies supply positions as well as the need for strategic or tactical behaviour.



In the area of high risk or exposure the buyer will always negotiate from a strategic point of view.

THE THIRD DIMENSION

There are two aspects to the critical third dimension. Firstly the legitimate use of sales or procurement power where it exists and secondly to the 'mindset' of the negotiator.

Analysis of both strategic positions illustrates quite clearly that there is universal need, exposure and risk to both the supply side of the equation and the procurement side. There is an almost universal share of 'power' in negotiating situations.

From this analysis one of the most frequent conclusions to many of our clients is "Don't negotiate if you don't have to" indicating an area where supply or procurement power can be legitimately and ethically exercised. On the opposite side of the analysis is a critical need or exposure where an entirely different approach will need to be made.

Therefore, by looking at the two matrices together it is obvious that there are sixteen possible backgrounds to the negotiation situation depending on where both the "seller" and "buyer" are positioned.

These are as follows

Strategic critical

Core – Potential for profitable negotiation, supplier susceptible to business tenure trade off.

Develop – Potential for profitable negotiation, supplier susceptible to volume / price trade off.

Exploit – No negotiation potential – raise attractiveness. Cultivate new supplier.

Nuisance – No negotiation strength, change supplier.

Strategic supply

Core – Good potential for profitable negotiation supplier susceptible to threats.

Develop – Good potential for profitable negotiation, supplier very susceptible to 'new' product.

Exploit – No negotiation potential – raise attractiveness. Cultivate new supplier.

Nuisance – No negotiation strength, change supplier or offer other product opportunities.

Tactical profit

Core – Sound negotiation position negotiation hard for profit.

Develop – Excellent negotiation position supplier susceptible to 'partnership' promises.

Exploit – Totally adversarial position actively develop competition for supplier to protect buyer position.

Nuisance – No negotiation strength, change supplier.

Tactical acquisition

Core – Strong profitable negotiation position supplier susceptible to 'single source' trade off.

Develop – Good negotiation position supplier susceptible to volume / price trade off.

Exploit – Little negotiation potential – raise attractiveness.

Nuisance – No negotiation strength change supplier.

Therefore by recognising the respective positioning on the suppliers strategic matrix and the sellers strategic matrix it is possible to identify the negotiating strengths and weaknesses in any situation. This in turn enables the self conditioning of the negotiator's mindset away from the 'give', or 'compromise' of win / win to the transaction and relationship set of win / won round, getting the other negotiator to change their minds.

This third critical dimension provides the essential direction to profitable negotiation.

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