



Management Memo

By Courtney Hadden, B.S., and Thomas P. Sattler, Ed.D.

SUBJECT: NEGOTIATION

COMPANY NAME:

MANUAL NAME:

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and make copies for your staff
training or operations manuals.

APPLICATION: GETTING THE BEST DEAL

PAGE No.:

A Logical Approach to Negotiating

ARE YOU IN the negotiating business? You may not think so, but negotiations probably sneak into your daily activities quite regularly. Have potential members tried to negotiate terms of their membership, especially price? Have you or one of your employees asked for time off, a vacation or a bigger paycheck? Have you ever dealt with a supplier or manufacturer?

Negotiating is the process of agreeing to terms and getting the best deal possible. Negotiations involve a conflict of interest: sellers prefer a high price and buyers prefer a low price. What one side gains, the other side loses. To prepare you for your next negotiation, following is a look at the process of achieving win/win situations for everyone.

Preparation

Preparation is the time to set objectives and decide what you want to achieve. Determine your ideal, minimum and target outcomes. Consider a potential member who is trying to negotiate the terms of membership. Your ideal outcome is for the person to join at the published rates and under the published terms. Your minimum objective is that the person joins at a lower price and has no commitment. Your target outcome is that the member joins at a price between the ideal and minimum and accepts a modified commitment.

Negotiations

Open the negotiations realistically, and move moderately. It is OK, and even recommended, to challenge your opponent's position, but do not limit their ability to move. If the person feels backed into a corner, it is likely that neither party will get what it wants. The most important behavior at this stage is to listen. This will help you to understand what is important to the other party, and will allow you to come up with ways to tailor your offer. You may be able to keep the price of the membership at the published rates by offering the potential member free personal training or massage sessions. It is essential not to make any conclusions at this stage, and to be non-committal. Basically, don't talk too much.



Jim Whiting

This is the time to narrow the gap between the two initial propositions, and to persuade the other party that your case is so strong that they must accept less than planned. If price is an issue, emphasize why your price is where it is. For example, talk about your staff's qualifications and the uniqueness of your programs. The most important aspect to emphasize is that you are not only giving them what they need, but also what they want.

Another tip is to make conditional statements such as, "If you will do this, I will consider doing that." Always make trade-offs vs. one-sided concessions. Finally, arguing will likely be a part of the bargaining process, but the manner in which you do it is very important. If you give the impression that it is your way or the highway, then the process will end quickly and everyone will lose.

There are many bargaining gambits to avoid. Uttering threats is never productive. For example, when you are negotiating with a staff member, it is not wise to say, "Raise your sales, or else I will fire you!" Don't use empty threats and try to avoid responding to them. Another mistake is to bluff. A potential member might say, "I can join a lot of clubs for a lot less." An appropriate response would be, "What are the prices and what is being offered at those prices?" Using the "yes ... but" approach involves agreeing to part of the deal, but trying to negotiate the rest. It is better to use conditions. For example, say, "We are prepared to accept your offer on the treadmills, but only if you extend the service agreement and warranty."

Closing

When and how you close depends on your assessment of the strength of your opponent's case. You may choose to make a concession. For example, "If you agree to pay X, I will concede to Y." Another strategy is to summarize all of the concessions you have made and the extent to which you have moved, and conclude that you have reached your final position. Giving your opposition two choices of action may also prove successful. Most importantly, don't make any offer unless you mean it. **RM**

Negotiating is the process of achieving a win-win situation for everyone.