

Never

Become a **Top Negotiator**
by Asking the Right Questions

Lose

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Quickly &
Dramatically
Improve Your
Negotiation
Skills

Again

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INTRODUCTION

Larry, a twenty-four-year-old apprentice electrician and Vietnam veteran, was working on a triple-decker house in Boston, Massachusetts, installing outside lighting. He leaned back against a railing that cracked, sending him falling backward. He hit a clothesline on his way down and broke his neck. Larry was taken to the hospital, underwent surgery, and was told several days later that he was permanently paralyzed from the shoulders down and was a quadriplegic. After his hospital stay, the workers' compensation insurance company, which was responsible for his care, moved him to a one-bedroom handicapped apartment in an elderly housing unit. The insurance company paid his twenty-three-year-old wife \$150 a week to take care of him twenty-four hours a day. His wife became exhausted and desperate. After a year she divorced him and married his best friend. Larry was now left alone, with sporadic care, and was deteriorating physically and mentally.

Larry contacted a law office and asked for help. A young lawyer went to his house and met him. He was so upset about Larry's

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condition and situation that he was unable to return to his law office that day. The young attorney actually felt physically ill.

The fresh-out-of-law-school lawyer represented Larry for three years, helping him pursue his workers' compensation claim against the insurance company. During these years he was able to negotiate for a handicapped van, an accessible home, twenty-four-hour health care, and eventually a generous settlement that provided him with lifetime security. Larry was able to move to a warmer climate, Southern California. His full-time nurse moved with him, and he has been healthy and happy for the past thirty-five years. He remains a good friend of the lawyer to this day.

At the conclusion of the negotiated settlement with the workers' compensation insurance company, Larry asked his lawyer to come close to him in his wheelchair and whispered in his ear, "Steve, you saved my life."

The young lawyer in this story is one of this book's authors, Steve Babitsky. It was at this time that Steve realized for the first time the power of effective negotiating, and how much of a difference it can and does make in the lives of the people it touches. This experience ignited a passion in Steve for developing negotiating skills, and teaching those skills to others.

A young lawyer from Steve's alma mater, Boston College Law School, joined his training firm in 1993. His name is Jim Mangraviti and he became Steve's protégé and coauthor on numerous books, including this one.

Together we run our nationally renowned training and consulting firm, SEAK, Inc. Many of the examples and stories in this book come directly from or are inspired by our business dealings over the years.

This book is intended to empower the reader to markedly improve his or her life through effective negotiating. Our aim is to change the way people think about and approach negotiations. Many people dread negotiating. Many are just poor negotiators. We make better negotiation results simple and easy to achieve. Negoti-

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ating is a fact of life and is essential for obtaining what you and your family deserve. Avoiding negotiation is not an option. It's a necessary part of daily life, from your phone bill to your professional dealings at work. The only choices are: learn to thrive and succeed or suffer the consequences. This book will teach the reader how to be a much better negotiator.

About ten years ago, a shocking negotiation episode we both witnessed first-hand finally pushed us to act to help our clients become better negotiators.

We were in Hawaii teaching a training course for physicians that our company was putting on. With us was a young primary care physician who was neither a high-earner nor wealthy; he was a father of four, living paycheck to paycheck (we'll call him Ted). His dream was to someday retire to Hawaii. At lunch Ted asked us to take a look with him at a condominium that was for sale nearby.

We had one hour for lunch, so we and Ted drove over to the condominium complex to look at a two-bedroom unit. The listing agent for the condo was present, and Ted went on and on to her about how he loved the unit, how he knew it would go up in price, and how his dream was to retire to Hawaii. The (by-then salivating) agent informed Ted that this was the only unit of its type left, a couple was coming to put a down payment on this particular unit in a few hours, and the price was \$250,000.

The shocking "negotiation" we witnessed consisted of the following:

Ted: "I really want this. Can I negotiate the price?"

Realtor: "No."

Ted then called his wife and asked her how much money they had in their emergency checking account. He then asked her to FedEx their checkbook. He proceeded to sign dozens of pages of documents provided by the agent in blank (they didn't even specify what unit he was buying or the price), without reading them, and purchased the unit at the full asking price, all within thirty-five minutes.

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4 NEVER LOSE AGAIN

The three of us returned to the seminar. We couldn't believe what we had just witnessed. We were stunned. How could a person as intelligent as a physician be such a terrible negotiator? How could he be so gullible as to fall for the line about a couple coming back with a deposit? How could he be so reckless as to sign numerous legal documents in blank without even reading them himself, never mind having a lawyer review them. Anybody who knew even basic negotiation skills such as not showing your hand, generating power, *and asking the right questions*, might have been able to save tens of thousands of dollars on this purchase. After we got back to the training session, Ted told his story about how he had just purchased the condo over the lunch break, and immediately two or three other physician colleagues in the seminar went over to see if there were any units available for them!

