

NEGOTIATING AGREEMENTS

PODCAST LESSON

Introduction

In this podcast lesson we're going to look at the different ways in which two colleagues handle the same negotiation. In the first situation, you'll see how NOT to negotiate. The second situation demonstrates a far more effective negotiating strategy.

The Situation

Pauline Carson, a buyer with Blackwynn Communications, has received a quotation by fax from an electrical supplier for 20 new computer workstations that her department is going to order for the expansion of their office. Read the fax below and then listen to the dialogue.

The first meeting between Blackwynn and Brampton was conducted by Pauline's assistant, Nathan and Michael Mitchell of Brampton. Since this is Nathan's first negotiating session, he does less than perfectly when negotiating with Michael. When you listen to the dialogue, consider where Nathan goes wrong?

Dialogue 1

- MICHAEL:** Well, I'm pleased that you got my fax. How's the **expansion coming along**?
- NATHAN:** Fine. But I have to say immediately that the price you're offering us is **far** too high.
- MICHAEL:** Oh, really? Well, I'm afraid, given all that Brampton is expected to do, **particularly in terms of** service, it's a reasonable price.
- NATHAN:** You really need to **knock at least \$2000 off** that price if we are going to proceed. Otherwise, we can simply take our business elsewhere.
- MICHAEL:** Well, Nathan, I would certainly hate to lose your business but we are in this to make money and taking \$2000 off that quote is **out of the question**, I'm afraid.
- NATHAN:** Do you think that I could talk to your supervisor?
- MICHAEL:** You certainly could, but he's out of town until next week. Anyway, he doesn't really get too **involved** in price negotiations.
- NATHAN:** So, are you saying that you would knock \$2000 off the price **provided** we took a shorter service agreement?
- MICHAEL:** Well, for that much off, you're talking no service agreement at all.
- NATHAN:** OK, I see. And for \$1000 lower, would you agree to a six month service agreement?
- MICHAEL:** For six months, the lowest I'd be able to **take off** is \$500.

- NATHAN:** What about if we agreed to only two laser printers?
- MICHAEL:** Let me see here...the laser printers retail for \$250 each. So that would be a \$500 reduction.
- NATHAN:** So you mean \$1000 reduction if we took a six-month service agreement and only two laser printers?
- MICHAEL:** That's right. I could **go for** that.
- NATHAN:** OK. Let me talk to Pauline and **get back to** you.

Debrief 1

An assistant's job is to help a manager or director complete all of his or her daily tasks. This is a job that comes with a lot of responsibility because assistants are there to essentially make life easier for the manager or director. An assistant is responsible for tasks as small as making coffee to tasks as important as negotiating prices and deals. The assistant here is responding to a quotation sent by fax from the vendor. The vendor states:

Well, I'm pleased that you got my fax. How's the expansion coming along?

The assistant replies:

Fine. But I have to say immediately that the price you're offering us is far too high.

He could have rephrased this in a number of ways:

Good, thank you. Regarding the quotation, it is a little over our budget could you tell me what other options we have?

Fine, thank you. With respect to the quotation, I'm not sure that's possible at this point.

Very good, thank you. Tell me, could you knock just a bit off that price. It's over my budget.

The modal "could" shows this is an indirect question. It makes your question much softer for the listener. The vendor, Michael, responds to the assistant, Nathan:

Oh, really? Well, I'm afraid, given all that Brampton is expected to do, particularly in terms of service, it's a reasonable price.

Michael is surprised by the way Nathan has stated his point. If Nathan wants a better price, he must state it indirectly, which means "not straight" at the listener. As a result of being direct, not indirect, Michael feels like he has done something wrong but he really knows he has not. This feeling makes Michael tell Nathan why it is a good price. Nathan then tells Michael:



You really need to knock at least \$2000 off that price if we are going to proceed. Otherwise, we can simply take our business elsewhere.

Nathan further makes the situation more uncomfortable by making a threat. He says he will find another vendor if Michael doesn't take "knock off" (reduce or deduct) \$2000. A better way to say this would be:

Do you think you could knock off \$2000? The quotation is a little out of our budget.

If you know the individual, you can use a polite but neutral request:

Could you please knock off \$2000? The quotation is a little out of our budget.

Michael becomes annoyed and he answers still keeping his professionalism.

Well, Nathan, I would certainly hate to lose your business but we are in this to make money and taking \$2000 off that quote is out of the question, I'm afraid.

