Negotiating & Discounting

The Difference & Why It Matters
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I have recently been running some training with a very successful client and we have been working on the negotiation skills of their salespeople and sales managers.

One person in the group raised an interesting issue about one of his clients. They have been negotiating for a large contract, where they have been dealing with people at different levels; technical, financial, production, customer support etc. The contract is virtually assured, however a buyer has now got involved and is demanding a 15% discount.

Here is the dilemma. If we give the discount then a large chunk of profit disappears for no good reason. If we say no, this might have a negative influence in future dealings with this company. In the words of the sales manager, “I don’t want to upset the buyer”

This is a dilemma regularly faced by salespeople and I was asked “What is the answer?” Oh, if only life was that easy!

Here is my personal answer. I would be inclined to say no. To me, this is an unreasonable demand since the decision to purchase has already been made. Also, if we agree this time it will be expected next time and the percentage will probably be higher. Here are some random key points which I feel can help you in your negotiations:

1. Learn how to say no. The buyer has a responsibility to negotiate the best deal possible, but our responsibility is to work on behalf of the people who employ us to defend our revenue and profits

2. Look for alternatives to discounts. There may be other concessions we can discuss; extended warranties, subsidised training, more favourable payment terms, added service etc. which may make the deal more acceptable without adding significant costs

3. Don’t be too generous. Negotiation is a process of bargaining by which agreement is reached between 2 or more parties. That means we must trade, rather than give away concessions. Work out the cost implications of concessions before you agree them.

4. Look serious when you negotiate. That 15% was on a £3 million contract.
This represented a loss of £450,000 profit. When you are faced with such an unreasonable demand you should respond appropriately. This is not a good situation.

5. Avoid automatically putting yourself on the side of the customer. How many salespeople in this situation have we said to the customer “Don’t worry, leave it with me and I’ll see what I can do” and then gone back to their manager and said “If we don’t agree we may lose the business”

6. This is bad selling and bad negotiating. It is creating all sorts of problems for the future

7. The skills that make us good salespeople don’t make us good negotiators. Most salespeople have a selling strategy which is based on making friends. This approach is not always helpful in negotiations

8. Learn to be more assertive. People who give in too easily are rarely respected for it

9. Be aware that 70% of the time when a buyer asks for a discount the salesperson gives it without a fight. Put yourself into the buyer’s shoes. You would be crazy not to ask for a discount

10. Plan your negotiations effectively. I have a template for planning negotiations
Hope you found this useful. Good luck with your selling and negotiating.