This was the moment when we both realized that there was a desperate need for even highly educated people to learn how to negotiate. This realization is confirmed time and again by recent events. One need not look any further than the botched attempt by Jerry Yang to sell Yahoo to Microsoft in 2008. His clumsy strategy and attempt to sell his company is the classic example of a failed negotiation and what can go wrong when you do not understand how to negotiate. In May 2008, Yahoo CEO Jerry Yang was offered \$45.7 billion by Microsoft CEO Steve Ballmer to acquire Yahoo. This was rejected by Mr. Yang, who was holding out for \$55 billion. After months of rejections by Yang, Mr. Ballmer had enough and completely withdrew his \$50 billion. This failed negotiation cost Mr. Yang his job and resulted in a loss to Yahoo of approximately \$20 billion. We see it all the time in the news, with high-profile mergers like the Yahoo one, but negotiation, no matter how big or small, is part of everyone's everyday life as well.

After the Hawaii condo incident described above we decided to act. We soon added in-person negotiation training to SEAK's lineup of seminars and consulting services. Our negotiation training was delivered through continuing education seminars, in-house corpo-

rate training, and one-on-one negotiation consulting. We also coauthored two successful books, which SEAK published, on how physicians can become better negotiators.

The concept for this book evolved out of our training of thousands of professionals across the United States. During this training we learned two main things:

- **Many highly intelligent people are not good negotiators.**
- **People who are good negotiators do much better financially, professionally, and have a better lifestyle.**

Negotiating is an art. It is complicated. To become an exceptional negotiator traditionally requires years of practice, but that doesn't mean that most people couldn't quickly and easily learn good negotiating practices if someone shows them what to do. This book does exactly that. We have made improved negotiating skills easy to learn and easy to implement. The book distills our twenty-plus years of experience in negotiating training into 50 questions that anyone can quickly learn and use immediately.

Our unique concept is to give the reader the secrets to quickly and easily become a far better negotiator. That's the essence of our book—negotiation advice that is quick and easy to learn, and yet remarkably effective since the reader can easily apply the advice by asking the suggested questions in the appropriate negotiation scenario. Best of all, our questions apply to all types of negotiation situations, from buying a home or an automobile, to business transactions of all kinds, and even to getting better rates from phone and cable companies. Often, more than one of the questions can be used over the course of a negotiation.

Each time we teach our negotiation classes, we invariably are asked by our attendees for a list of the best questions to ask. This is

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the takeaway that is most desired and valued. The reason for this is simple and compelling: Knowing the best questions to ask makes you a better negotiator immediately.

When we travel the country and teach people how to negotiate effectively, our attendees undergo a metamorphosis. At first, they are skeptical, but once we demonstrate the effectiveness of the negotiation questions we provide for them, they quickly see how they can make those questions work for them. It is like going to the optometrist for new glasses. The optometrist first puts in the lenses that aren't strong enough, so your vision's still blurry. He then puts in lenses that grow stronger progressively until you smile and see perfectly. This is how the attendees react to the questions and training. The blurriness is removed, and they see the negotiating lessons perfectly.

Our negotiation questions work. We use them ourselves all the time. In fact, we really knew we were onto something when we began pitching this book idea to editors, and the editors told us that they had tried out and were successfully using our questions themselves.

We have designed this book to be very easy to use and quick to read. Each question is set out in separate two- to three-page chapters. In addition, each chapter contains a quick summary "lesson."

We have also added a section in each chapter that contains possible responses in case *you* are asked the question during the course of a negotiation. These sample answers are just a guide, of course. How you should respond to a question depends upon the precise situation and negotiations you are facing.

The points we would like you to take from the sample answers are as follows. First, if you are well prepared, even very difficult questions can oftentimes have effective answers—sometimes extremely effective answers. Second, there is not a perfect answer to every negotiation question; sometimes there's not even a good answer to a tough question. Third, you almost always have the option of either dodging the question or just answering a different question—never

feel as though you are required to answer a question in the precise way the other party hoped you would answer it. This last point is often one of the hardest to practice by new negotiators who somehow might think it rude or inappropriate not to cooperate with the other party. Sophisticated negotiators come to realize that there is usually nothing wrong with not answering many negotiating questions the way the other party intended you to. It happens all the time.

The final reason we have included sample answers is that these serve to further teach the reader about the negotiating process in general. When we provide our analysis for why a certain response may be a good one we also provide a good deal of commentary on negotiation strategy, tactics, and concepts. We felt that this additional commentary, in the context of specific questions and answers, is a quick and easy way to improve the reader's overall appreciation of the many complex and dynamic subtleties and nuances of a negotiation.

We have organized the questions loosely in ten categories, or parts, and included a brief introduction to each part. The purpose of these introductions is to provide concise negotiating theory and help the reader to connect the dots.

There is no question in our minds that those who can best negotiate will be best positioned to succeed. It is our earnest hope that our book will empower the reader to immediately and vastly improve their negotiation skills, and succeed in business and life.