A vendor wants to make money but they do rely on repeat business so for Michael to say this discount is "out of the question" must really mean the request is unreasonable. In addition, Michael really is "not afraid." He is softening the situation by saying he is afraid to say "no" because he really does want Nathan's business. Nathan then asks:

Do you think that I could talk to your supervisor?

Asking for a supervisor is a common way to find a solution in a professional situation. Nathan knows this way. However, it is a solution that comes up only if you are sure that you have tried all of the other ways. It is actually a way of saying to the other person that he is not responsible for making decisions so this way should be a last resort.

Michael then answers, explaining to Nathan that this is not possible. Notice how he doesn't say "no, he is not here"? He essentially told Nathan, "You must talk with me."

You certainly could, but he's out of town until next week. Anyway, he doesn't really get too involved in price negotiations.

Nathan decides to try another way to get the price he wants.

So, are you saying that you would knock \$2000 off the price provided we took a shorter service agreement?

If we look closely, we notice that Michael is not saying that he would knock \$2000 off. A better way to ask this would be:

What about if we took a shorter service agreement?



Michael then replies with an explanation of how Nathan's requested \$2000 will affect the agreement:

Well, for that much off, you're talking no service no service agreement at all.

This will not benefit Nathan's business and he knows it. So he tries another way to lower the price:

OK, I see. And for \$1000 lower, would you agree to a six month service agreement?

This is actually a pretty good way to lower the price but Nathan doesn't realize there might be other ways to lower the price. He is just thinking of the service. A better way to find out how Michael could lower the price would be to ask:

What other options do you have available to us?

Michael starts to negotiate:

For six months, the lowest I'd be able to take off is \$500.

In this case "take off" means "knock off." Nathan starts to think of other options and asks:

What about if we agreed to only two laser printers?

Michael answers:

Let me see here...the laser printers retail for \$250 each. So that would be a \$500 reduction.

This is an unreal situation. It has not happened and it is just as likely not to happen as it is to happen. What Michael is essentially saying is:

If we sell the printers for \$250 each, we would give you a \$500 reduction.

Nathan then asks for clarification, taking off both the \$500 for the laser printers and the \$500 for six months of service.

So you mean \$1000 reduction if we took a six-month service agreement and only two laser printers?

The negotiations end as Michael says:

That's right. I could go for that.

Nathan closes the negotiations by saying all of these terms still depend on his supervisor's approval.

OK. Let me talk to Pauline and get back to you.

He also says he will get back to Michael. This means he will call Michael back in a short while.

One week later, Pauline, who is not satisfied with the deal that Nathan got with Michael, returns to Brampton's sales office to try and work out a better deal.

Dialogue 2

- MICHAEL:** Is the expansion coming along OK?
- PAULINE:** Yes, thanks. It's been a lot of work and still lots more to do, but it's coming along.
- MICHAEL:** Is the new **computer lab** completed?
- PAULINE:** **More or less**. That's what I'm here for — you're going to help me finish it!
- MICHAEL:** Well, I will do all that I can!
- PAULINE:** OK, so the quote you gave us was for \$15,245.
- MICHAEL:** That's right. For 20 computers, including installation, four printers, one year service agreement and two-year full **part warranty**.
- PAULINE:** Right. But I'm hoping you could knock just a **bit** off that price. It's over my budget and my boss is **riding** me about the costs of this expansion as it is.
- MICHAEL:** Well, as I explained to Nathan...
- PAULINE:** Yes, well, I happen to know that the computers we are getting retail for \$499 a piece. That's \$9,980. So, **in other words**, the service agreement and four printers are costing us over \$5,000.
- MICHAEL:** Plus the warranties.
- PAULINE:** But a two-year part warranty is included in the retail price of a computer anyway.
- MICHAEL:** OK. That's true.
- PAULINE:** Maybe we could take three laser jet printers and you could charge us \$13,000. I think \$3,000 for three printers and a one-year service agreement is fair.
- MICHAEL:** Mmmm....well. Those service agreements are **pretty**

comprehensive. What if I gave you that fourth laser printer and we said \$13,500?

PAULINE: Yes, I think I could do that. Sounds fair.

MICHAEL: Great. And you've got yourself 20 computers!

PAULINE: Wonderful. I will put it on our company credit card. And you can have it installed in two weeks?

MICHAEL: No problem.

Debrief 2

Nathan wisely starts the conversation with some small talk to create a more relaxed mood:

Is the expansion coming along OK?

