

## The Competitive Negotiation

If you have established a good relationship with your client or prospect, you'll talk with them about projects where they are looking for help. Unfortunately, they'll probably also talk with some of your competitors. You'll have to negotiate in this competitive environment where the discussion will likely center on driving down the price.

### Proactive steps to minimize the pressure

You can minimize the impact of pressure to minimize price by how you approach the negotiations before you sit down with the prospect.

- Remember your own bottom line - your Best Alternative to a Negotiated Agreement (BATNA). You have other work you could do, or other work you could pursue. Know your limit, and be willing to walk away if need be.
- If possible, quote an exact price only when you are face-to-face with the decision-maker. Until then, try to quote a fairly wide range. Providing the price in person lets you see their reaction.
- Make your initial price somewhat higher than your desired price so you have room to give a little if you must, by splitting the difference at the end or by just, grudgingly, cutting a few percentage points from the price.
- Plan your concession strategy. Negotiation almost always involves a set of small deals leading to a final agreement. Think about what the prospect might request (e.g., lower price, faster time, a guarantee, fixed price) and what would you be prepared to trade for that (e.g., longer time frame, more staffing flexibility, share of the benefits created). Planning greatly increases the odds of making good exchanges.
- Think about how you define "fairness" in this transaction. At some point you or they might want to appeal to fairness. Perhaps you can find some outside standards to use to help define what is "fair."
- Decide how fast to move. Delay may be costly to them. Remind yourself that negotiation is a process and not an event and stretch it out if that would work to your advantage.
- Think about who should and should not attend from your side. The prospect may negotiate with you but then say they have to gain approval from another decision-maker. If you anticipate this strategy, you can consider leaving someone, e.g., one of your partners, outside the discussion too; you can use this other person to deflect pressure or cause a delay you want by saying, "I have to run it by my partner."

## Suffering the least in the negotiation dialogue

In the actual discussions, you can also minimize the damage from their negotiating tactics.

- Always ask for something when you give up something. Never give up something for nothing. A phrase to use is "I can do that for you, if you can do something for me." Then ask for something you want, based on your concession strategy.
- If they simply say your price is too high, don't concede at all. When faced with "your price is too high" or "your price is unacceptable," many people do start cutting their price, unnecessarily and not in exchange for anything. Just be silent. If the prospect don't say something, eventually ask them what they mean by the price is too high. You'll find out if they have a legitimate alternative or if this was just a way to get you to start unilaterally cutting.
- If they cannot afford what you are charging, offer to do less for less (cut the scope, not the price).
- Remind them of their interests. They want the job done right. They don't want to cut so many corners that they put the value at risk.
- Remind them of the differences between you and the known competitors. Although you and your firm may resemble the others, you can highlight the differences. Ideally this negotiation results from a business development strategy focused on situations where you can fairly claim to be a superior offering, so you are different and are a good choice.
- Be prepared to give in strategically. If the other side wants to squeeze, you want them to feel they have squeezed you well (both so that they are happy and they stop squeezing!). You'll have to make concessions; the more slowly and painfully you do make concessions the fewer you'll end up making before the other side feels it has gotten a good deal.

## What to do this week

Focus on one of your current negotiations. Assess the degree of price pressure that you are expecting. If you haven't taken all the preparatory steps mentioned above, do so. Then think through how best to practice and commit to memory the tactical suggestions.

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