Question #22

DO YOU REALIZE THAT YOUR COMPETITOR IS CHARGING A LOWER PRICE?

One of the strongest pieces of leverage a buyer has is the ability and willingness to buy from a competitor of the seller you are negotiating with. If this happens, the seller will lose the deal. Asking “Do you realize that your competitor is charging a lower price?” is an easy, polite, low-risk, and powerfully credible way to implicitly threaten to go to a competitor and thus get the lowest price possible from a seller.

The subtexts of “Do you realize that your competitor is charging a lower price?” are clear and powerful. Namely: I have done my homework. I have found a better price from one of your competitors. If you don’t beat—or at least meet—the competitor’s price, I’m going to buy from the competitor and you’re out of luck.

Here’s what we suggest in terms of how and when to most effectively deploy “Do you realize that your competitor is charging a lower price?” You should first shop around and do your homework. Get as many prices as is reasonable, or a minimum of three. Then decide which vendor (price aside) you would prefer

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to do business with, say, because you like their service or they are conveniently located. Go to that vendor and negotiate a price. If you reach a favorable price that is lower than the competition, push the vendor as hard as you can and then take the deal. If, however, you reach a sticking point higher than a competitor's price ask, "Do you realize that your competitor is charging a lower price?"

Asking "Do you realize that your competitor is charging a lower price?" is low risk as long as you do not ask this too early in the negotiation (we'll discuss this further below). The worst the seller is likely to say is that he can't come down on his price. This is usually done by the seller somehow trying to say that you are comparing apples to oranges in that his product, service, or brand is somewhat different than his competitor's. If the seller tries this apples-to-oranges defense on you, feel free to push back by again focusing on your alternatives. The implicit and credible threat of going to a competitor will usually be extremely effective. For example:

BUYER: Do you realize that your competitor is charging a lower price?

SELLER: Well, we have a different level of service. We've been in this business for thirty years and they are a start-up.

BUYER: So you won't beat their price?

SELLER: I didn't say that—of course, we will. We have better service and low prices. That's our value proposition.

"Do you realize that your competitor is charging a lower price?" is a very good question to ask since it puts the person you are negotiating with in a very difficult situation. A seller who is asked this question will refuse to reduce his price to meet the competition only at the acute risk of losing the deal. If the seller can come down and meet or beat the competitor's price, he usually will. If the seller can't or won't come down, you maintain the option of going with

the low price you have in hand from the competition. We use this bedrock negotiation technique and question constantly and to great effect. Some examples:

A few years ago, one of the authors was assisting his elderly uncle to buy a new car. We looked around and my uncle picked out the model and trim he liked. I called around to about six or seven dealers within fifty miles of my uncle's house and got prices. This took about an hour. Armed with numerous competing quotes we walked into the car dealer down the street from my uncle's house where, for convenience purposes, he'd strongly prefer to buy the car. Here's about how the negotiation went:

AUTHOR: What's your asking price?

SALESMAN: We can offer you the car at \$22,500.

AUTHOR: Wow. More than I was expecting. Can you take \$21,800?

SALESMAN: I'll tell you what. I can come down to \$22,400.

AUTHOR: Are you aware that we have a quote from a nearby dealer for \$21,999?

SALESMAN: We'll beat that. Thanks for the heads-up. We can do \$21,998.

AUTHOR: Done.

Note how we had waited until *after* the dealer had quoted us a price and we had tried to negotiate him down before mentioning competing offers. The reason for this is simple. You don't want to tip your hand too soon. What if the dealer's ask price came in lower than our competing bids, say at \$21,899? If the ask price does come in lower than your competing bids you can try to negotiate, but you certainly should not mention that all the other bids you received were higher. For example:

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AUTHOR: What's your asking price?

SALESMAN: We can offer you the car at \$21,899.

AUTHOR: How much flexibility do you have in your price?

SALESMAN: Not much.

AUTHOR: If you can do \$21,699, you've got a deal.

SALESMAN: The best we can do is \$21,799.

AUTHOR: Done.

By not tipping our hand we were able to negotiate a price \$200 lower than the low bid we had received from the competitors. Once you reveal your best alternate price you will never get a much better price. As such, you should never reveal the competitor's prices until after you have reached a deadlock on price.

One more quick example about not tipping your hand too early. One of the authors recently quoted out putting a brick walkway from his front door to his driveway. Vendor #1 quoted out \$9,000. We called Vendor #2. When talking to Vendor #2, we never mentioned the price from Vendor #1. Vendor #2 quoted a price of \$4,200. Had we prematurely asked Vendor #2 if he were aware that Vendor #1 was charging \$9,000, Vendor #2 would likely have come in much higher than \$4,200 since he then knew what our alternatives were.

