

INSIDER: Sales & Negotiation

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One of the leading business speakers in the nation and bestselling author, Patrick Henry Hansen, draws insightful conclusions in his novel *Sales-Side Negotiation, Negotiation Strategies for Modern-Day Sales People*. Hansen describes the powerful link between effective sales results and skillful negotiation and provides ample examples throughout history showing how the two are correlated. To place this discussion in the context of the real estate industry, this article applies to the sales-side or to the agent. We offer five key think points from Hansen's work that are especially applicable for agents seeking to develop their selling power.

Think Point #1: The Role of Negotiation in Sales

While there is a distinction between sales and negotiation activities, the two are so intertwined, that without effective skill in either, results will be dismal. As any Real Estate agent understands, increasing your profits results from one of three activities:

1. Increase the number of Sales
2. Decrease the costs you incur
3. Improve margins

The focus of this article is on the third aspect of profit generators, or margin improvement, and this aspect very closely ties to skillful negotiation. When attempting to secure an agreement, there are inevitably a series of concessions the buyer will seek in order to satisfy their needs and interests. By shrinking these concessions, you engage in the third point above, and improve your margin, thereby improving the profits you will receive. Agents who have demonstrated negotiation skills stand to benefit from this area of profit growth and are well advised to develop their negotiation skills and understanding.

Think Point #2: Leverage Your Power

Power, or the amount of influence one person has over another, is one of the most influential aspects within a negotiation and is exercised to varying degrees in every relationship we engage. Understanding where power is derived and how to use that power is an essential factor of effective negotiation. Hansen explains that there are ultimately two sources of power in purchase-related negotiations, such as those in which Real Estate agents engage: buyer power and seller power. Specific sources of seller power especially relevant to Real Estate agents are:

- Information: what do you know that gives you an advantage?
- Differentiation: what makes you unique?
- Reputation: how are you positively perceived by others?

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- Experience: what is your past history of success?
- Network: what supportive resources do you have at your disposal?

While neither party is capable of gaining a complete power monopoly, agents who implement the following three techniques, as defined by Hansen, will keep the power advantage in their court:

1. **Build Power:** During the initial stages of the selling cycle agents have the greatest opportunity to build a sense of power with the relationship. Namely, showing a sense of control and ownership of your work through effective time management as well as professionalism, especially during the initial interactions with the seller will demonstrate that you are prepared and competent. Convey confidence and assert yourself as self-assured professional who can be trusted and respected.
2. **Balance Power:** Often during the negotiation process the buyer will make attempts to shift the power scales in their direction. Think point three provides specific examples of the various styles of buyer tactics, and is a useful reference tool for identifying the category of buyer with whom you are negotiating. The main point of balancing power is to assess the current distribution of power and respond accordingly. Begin by asking yourself, how is power distributed in this relationship? If the buyer has more power in the relationship, implement some of the counter tactics described below in think point four. The ideal state is a balanced equilibrium of power between buyer and seller.
3. **Maintain Power:** Often time inexperienced negotiators give away power without realizing the harmful effect of their actions. Making a statement such as, “we are willing to negotiate” may diminish your power by inviting the buyer to engage in a series concession requests that may have not otherwise occurred. Protect the power that you own and be careful what information you share.

Think Point #3: Recognize Buyer Tactics

Both the buyer and the seller can leverage their power within the negotiation. Hansen’s work specifically focuses on the sales-side of negotiation, and provides specific techniques to overcome buyer tactics of power leverage. To effectively counter such tactics, it is essential to first understand the types of buyer tactics. Hansen divides buyers into one of three categories and describes the strategies that they use to inflate their own power and diminish their opponent’s power as follows:

Hard Negotiators: These negotiators are not afraid of conflict and will implement their emotions as well as attempt to manipulate yours in order to reach an outcome that is most

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satisfactory for themselves. Specific tactics of these negotiators include making outrageous demand or ultimatums, pretending anger, or playing “good guy, bad guy.”

Calculating Buyers: The calculating buyer is one who is often more introspective and tends to be more reserved than the hard negotiator. Their source of power is often derived from attempting to either outlast the buyer or outsmart the buyer. Specific strategies such a negotiator may implement include displaying a selective memory, conveniently forgetting agreed-upon terms, continually offering “what if” scenarios to catch you off guard and remaining silent on a particular issue to wait for you to make the first move.

Soft Bargainers: Soft bargainers also tend to manipulate emotions, but from a positive, rather than negative, stance. Instead of trying to catch you off guard with anger, they will try to develop an emotional bond with their opponent in order to make it more difficult to remain true to their best deal. Tactics that these categories of negotiators often implement include evoking your sympathy, trying to create an atmosphere of “being fair” and using flattery to gain concessions.

