

## **ARE YOUR NEGOTIATION TECHNIQUES SABOTAGING YOUR BUSINESS RELATIONSHIPS?**

### **A CASE STUDY**

*By Brian Dietmeyer, President and CEO Think! Inc.*

When a negotiation ends, a positive, lasting relationship with the customer should begin.

However, negotiation that demands zero-sum concessions usually results in one side gaining only at the expense of the other, which means someone will walk away feeling defeated. This kind of adversarial energy won't create the momentum necessary to get a great relationship rolling.

But it doesn't have to be this way.

You can make negotiation significantly more collaborative by moving everyone involved to the same side of the table using a concept called Multiple Equal Offers (MEOs).

In essence, MEOs gives prospects three choices to close the deal instead of just the customary one. On the surface, this is counter intuitive. Traditional negotiation advice discourages such behavior for fear of muddying waters (or confusing the customer). I agree. MEOs won't work if you show up with three offers that are pre-packaged gift baskets bundled with stuff that is useless to everyone except your chief financial officer.

Therefore, to execute MEOs properly, you must do your homework. Carefully analyze what makes you the preferred choice, what your customer will do without you, and how they intend to pay for your solution. Rank what your customer values most about what

you have to offer, determine what that's worth to them and bundle your offerings into three packages: a stripped-down lowest-tier option that offers only the most basic solution, a mid-tier and a high-tier offering, each providing an increasing level of value to the customer. The more they trade, the more they get.

As you begin to construct the MEOs, do this only after you have done your research and met with the customer and always look at them from the customer's point of view. You need to structure and title them in a way that is meaningful to them and not just you, emphasizing the gap between what you offer and their alternative. Then present each title of the MEO in a way that will resonate; don't dive immediately into the details and terms of each offer. Instead, tell a story- here is a most basic example:

"Ms. Bargainharder, I'm prepared, based on my research of your needs and my needs, to offer three different business relationships. Let's review each of them and how they could impact your success.

"When we first explored this opportunity you said, that because of your recent merger, you needed a company to transport households across the continental United States. My first offer, the Basic 48 Option, addresses that need — transporting the households of 50 employees to your new division.

“However, in our discussions you confessed that this project is far more complex than merely transportation. You explained that your company has never addressed the financial considerations of such an impressive endeavor and as you know; our organization is expert in determining reimbursement and relocation costs. This Wise Investment Alternative would include a financial audit of risks and opportunities; it will provide you with the most intelligent figures for relocation allowances and reimbursement, and could ultimately save your organization tens of thousands of dollars. Best of all, we will provide all of the services available in the Basic 48.”

“The third offer I’m going to present is the Smart Move. You mentioned that you ultimately will be transferring a division to Europe. As you know, we are expert in the complexities of international relocation. We can help you set the groundwork for a very successful initiative by assisting your human resources department in choosing the best candidates, as well as provide both cultural and language training. I realize you think this may be far into the future, but you must set the groundwork now for a successful initiative. Choose this, and you will also receive everything offered in the Basic48 option and the Wise Investment Alternative.”

More often than not, the customer will decide for themselves that they don’t want the lowest-tier offering when they see what else they could have. Executed correctly, MEOs should offer both sides something much better than the basic zero-sum, all-or-nothing, concession.

Be prepared for customers to demand the highest-tier offering at the lowest-tier price

and badger you to provide prices for each item in each tier. **Don’t ever do it.** I don’t and I’ve never lost a deal because of it. Instead, if they view one item of higher value and it isn’t included in a particular MEO, often to trade it out for aspects of the MEO that are of less importance.

The power of MEOs to create strong relationships and revenues will astound you. Consider the case of Tod Walton, Western Region Director of Business Development for Livingston International, Canada’s top custom broker and trade-related services provider.

“Using MEOs enabled us to increase our close rates from 40 percent to well over 60 percent,” he explains. “In fact, we recently closed a very large deal in our world. They were a current client on one side of our business, but the business we closed was ten times that size, all because we used MEOs.”