In asking this, Michael also shows he cares about his client's needs. This is a sign of good business. It is good to remember that even though Pauline is not satisfied with the deal Michael negotiated, she still keeps the conversation friendly and informal. She replies:

Yes, thanks. It's been a lot of work and still lots more to do, but it's coming along.

Michael knows that Pauline wants to talk about the new agreement, but he also wants both parties to feel relaxed before the negotiation begins. So he continues with a little more small talk:

Is the new computer lab completed?

Pauline responds with humour:

More or less. That's what I'm here for — you're going to help me finish it!

With humour, Pauline has alerted Michael that she is about to bring up a serious subject. Michael responds with humour as well.

Well, I will do all that I can!

Notice how there now seems to be a good feeling between the two of them. A little small talk mixed with a little humour prior to any negotiation will help a little towards both sides reaching agreement. It helps to promote a willingness to compromise.

Pauline opens the negotiations by repeating the original quote:

OK, so the quote you gave us was for \$15,245.



Often to move from one subject to another without repeating the entire history of a subject or conversation, a speaker will use the word “so” as a way to introduce the new subject.

Mr Smith: Let's go and have lunch at that new restaurant.
Mr. Jones: Okay. That sounds good. So, tell me about this new client.

Michael gives the details of the original quote before he negotiated with Nathan. Further, he clarifies exactly what the quote includes so Pauline knows what she can negotiate with. He says:

That's right. For 20 computers, including installation, four printers, one year service agreement and two-year full part warranty.

Pauline says “Right” which means that she is clear with everything that is included in the quote. She then states her position indirectly, saying she is not satisfied with the quote and that her boss is “riding her about” (giving pressure; constantly talking about) the costs.

Right. But I'm hoping you could knock just a bit off that price. It's over my budget and my boss is riding me about the costs of this expansion as it is.

Michael then brings up the conversation with Nathan:

Well, as I explained to Nathan...

However, Pauline cuts him off, showing she is aware of the outcome of Nathan's negotiation and that this is now a new negotiation. She continues:

Yes, well, I happen to know that the computers we are getting retail for \$499 a piece. That's \$9,980. So, in other words, the service agreement and four printers are costing us over \$5,000.

Pauline has stated that she knows the service agreement will be \$5,000 for a year. This is the reason why she is unsatisfied with the overall price. Other ways to state her position on the price would be:

It seems to me that \$5,000 is a kind of high.
I could be mistaken, but I think that \$5000 is rather high.

Michael then goes into what exactly is included in the service agreement. He adds:

Plus the warranties.

This still does not satisfy Pauline. And she says:

But a two-year part warranty is included in the retail price of a computer anyway.

Her company does not need to have warranties from two different places. So, she does not really need the additional warranty from Michael. He agrees with her reasoning, responding:

OK. That's true.

She renegotiates the price, offering:

Maybe we could take three laser jet printers and you could charge us \$13,000. I think \$3,000 for three printers and a one-year service agreement is fair.

Other ways to make this offer would be:

What about if we take three printers for \$3,000 and a one-year service agreement?

How would you feel about three printers for \$3,000 and a one-year service agreement?

Michael considers her offer and makes her an offer in return that would be more amenable to his company, stating:

Mmmm....well. Those service agreements are pretty comprehensive. What comprehensive. What if I gave you that fourth laser printer and we said \$13,500?

Pauline says this is a possibility by saying:

Yes, I think I could do that. Sounds fair.

The negotiations are drawing to a close as Pauline says, essentially, Michael's words "sound fair." Remember, Pauline is saying this is possible. An agreed price still exists in the unreal hypothetical world.

"I think I could ..." means the possibility "I can do something" exists but the certainty it will exist, we still do not know.

Michael sees that Pauline is satisfied with her decision. Now it his turn to commit (agree):

Great. And you've got yourself 20 computers!

See how Michael brings about a friendly feeling, showing he is happy with the terms. Pauline also voices her satisfaction and her commitment to the terms by being ready to pay the price immediately. Further, she adds a small extra term by making sure the computers are installed in two weeks. Pauline exclaims:

Wonderful. I will put it on our company credit card. And you can have it installed in two weeks?



Michael responds enthusiastically:

No problem.

In doing so, he has also agreed to the small extra term, ending the negotiations. Other ways to informally conclude the negotiations would be:

Sure.
Of course.
That's fine.

That's all for this podcast lesson. We hope you enjoyed listening. Don't forget to print out the podcast transcript from our website at www.workplace-english-training.com.