We use this fundamental technique all the time in our business and personal lives. We recently negotiated a six-figure printing contract. By getting a competing bid and confronting our preferred vendor with it we were able to save more than \$25,000. Getting the competing bids took about two to three hours. That works out to around \$10,000 a hour, which is a pretty satisfying rate of return on your time.

One final story. Very recently, during the time we were writing this book, one of the authors was talking to some relatives, who explained

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how a pipe had burst in their house and how they had to do all types of repairs. One thing that needed to be done is that they needed to replace a heat pump.

“Wow, how much is one of those?” the author asked.

“Well, they quoted us \$8,000, but I got them down to \$4,000,” replied the relative.

“You know, I’m writing a book on negotiating. Can I ask how did you do it?”

“I got a competing quote for \$4,250, and told the guy that he was way high. He came right down and beat his competitor’s price.”

The relative was able to negotiate a 50 percent price reduction by diligently shopping around and getting competing prices. Time spent researching and shopping around on major purchases is almost always well spent. Do your homework and you will be able to negotiate very favorable prices by playing one seller off against another.

Lesson

Confronting a seller with a lower price from one of the seller’s competitors by asking “Do you realize that your competitor is charging a lower price?” can be dramatically effective in quickly and easily obtaining often large price reductions. This technique is low risk as long as you do not tip your hand too early. The key to effective use of this question is doing your homework first. Only once your homework of getting competing bids is completed should you negotiate with the seller you prefer to do business with.

How to Respond If You Are Asked “Do you realize that your competitor is charging a lower price?”

As mentioned above, the best way to respond to this question is to try to credibly differentiate the product or service that is offered by the competition. In effect, your argument is that they are comparing

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apples to oranges. For example, “What they quoted you was a four-cylinder without a moonroof. that’s why they are so low. What you asked me for is the six-cylinder with the moonroof.”

Another good way to respond to this question is to appear very skeptical. One way to do this is to ask if the other party got the quote in writing since you’d like to see the details. If you are provided with the details, study them carefully and try to come up with arguments as to why what you are selling is more valuable and different. Another way to get across the skeptical message is to bombard the other party with questions that imply skepticism about the competing quote and might make them nervous about what they could get themselves into with the competition. For example, “I assume the permitting and engineering is not included in that? They also can’t be using two-by-six construction?” or “Yes, the home heating oil is twenty cents per gallon cheaper, but the supplier will not come out when your furnace stops working at 2 A.M.”

In the situation where your competitor really does have a lower price for the same service, your best response is probably to graciously acknowledge this fact and try to close the deal. For example, “I appreciate your pointing that out. We always offer the lowest prices and would be more than pleased to beat that for you.” This approach, of course, assumes that you can beat the price and still make a profit.

Question #23

INSTEAD OF FIGHTING ABOUT HOW TO DIVIDE UP THIS RELATIVELY SMALL PIE, WILL YOU AGREE TO TRY TO FIND A WAY TO MAKE A MUCH BIGGER PIE THAT WE CAN SHARE?

Success in life and business is often built upon forming and nurturing mutually profitable long-term relationships. “Instead of fighting about how to divide up this relatively small pie, will you agree to try to find a way to make a much bigger pie that we can share?” is a question designed to facilitate the formation of mutually beneficial long-term relationships. The subtext of the question is simply that if we can just agree to work together instead of against each other, we will both likely be better off.

Under most circumstances, the authors are strong believers in win-win negotiations. In such negotiations, both parties are satisfied with the results. The reason for this is simple. If the person we are doing business with is making a profit and happy, that person will want to do business with us again in the future. If they are not happy, we will sooner or later need to find a new partner. The new

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partner might not be as good as the old one and we will expend time and money finding and negotiating with a replacement. “Instead of fighting about how to divide up this relatively small pie, will you agree to try to find a way to make a much bigger pie that we can share?” is a great question to ask if you’d like to try to turn a win-lose negotiation into a win-win negotiation.

“Instead of fighting about how to divide up this relatively small pie, will you agree to try to find a way to make a much bigger pie that we can share?” is an effective question to ask partly because of its wording. That wording makes it almost irresistible. Who could say “no” to wanting to make a bigger pie or at least find out how to do so? How can one resist the premise that the deal needs to work for both parties to the negotiation?

In fact, the response to the question “How can we build a bigger pie here” is almost always positive. You can expect one of the following typical responses:

- **Sure—what do you have in mind?**
- **Sounds good—how do we start?**
- **Should we start small and build upon our success?**
- **What kinds of things would help you here?**
- **What I really need is x and y .**
- **Would changing payment terms, scope of the agreement, delivery date, or increasing or decreasing the quality help us here?**

Once the person you are negotiating with responds in the affirmative to this question, it will be much easier to find a win-win solution. There are many reasons for this, including:

- The negotiation is no longer assumed to be a zero-sum game with one winner and one loser.
- The parties, when working together, will usually exchange information more freely.
- The parties can speak more frankly about their needs, goals, interests, and desires.
- There is a recognition that both parties are interested in forming a long-term, mutually profitable relationship.
- To make the relationship work, the parties are sincerely interested in making sure that the person they are negotiating with does, in fact, succeed.
- Assuring the success of the party you are negotiating with gives incentives for them to live up to the agreement.
- The I-win-you-lose tension of the negotiation is diffused.
- The parties start to look jointly for creative solutions.
- Trust is created between the parties.
- The chances of a deadlock are substantially reduced.
- Emphasis is placed on creating new business opportunities, synergy, and the possibility of future agreements.

