

The art of concession

Anticipation is key to closing the deal

Question:

I sometimes lose my emotional balance when faced with unexpected concession demands during negotiations.

What can I do to minimize the risk of this happening in the future?

Response:

Knowing how to give or get a concession, and when, are critical success factors that influence the outcome of a negotiation. To maintain a confident stance, anticipate what concession demands the other party will ask of you, and how you will respond, prior to engaging in the negotiation. This will enable you to remain calm, focused and mindful in your give and take.

Every move you make in a negotiation matters. If the other party sees you cower under pressure, you can expect strong-arm tactics from that individual in the future. If, on the other hand, you respond by presenting alternative options, the other party learns that pressure tactics are not effective. Like you, the other party is always assessing which strategies work to his or her advantage.

To help you maintain your confident stance when faced with concession demands, remember these strategies as you prepare for, and engage in, future negotiations:

1. Give yourself room to make concessions

As a general rule, don't put your best offer on the bargaining table first. Most people expect to negotiate the terms and conditions of a contract. They feel it is their obligation to get a better deal. Therefore, prepare several items that you will be willing to take off the table in response to concession demands and what you will ask for in return.

Consider, for example: You work for a company that specializes in building technologically advanced equipment. The components must pass through several quality-control evaluations to gain approval from this customer. Up front, you build in a generous profit margin to offset any unexpected costs during the approval process.

You also know that once you receive approval, "cost downs" (price reductions) will be expected. You expect the cost downs will be 20 percent over a two year period of time and you build that margin in on the front side.

2. Determine all demands before making concessions

It has become general practice for customers to roll out their concession demands over time. This is smart psychology. When they make a string of small stand-alone demands, they initially expect you to say, "Well in the scope of things, this is really no big deal."

Then around the third or fourth request, they figure you'll start to catch on. However, they hope you feel too invested to back down or change the rules. That's when they present one or two more concession demands and close the deal.

After the contract is signed and the concession requests are totaled, it becomes startlingly apparent how their strategy has eroded your bottom-line profit.

To eliminate this from happening to

you, respond to the very first concession demand by asking the following question: "In addition to XYZ, is there anything else that is important to you?" So let's say that the first demand was for a 10 percent reduction in price. You respond by saying, "In addition to a 10 percent price reduction is there anything else that is important to you?" You want to base your response on the total scope of concession demands.

While some may argue that this question risks a flood of concession demands, it has been my experience that this is not the case. You are better off finding out as much information up front so you can strategize mutually beneficial options.

With a complete list of concession demands in hand, you are better positioned to protect your company's best interest and develop a range of viable options for your customer.

3. Don't make the first concession on a major item

When you make a concession on a major item, your customer quietly thinks to himself, "Well, that was easy; I wonder what else I can get?"

If you refuse a concession on a major item, you send the message that you place a high value on that item. This works in your favor. Your reluctance to relinquish your position lowers the other party's expectations of what he or she thinks can be obtained.

4. Give away what's not important to you but of importance to the other party

While this may seem common sense, the reality is that few people define what they need and want before entering into a negotiation. As a result, they give in to con-

cession demands, then wish they hadn't.

Don't let this happen to you. Determine in advance what you need from the negotiation. This is your walk-away point. Then determine what you want. The difference between the two determines what you will and will not give away in response to concession requests.

While it is difficult to be prepared for every possible concession demand, having a list of possibilities will help you to remain clear minded and deliberate in how you respond to requests – even the unexpected ones. This will eliminate the chance that you will become flustered and make a concession that you wish you hadn't.



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