

By Kevin Davis

Negotiating power plays a major role in every type of negotiation, whether it's a labor negotiation, political negotiation, or a buy-sell negotiation.

Both the buyer and the seller have power in a negotiation. Power is each side's perception of its strength or weakness in comparison to the other. This perception of power affects the ability of each party to achieve its own goals. The more negotiating power you have in comparison to that of your buyer, the fewer concessions you'll have to make.

For each party in a negotiation, there are eight sources of power. These are:

- **N**eed
- **O**ptions
- **T**ime
- **R**elationships
- **I**nvestment
- **C**redibility
- **K**nowledge
- **S**kills.

Just remember the acronym **NO TRICKS**.

- **"N" stands for Need**

The essential question here is: who needs this sale more, the buyer or the seller? The more intense the buyer's need, the more power the seller has. The more intense your need to make the sale, the more power your buyer will have.

- **"O" stands for Options**

What are the options for each party if an agreement is not reached?

A buyer who believes that your product or service is unique has no other options. Your other options consist of the other sales opportunities you have waiting in the wings. The more options you have, and the fewer acceptable options your buyer has, the greater your negotiating power.

- **"T" stands for Time**

This refers to any impending events that place a deadline on either the buyer or the seller. If the buyer is under time pressure, it usually gives the salesperson negotiating strength. In commercial real estate, for example, the expiration of an old lease may put time pressure on the tenant to find new office space. The time factor also affects many other purchases related to the move, such as hiring a contractor, selecting office furnishings and business equipment, and so on. A deadline creates time pressure and limits the buyer's opportunity to shop around.

If you are feeling time pressure, perhaps to close the sale by the end of a quota period, your buyer will have time power. Several years ago, I had the opportunity to win my company's annual incentive vacation - a trip to Bermuda. On the last day of the year, I needed a \$2,000 sale to achieve my annual quota of \$3 million. I felt time pressure! I made some hefty concessions that day, but I won the trip.

- **"R" stands for Relationship power**

How strong is your relationship with your prospect? If you have a high quantity of high quality relationships with your customers you have relationship power. But some customers may not allow you to develop these relationships. They may tell you that you can only talk to purchasing. In such a situation, you'll have a hard time developing relationship power.

- **"I" stands for Investment**

How much time and energy has been invested in the buying process? The more effort someone invests, the more committed he or she will be to reaching an agreement. The more energy your buyer puts into a buying process, the more negotiating power you'll have. Conversely, the buyer's power of investment is enhanced when you've put a lot of time and energy into a prospective sale. If you put 20 hours into preparing a proposal, you'll have a hard time walking away from the deal.

- **"C" stands for Credibility**

When I was selling dictating machines for Lanier Business Products, a salesperson in our Washington D.C. office sold a portable dictating machine directly to President Carter in the Oval Office. Subsequent photographs of the president showed his dictating machine on his desk. Lanier's credibility was enhanced by having the president as a customer. If President Carter had chosen to use his credibility power to get a better price, he certainly could have done so. However, the president had a few other things on his mind than the \$300 purchase price.

- **"K" Stands for Knowledge**

Knowledge is power. You have knowledge power when you thoroughly understand your customers' problems and needs and can foresee how the products or services you are offering will help them achieve those needs.

Conversely, if your customers know as much as you do, or perhaps more, about the application of a particular sales solution, they're less reliant on you. A few years ago, IBM reorganized its sales forced to emphasize industry-specific expertise so that their salespeople would become more knowledgeable about their customers' businesses. IBM has 14 industry sales teams dedicated to areas such as health care, travel, and financial services. IBM recognizes that salespeople are not adding value to the buy-sell relationship unless they know more than the buyers.

- **"S" stands for Skill**

Who is the most skillful negotiator? Buyers are making more buying decisions today, and are getting better at it. Many buyers have attended seminars to improve their negotiating skills, which means they're gaining more skill power. Today, you must constantly improve your skills, just to keep up.