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- A cooperative problem-solving approach is less contentious, less stressful, and more enjoyable for many negotiators.
- The relationship between the parties is recognized as being more important than the conflict.

“Instead of fighting about how to divide up this relatively small pie, will you agree to try to find a way to make a much bigger pie that we can share?” is best asked when negotiations have stalled but prior to the point that the parties are entrenched in their respective positions. It’s a real feel-good question that can rapidly evaporate tension and can help the formation of mutually beneficial long-term relationships. We have used this question countless times in our own negotiations to great success.

For example, back in the 1990s, we were looking to expand our business’s presence on the Internet. We wanted to create an online store for ordering and a home page that was content rich, frequently updated, search engine optimized, properly maintained, and generated large amounts of 24/7 sales. We didn’t have the in-house manpower to do this so we decided to hire someone.

We settled on a very intelligent recent graduate from a top law school (we’ll call him Sandy). Sandy was the type of person who can be hard to find away from a big city. We started negotiating with Sandy. The problem was that if Sandy worked in a big law firm as he was qualified to do, he would command a six-figure salary. On one hand, we could not afford to pay Sandy a six-figure salary. On the other hand, we recognized that even if we got Sandy for short money (i.e., we win, he loses), he might be very likely to leave when the first better offer came along.

After going back and forth on salary for a period of time we

tried a different approach. We asked Sandy, “This obviously needs to work for both of us so instead of fighting about how to divide up this relatively small pie, will you agree to try to find a way to make a much bigger pie that we can share?” He readily agreed. We explained how we understood his value, talents, academic pedigree, and potential. We also explained how we weren’t a big-city law firm sitting on tons of cash. We then were able to work together to quickly agree to a compensation formula whereby Charlie would receive a decent salary, which we could afford, along with a guaranteed bonus of a percentage of gross sales generated from our e-commerce sites.

The agreement was a true win-win and there were good feelings on all sides. We were more than happy to share the bigger pie with Sandy if he could make one for us with e-commerce sales. In the meantime, we weren’t committed to a guaranteed salary we could not afford. Sandy recognized that with this deal his earning potential was actually *higher* than what he would make at a law firm. We all understood that Sandy would be motivated to boost sales. Sandy worked for us for many years and quickly grew our e-commerce revenues from nothing into the significant percentage of our business that they represent today.

Lesson

Turning a competitive zero-sum (I win, you lose) negotiation into a win-win search for mutual success can be achieved by asking “Instead of fighting about how to divide up this relatively small pie, will you agree to try to find a way to make a much bigger pie that we can share?” The question is very hard to resist. It almost always results in a positive response from the person you are negotiating with. Once the person you are negotiating with buys into the concept of creating a bigger pie, it will be much easier to reach a win-win deal that will be profitable to both parties to the negotiation.

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**How to Respond If You Are Asked
“Instead of fighting about how to divide
up this relatively small pie, will you agree
to try to find a way to make a much bigger
pie that we can share?”**

This is not an adversarial or trick question. The best way to answer it is a simple “Absolutely, what do you have in mind?” This response will hopefully result in a creative win-win proposal that you can then carefully consider.

Question #24

**HOW ABOUT WE TRY IT FOR A WHILE;
WHAT DO WE HAVE TO LOSE?**

Not all negotiations involve adversaries. Indeed, some of the most personally and financially consequential negotiations you will ever be involved with involve colleagues, business associates, and family members. “How about we try it for a while; what do we have to lose?” is a superb question to ask in many negotiations.

The subtexts of “How about we try it for a while; what do we have to lose?” are very powerful, namely: We are on the same team. I only am proposing something that I think will work out for both of us. If it doesn’t work out, we don’t have to continue. There is little to be lost by not trying it out.

“How about we try it for a while; what do we have to lose?” is remarkably effective. The reason it is so effective is that it is almost impossible to resist. The person you are negotiating with will be very hard pressed to answer “no” to this question. There are many reasons for this, including:

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- Since there is nothing to lose, what is the harm in trying this?
- What could be more reasonable than to try it out it and see what happens?
- The person requesting this is a family member, associate, or colleague. To say “no” to such a reasonable proposal could damage this relationship.
- You are implicitly agreeing in your question that if it doesn’t work, you will withdraw your request.

