

# THE WIN WIN NEGOTIATION

By Michael Schatzki

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I once got a phone call from a woman who was responsible for sales training at a large software company. She said to me, "Mike, we're looking for someone to train our sales force to become better negotiators." I said, "Great, you've come to the right place." And then she said, "But do you teach that win/win negotiating?"

And there was just something in her tone of voice that just made me feel I'd better clarify that question before answering it. So I said, "What do you mean by win/win negotiating?" And she said, "Oh, that's where you build really good relationships but give away the store."

False choice. It is not either you negotiate a good deal OR you have good relationships. You can have BOTH. You can really negotiate hard over money and other issues, and still come out with a total and complete win-win.

## The Automatic Side of Win/Win

There are two pieces to the win-win puzzle. The first is what I call the automatic win-win. Let's say, for example, that a software company provides expensive, niche software programs for engineering consultants. The software costs \$15,000 for a site license for firms with up to ten consulting engineers (the bulk of the customers for this product are small shops with 10 or fewer engineers).

Although there are no competitive commercial products on the market, the real competitors are the workaround solutions that the engineers cobble together themselves from other software that they already have. For this reason, the software company sometimes has to be aggressive on price and, if they have to, they can go as low as \$9,000 for a site licence. This is their Least Acceptable Settlement. In other words, any sale between \$15,000 and \$9,000 is an Acceptable Settlement, but \$9,000 is the last stop (the LEAST Acceptable Settlement) and anything below \$9,000 does not provide them with sufficient profit.

Now let's look at a potential customer. Let's say that the customer is a small firm with eight engineers and that they really like this software. Unfortunately, things are a bit tight right now and they only have \$12,000 left in their budget for software. They will try to negotiate as low a price as they can get but will, if they absolutely have to, pay up to \$12,000 for this software. Thus, \$12,000 is their Least Acceptable Settlement. Even at that price, they are still better off buying the software than they would be walking away.

So how many places can we have a win-win? We will have a win-win anywhere between \$9,000 and \$12,000, because anywhere in that space, both parties are better off than they would have been had they walked away. But, the space between \$9,000 and \$12,000 is also the ONLY space in which can have a deal. Any deal we make must be between \$9,000 and \$12,000 since above or below, one party will have to walk away.

Thus, no matter how tough the price negotiation was, when the sale is closes, both sides automatically win because both are better off than when the negotiation started.

In fact, have you ever made a sale and had the customer moan and groan that they probably shouldn't have done that and it's not really a good deal? How do you know whether it was a win for the customer? Answer, they did the deal. It had to be at or below their Least Acceptable Settlement and therefore, it was a win for them. In fact, the more they moan and groan, the more I worry that I gave away too much. So you see, a win/win is automatic if we make the sale.

## **Feelings Count**

However, in order to have what I call a really robust win-win, there's a second piece that we have to focus on. That involves the customer's feelings. Let's pretend for a minute that you are the buyer in this case and I'll pretend that I am the sales person.

You have bought software before and you know that sometimes you can get large discounts. We are on the phone and you say to me, "Mike, we like your software but it is a nice to have item, not a necessity, since we get the work done just fine with what we have put together ourselves. If you want to make this sale, you will have to come down to \$9,000 for the site license."

There is a pause. And then I say to you, "Well, that's an awfully low price. However, it's the end of the month, so, ok, I think we can do that. Cut me a purchase order for \$9,000 and we'll do it. What is your reaction as the buyer? Do you feel like you just won? Or instead do you start thinking to yourself things like:

- "Boy, was he ever planning to rip me off at \$15,000 if he could really go all the way down to \$9,000"
- or even worse, "Oh my goodness, why didn't I say \$7,000 in the first place? I probably still could have gotten him lower."

Negotiation is about paradoxes. Jumping all the way down to my Least Acceptable Settlement of \$9,000 like that, in fact, made it appear that it wasn't a win-win because first, you will now feel that my initial prices weren't reasonable, and second, you fear that you still left money on the table. So in the end, you are not a happy customer. You are an unhappy customer who is going to be an even tougher negotiator the next time you buy software.

Everybody has strong feelings about the outcome. Everybody wants to feel like they won. But it's not the actual numbers on the deal that count as much as the feeling that you were treated fairly and didn't leave any money on the table. No matter how good deal is, I will feel bad if I felt I left a lot of money on the table. No matter how bad the deal, is I will still feel much better if I believe that, even though I didn't get everything I wanted, I got everything that was possibly available.

## **Relationships**

Now, imagine a situation where you've reached agreement, you've shaken hands on that deal, it's a good deal for you, it's a good deal for the other party. Unfortunately, you wish you never had to see that person again as long as you live. Do you know any customers like that? Does that take away from the feeling of win-win? Of course it does. The second key component of the feeling side of win-win has to do with something you do naturally, which is to build relationships, make people glad that they did business with you, and all the other things that involve those people skills that you are so adept at.

### **Trust, Credibility and Ethics**

And finally, have you ever shaken hands on that deal with someone who you felt was a little sleazy? Does that take away from the feeling of win-win? Absolutely. The third component of the feeling side of win/win has to do with the way you do business, your ethics, your credibility and how trustworthy you are.

And so you can really negotiate hard over the issues and the money, because, if the customer agrees to make a deal, you know that it is a win-win. What you need to focus on is the feelings. Make sure that the customer feels like they got the best possible deal, that they like you and like doing business with you, and that you are an ethical, trustworthy person to do business with.

If you focus on the feeling side of win-win, the automatic side will take care of itself and you can come out with both a good deal and a happy customer who feels that they were involved in a real win-win negotiation.