Think Point #4: Initiate Counter Tactics

In response to the identified buyer tactics, sellers have a variety of techniques at their disposal to counter such threats to the negotiation success. The first step is to identify what type of negotiator you are dealing with and then respond accordingly. Hansen states that strategic negotiators implement the following process:

1. **Prevention:** Build power with the buyer in order to minimize the likelihood that they will try to use negotiation strategies against you. Refer to the section below about how to build this power through the use of building value.
2. **Recognition:** Identify the type of strategy the negotiator is using.
3. **Counter-Tactic Implementation:** Neutralize the buyer’s tactics with your own counter tactics.



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Some of the key counter techniques described by Hansen are as follows:

- *Question and Confirm*: When a buyer engages in asking for concessions during the negotiation process this can be a useful tactic to obtain more information. Recall that information is a source of power, so by gaining a deeper insight into the buyer's needs or interests, the seller can obtain useful information to use in future negotiations.
- *Reason and Rationale*: When a buyer begins to show objections, it is effective to have an answer prepared that logically connects and supports why the request is not reasonable. For example, if a buyer demands an extra 5K removed from the selling price because of a damaged roof, a reasonable response may be that the shape of the roof was already calculated into the listing price.
- *Silence*: In the face of an overly emotional outburst, silence is often the best way to assert your power. Engaging in an angry rhetoric will only diminish your power, especially once the heated moment has calmed. In the aftermath of an emotional outburst, a negotiator will often feel foolish for losing control. However, if in the face of verbal abuse you are able to maintain your composure, you stand to gain a great deal of respect.
- *Counter Demands*: In the moment that you receive an outrageous offer, the timer begins. The amount of power you hold in the negotiation begins to diminish if you are not prepared to provide a counter demand to re-anchor the discussion. Offers made that are far outside the bounds of what is expected must be quickly reigned in, so as not to give the impression that you are entertaining the possibility of accepting the offer.

Think Point #5: Top Principles of Sales-Side Negotiation

Hansen provides what he calls the Ten Commandments of Sales-Side Negotiation. Those include:

1. *Focus on Value, Not Price*: As Hansen states, "if you sell for price they will leave for price." What the author is saying is that negotiators actually diminish their power by focusing solely on price. It is relatively easy for a competitor to lower their price, and if this occurs then the seller has essentially lost all of their competitive advantage. If however, the seller is focused on creating a unique and distinguished value for the buyer, then they will have a more established advantage that is less likely to be copied or stolen.
2. *Negotiate Prepared*: As stated previously, information is a source of power. Therefore, equipping yourself with relevant information will assist in the effectiveness of your negotiation. Spend time with your client discussing their optimal outcome and also ask them to consider their walk-away point. Having this information will prepare you to strategically negotiate towards the desired outcome.
3. *Avoid Making the First Concession*: Inexperienced negotiators often make the mistake of giving the first concession in hopes of gaining a reciprocal concession from the buyer.

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However, this approach often backfires because in the game of negotiation is not grounded on the ideal of fairness. Making the first concession can cause you to appear too eager or perhaps even naive and may actually increase the buyer's demands.

4. *Concede Reluctantly*: Making a concession is essentially saying that you are willing to give up a piece of the pie. This is an act that should not be offered lightly. When making a concession, demonstrate that you are reluctant by showing that you are taking time to calculate the feasibility of the concession. A negotiator who simply says "okie dokie" to a concession request will appear to be detached from the negotiation outcome.
5. *Inflate your Initial Demand*: When calculating the list price for a property, it is a good idea to add a buffer zone to the price in order to provide yourself with some room to maneuver within the negotiation. The initial list price serves as an anchor around which all negotiations occur, so positioning this number higher than you expect to receive will lead to increased outcomes.
6. *Concentrate on Areas of Maximum Leverage*: Many agents may feel that price is the greatest leveraging tool when selling a house. However, the real leveraging areas involve those aspects that cannot be easily monetarily valued. For example, emphasizing the excellent school district or the access to local parks can be a method for creating a differentiated appeal for the particular property.
7. *Be Hard on Problems and Soft on People*: Stay focused on the issues at hand and avoid involving yourself in any activity that targets personality. The best method for implementing this approach is to listen carefully to the interests of the involved negotiator. By carefully listening to what is important most to them, you stand to arrive on common ground.
8. *Don't Give without Getting*: Making a concession must be prefaced as a "trade." When you give up something, you must include a counter demand in order to maximize negotiation power.
9. *Don't Broadcast your Willingness to Negotiate*: Acting too eager to negotiate will weaken your authority and ultimately your power. Portray the image that this is a firm offer and resist reacting enthusiastically when a buyer tries to engage or initiate negotiations.
10. *Negotiate as Little and as Late as Possible*: Do not negotiate unless you perceive it is the only option to close a deal.

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Recommended Reading

Hansen, Patrick Henry (2006), *Sales-Side Negotiation Strategies for Modern-Day Sales People*, Alpine, Utah: Brave Publishing, Inc.

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