If you want to make this question work, it is critical to form a proposal that can be tried at little risk. There are usually two aspects to this. First, what you are proposing needs to be able to be easily undone. Second, there should be no risk of high cost, reputation damage, or other irreparable harm from your proposal.

You should also be flexible in your proposal. Many times, the person you are asking “How about we try it for a while; what do we have to lose?” may have legitimate questions on concerns regarding the risk involved, the terms of the trial arrangement, the length of the trial arrangement, or how success or failure is measured. You need to be prepared to modify your proposal to meet such legitimate concerns.

If the person you ask “How about we try it for a while; what do we have to lose?” responds in the negative, you will likely want to ask why. The answer will usually be that there is too much risk involved in trying out the proposal. If that is the case, you need to be prepared to articulate why you feel there is little risk in seeing what happens. Flexibility in your proposal so that the risk is reduced can also be quite helpful.

“How about we try it for a while; what do we have to lose?” is one of the most effective negotiating questions we use in our intra-

company negotiations. Our business is run by four partners. We are a diverse group with different backgrounds and experiences. Two things each of the four of us has in common, however, is that we are each very strong willed and are very confident in our own ideas.

Running a business, especially one in a niche field, is an art and not a science. There is no book to look up what to do. Also, in many cases, there is not past precedent you can easily turn to that will tell you exactly what to do in a situation. These factors make running a business challenging, but also intellectually stimulating.

When faced with an internal decision in our business about what to do where there is not precedent, the single most powerful and successful negotiating question that can be used is “How about we try it for a while; what do we have to lose?” One such area is new product development. When deciding whether to develop a new product, we have to balance the potential risk against the potential reward. Case in point was a recent service the authors’ company developed for physicians. One of the authors was advocating a service where physicians would pay our company a yearly fee and we would promote the physicians to insurance companies to try to get the physicians consulting assignments involving the review of medical files. Here’s how the negotiations went:

AUTHOR: I have a great idea. I think we should develop a National Directory of Medical File Review Consultants. I ran the numbers. We charge our doctors \$395 a year and publish their info online and in a print directory, which we promote to insurance companies. We could make a lot of money and it’s a sustainable product.

RESISTANT PARTNERS: Your last idea cost us \$50,000. We’re still recovering from that one.

AUTHOR: This time is different. I have conducted a detailed survey of our customer/clients and they have shown high

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enthusiasm for the idea of a National Directory of Medical File Review Consultants.

RESISTANT PARTNERS: We don't buy it. We've used needs assessments in the past that have shown interest, then, when push comes to shove, the product doesn't sell. Besides, the doctors won't want this work since it only pays \$100 to \$200 a hour.

AUTHOR: I put that number in the needs assessment. They still say they want it.

RESISTANT PARTNERS: Well, what if you can't get the doctors consulting work? That will damage our reputation and brand.

AUTHOR: Already thought of that. We'll give the docs a full money-back guarantee for nine months. If they aren't happy we give them their money back. What do they have to lose?

RESISTANT PARTNERS: We still don't think this will work. That's what our intuition says.

AUTHOR: How about we try it out; what do we have to lose? I can send out an initial test-marketing piece. If not enough doctors sign up we'll refund their money and forget about the whole thing without spending the development money to actually create the directory's infrastructure. If, on the other hand, we get the good response I am expecting, we can invest in creating the infrastructure. In that case, we'll have a sustainable product that can generate money indefinitely.

RESISTANT PARTNERS: Assuming you don't spend more than \$20,000 on the start-up and initial marketing costs, we can live with this.

AUTHOR: Agreed. If the result is poor I'll be the first one to recommend pulling the plug on this. We'll risk \$20,000 versus the chance to make a \$50,000 to \$100,000 annual profit indefinitely. Let's give it a fair chance, though, and see what happens.

The author was able to prevail in this negotiation because he developed a business plan that was low risk (delaying many devel-

opment costs until after the product was actually sold) and high potential reward (annual, sustainable product). It was also easy to get out from under if things didn't work out (we would just refund the money of the orders we had received and fold it up). Under these circumstances, it was almost impossible for his partners to refuse the suggestion of just trying it out. It's a good thing the author used the question, too, because the test mailing ended up generating a very good response. Without "How about we try it out; what do we have to lose?" this valuable new product never would have gotten off the ground.

Here's another example of "How about we try it out; what do we have to lose?" It involved one of the most satisfying, successful, and rewarding negotiations ever conducted by Nancy, the wife of one of the authors. Some background here. At the time when Nancy had her first child a few years ago, she worked at a big bank. She wanted to spend more time with her newborn. Her company had a policy whereby employees could work flexible schedules "at the approval and in the discretion of their supervisors." She asked her boss if she could take Fridays off and work longer days Monday through Thursday to make up the time. Her boss was very hesitant. Here's about how the negotiation went:

NANCY: Now that I'm back from maternity leave, I'd like to explore with you the possibility of staying home Fridays with the baby, and working longer hours Monday through Thursday.