When this customer sent Livingston a standard RFP, Walton submitted three solutions at three price points instead of one. The customer wanted Walton to explain the offers, so they asked for a meeting. (No competitors ever got a meeting.) During that two-hour discussion, they finalized the proposal and two weeks later, Livingston officially won the business.

“When you give customers options, you move to the same side of the negotiation table — they stop viewing you as an adversary and see you as a partner,” notes Walton.

In essence, MEOs ensure that when everyone leaves the negotiation table, they’re happier than when they arrived. I can’t think of a better send off to a long and prosperous business relationship.

**Livingston Case Study**—*How to use Smart Negotiation to Transform Your Marketplace*

As Canada's top customs broker and trade-related services provider, Livingston International is the value leader in an industry that continuously combats commoditization. The struggle was especially heated about a decade ago. Margins were eroding as rapidly as costs were escalating, and in the fight to keep customers, competitors were recklessly slashing prices.

Livingston took the offensive: they increased prices and consequently, turned the tide. Not only did they keep customers, they gained new ones. This all happened because they implemented a sales process. Eventually, their competitors followed suit and commoditization was quelled for the time being.

Unfortunately, the marketplace never stands still. Commoditization once again began creeping to the forefront. Buyers were becoming increasingly sophisticated. More and more often, when the time came to close the deal, Livingston's sales professionals were face-to-face with these masters of negotiation, not the friendly contacts they cultivated during their sales process. Even the most seasoned sales pros were not equipped with the knowledge or support to powerfully stand up against highly trained professional buyers and ultimately, ended up giving too much away.

Closing deals was becoming too costly and Livingston realized they were once again being overcome with commoditization. But they needed new ammunition. That is where Think! Inc., a global negotiation consultancy, provided that new ammunition.

Over the next few months, all of the departments that touched sales worked together to create a consensus on negotiation strategy and determine what a successful deal would look like. They implemented training methodologies that were eagerly embraced because of the involvement of the company leadership and it was even integrated into compensation. The organization, most importantly, transformed its perspective from a last-minute convoluted, complex tips and tactics process to an elegantly simple strategy executed throughout the sales process. This strategy is based on two elements:

1. *Consequences of No Agreement (CNA)*: the outcome if an impasse is reached. What will the client do? Have they accurately analyzed their alternatives? Are they comparing apples to apples or apples to orangutans?
2. *Trades*: how will the client pay for the solution; the total terms of the deal.

Livingston painstakingly integrated the sales and negotiation process so sales professionals could rapidly determine what the prospect values (their CNA) and if that encompassed Livingston's solution. If it didn't, they learned not to pursue the opportunity. If it did, they learned how to attain the information to find out specifically what the prospect values most about the solution and ways to trade for that solution. Most important, they learned how to accomplish this well before arriving at the negotiation table.

"Populating the elements of CNA'S and Trades helped us determine who has the power in the negotiation. If we don't have the power, we know we're not ready to close the deal," notes Walton.

Sales professionals were taught how to integrate CNAs and Trades into Multiple Equal Offers (MEOs), which gave clients three options from which to choose instead of just one. "Using MEOs has enabled us to increase our close rates from 40 percent to well over 60 percent" says Mr. Walton

"When you give customers options related to their interests, you move to the same side of the negotiation table. They stop viewing you as an adversary and see you as a partner," notes Walton. "In fact, our approach to negotiation is all about relationships and learning as much as you can about what the customer needs. This allows us to present the solution in a way that will make it rewarding for everyone to close the deal.

We now look at our solutions in a new light and it allows us to be creative with how we present our value. This helped us realize precisely how much our customers value us."

Livingston now has the power to once again lead the charge against commoditization; they are light years ahead of most business-to-business organizations, considering only five percent have implemented a negotiation strategy.<sup>2</sup> The results of Livingston's thought leadership is reflected in their bottom line. Livingston achieved a 243 percent ROI within two years.

Think! and the Strategic Account Management Association surveyed 361 global sales leaders, most in organizations with revenues of a billion dollars or more, and only five percent said they have a corporate-wide strategic negotiation process.

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