BOSS: I am very disinclined to do this. You are a lawyer and really need to be available to support your businesspeople if they have a question or need you.

NANCY: I already cleared it with them and they are supportive. If I need to come in or be available on Fridays, I will be there for my clients.

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BOSS: We have legal group staff meetings every other Friday morning.

NANCY: I will call into these and can also come in person for them when requested or where needed. How about we try it out; what do we have to lose? Say, for three months? At that time we can regroup, reassess, and see how it's working out.

BOSS: Okay, that sounds like a reasonable way to go.

After the three months were up, this was made a permanent arrangement. Asking “How about we try it out; what do we have to lose?” resulted in Nancy gaining the priceless benefit of being able to spend much more time with her infant and toddler children. The success of the question depended on her making a low-risk offer (she'd be available when needed on Fridays) that could very easily be undone by her simply going back to working a five-day week.

A final note about “How about we try it out; what do we have to lose?” A modified version of this question can be quite effective if you are the seller of a product or service and offer a money-back guarantee. In this case the question would be “With the money-back guarantee, you can return it for a full refund if you don't like it and you have nothing to lose, so why not try it out?” One of the reasons we back most of our products in our business with a money-back guarantee is so that we can use this extremely powerful question. Here's how a typical negotiation goes:

POTENTIAL CLIENT: I am thinking of signing up for your Directory of Medical File Review Consultants and want to know how much business I will get for my \$395.

AUTHORS: I can't honestly tell you exactly how much you will generate. This is a brand-new product and different doctors will get different results. What I can tell you is that we 100 percent back up your listing with a money-back guarantee for

nine full months. With the money-back guarantee, you can cancel and get a full refund if you don't like it and you have nothing to lose, so why not try it out?

POTENTIAL CLIENT: Okay, I'll give it a try. I guess I have nothing to lose.

Lesson

“How about we try it for a while; what do we have to lose?” is a very effective question because it is so inherently reasonable. To give this question its best chance of success you should propose something that really is low risk. You should also be prepared to be flexible if the person you are negotiating with has legitimate concerns. This question is best used in nonadversarial negotiations with colleagues, business associates, and family members. A modified version of this question (“With the money-back guarantee, you can return it for a full refund if you don't like it and you have nothing to lose, so why not try it out?”) can be quite effective for sellers of products or services backed by money-back guarantees.

How to Respond If You Are Asked “How about we try it for a while; what do we have to lose?”

This is an extremely reasonable question that is most often asked by a colleague. There are two main ways to respond to this question. The first is to agree to try it out. Usually this is best done by specifying the length, terms, and other details of the trial. This way, everybody is on the same page as to what the trial will consist of. For example, “Okay, we'll try out the new product. If we don't get twenty doctors to sign up by June 1, we'll agree that this has failed and pull the plug. Agreed?” If you cannot in good conscience agree to try out the proposal, then you must politely but firmly decline. The key to being able to do this and still maintain a good relationship with the other party is to be able to present powerful and persuasive reasons

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why there actually would be something to lose if this was tried out. For example, “Nancy, I can’t agree to try this out. I have three other young mothers on my staff. If I let you do this, I’d have to let everyone do this, and then we’d have no coverage on Fridays. I’m very sorry about this. I wish I could agree.”

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Question #25

WHAT IF WE [INCREASED THE LENGTH OF DEAL/SIZE OF ORDER]?

Success in negotiation depends on careful listening. Success also depends on choosing your own words equally carefully. “What if” is a very effectively worded question for buyers to use to find out how much flexibility the seller has and also to help gain other valuable concessions. The subtext of the question is a powerful one: Better terms could result in a potentially lucrative long-term deal or bigger deal. The reasons that this question works include:

- **It can broaden the scope of a proposed deal by making more generous terms a realistic possibility.**
- **You are not taking anything away from the table.**
- **It is usually safe to assume that the person you are negotiating with is interested in a bigger or longer-term deal.**

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- **You have not committed yourself to additional terms.**
- **The question is a trial balloon designed to gauge the level of interest of the person you are negotiating with and to gain valuable information.**

“What if we [increased the length of deal/size of order]?” is well worded since it dangles possibilities in front of the person you are negotiating with without you committing yourself to anything. For example, let’s say you were to ask, “What if we were to make it a three-year deal?” Because of the wording of the question, you are not necessarily offering the three-year deal. You are merely asking how the terms would change if you were both able to do a three-year deal.

Any question that implies that you might be able to increase the size of your purchase or the length of your relationship is going to put you in a stronger negotiating position. One of the biggest carrots a negotiator can use is dangling the possibility of more work. This makes you a potentially far more valuable client or customer. As such, the person you are negotiating with will be motivated to do what it takes to land you and keep you happy. He has too much at stake to fail.

The response you receive to “What if we [increased the length of deal/size of order]?” should be carefully listened to since it can contain very valuable information as to how low the person you are negotiating with really can go on price or what other concessions can be made. For example, if you asked, “What if we were to make it a two-year deal?” and the person you are negotiating with answers, “Well, then we could do \$85 a month, not \$95 a month,” you would then know that the person you are negotiating with can still make a profit at \$85 a month and, therefore, has room to come down on his price. Better yet, since you haven’t technically offered \$95 a month you can still try to negotiate for the \$85-a-month price.

As a fallback, and if necessary, you could always agree to a longer-term deal if that's what it takes to get your price.

The best time to ask "What if we [increased the length of deal/size of order]?" is when the negotiation has deadlocked over price or another key term. Asking this question at this time will almost always result in some conditional movement from the person you are negotiating with. Here's an example of how we have recently used this question:

TOTE BAG DISTRIBUTOR: I can offer you the one thousand bags for \$10 each, and that is my rock-bottom price.

AUTHORS (PURCHASER): What if we bought five thousand bags?

TOTE BAG DISTRIBUTOR: If you bought five thousand bags I could reduce the price to \$8, payable within thirty days.

AUTHORS (PURCHASER): We need to stick to the one thousand to start. If this works out, we expect to be ordering many thousands of bags for many years to come. The last vendor we used we ordered over fifteen thousand bags from in our five-plus years of doing business. If you can do \$8, you've got yourself a deal.

TOTE BAG DISTRIBUTOR: At one thousand bags, the best I can do is \$8.50. I have certain fixed set-up costs that don't allow me to go lower on a run of that size.

AUTHORS (PURCHASER): Done. I look forward to working together for many years to come.

As you can see from the above example, you should never underestimate the power and information to be gained from suggesting that if you are made happy you will be doing a lot more business in the future with the person you are negotiating with. Here we learned that \$10 really was not the rock-bottom price it was claimed to be. Large orders and long-term relationships are very valuable to sellers. This fact can, and should, be used to your advantage.

Our business model is to develop long-term relationships. This

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saves us time and money. It also results in our getting great service and prices from our vendors since they don't want to lose us as customers.

When we put on conferences, we try to use the same hotels over and over again for this very reason. Negotiations with hotels often deadlock when we are asked to guarantee all of the hotel rooms, which our group may or may not use. This is standard in the vast majority of similar contracts, but we never sign such agreements. How can this be? Because we use the power of long-term relationships to our advantage and ask the right questions at the right time:

HOTEL: I am sorry. I need you to guarantee all the sleeping rooms covered under the contract.

AUTHORS: You understand that if something happens like the swine flu or a recession and the rooms aren't filled, we would be on the hook for tens of thousands of dollars of penalty fees?

HOTEL: We need to protect ourselves, sir. That's our standard agreement and it's standard in the industry.

AUTHORS: We never can, have, or will agree to this. It's a deal breaker. We only work with hotels interested in partnering with us for the long haul who understand our needs and value our business. Do you have Internet access there?

HOTEL: Sure.

AUTHORS: Please go to our Web site and click the tab "seminars." What you'll find is our seminar schedule for the last ten-plus years, which shows us using the same hotels over and over again. What if I were to tell you that if you removed that guarantee language from the contract it would be our intention to come to your property annually for the next ten years and generate millions of dollars of business for your hotel?

HOTEL: Will you agree to a ten-year deal in writing?

AUTHORS: I can't do that. I need you to continue to be motivated to do a good job and I have no idea what business con-

ditions will be like ten years—or even two years out. That said, our business model is to use the same hotels over and over. Every minute I spend looking for and negotiating with a new hotel I lose money. I want a place I can go back to for years. You have our history. If you would like us to consider your property, send us over a revised contract.

Floating the possibility of increasing the scope of the business dealings has been very effective for us. More times than not we are able to have the offending guarantee language removed. If we can't, we simply use another hotel that has greater long-term vision and will therefore be more accommodating.

Lesson

The possibility of an expanded business relationship can dramatically increase your negotiating power. “What if we [increased the length of deal/size of order]?” can be a simple way to help get a lower price or other favorable terms from a seller. The question itself is carefully worded in that it does not technically commit you to anything. The response to “What if we [increased the length of deal/size of order]?” will likely help you to see the additional concessions you might be able to get from the seller. This question is best used well into the negotiations when those negotiations have deadlocked over price or some other key terms.

How to Respond If You Are Asked “What if we [increased the length of deal/size of order]?”

This question is best answered with a question of your own. Namely, “Are you offering to sign a ten-year contract?” If the answer to your question is “yes,” then you can and should consider additional inducements specifically and explicitly conditioned on a bigger deal. If the answer to your question is “no,” then you

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should respond with something like, “Well, if you’re not offering to sign a ten-year contract, can you agree to assure us of your future business?” The key here is not to agree to giving lower pricing without a firm commitment or condition that the deal will be expanded.

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