

(Published May 2005)

“Negotiation Skills for Mail Center & Shipping Managers”

By: Rob Martinez

Who negotiates shipping and mailing contracts at your company? For many organizations, mailing contracts are negotiated at the mail center manager level and then sent to upper management for signature and execution. While most mail center managers are highly knowledgeable with their vendors’ services and qualifications, they may lack formal training in negotiation and purchasing skills. In comparison, most vendors spend enormous dollars training their salespeople in effective negotiation skills. Moreover, sales representatives are paid on gross profit margin, incentives to sell your business at the highest possible pricing.

As a result, chances are your shipping and mailing contracts are lopsided to favor your vendor, and not your organization. We have found that nearly all of the contracts we review can be significantly improved to enhance service, increase discounts and other pricing concessions, and improve contract terms. Our success has been based on a step-by-step methodology that emphasizes discussion of interests and mutual gain and creates win/win outcomes.

The first and most important step in any negotiation process is *preparation*. During the preparation step, *network* with peers, coworkers, executives from related industry associations, even your counterpart at your company’s competition. Determine *precedents and benchmarks*. What discounts ranges has this vendor recently offered other organizations? What are the vendor’s *strengths and weaknesses*? What *alternatives* to this vendor do you have? You’ll also want to *develop an internal team that includes purchasing, legal, and major user groups within* your company and determine negotiation objectives, requirements, timelines, best outcome and walk away point. Include a list of must-haves and nice-to-haves. Later, you’ll see that these points are essential in the final step of the negotiation process.

All too often, we find that our client’s vendors know more about their distribution than the client. To prepare for a negotiation, it is critical that you learn as much on the subject matter as possible. This includes gathering background information about your vendor. Research annual reports, marketing materials, websites, industry publications, etc. Interview your sales rep and other suppliers. How are the vendor’s sales compared to last year? Are they gaining or losing market share? What new products are they offering? What are the current market conditions? Is your vendor focused on capturing market share or maximizing margins? The more you find out, the better you can leverage this knowledge later in your negotiation. Preparation is like exercise. It hurts while you’re doing it, but the benefits show up later.

Key concepts in negotiation strategies include “*interests*” and “*positions*”. The goal is to move the other party off of a stated position to reveal true interests. An example of a position is: “*The pricing on the table is the best we can offer.*” The interests behind this statement are unknown. *Why* is the vendor reluctant to offer better pricing? Would an additional discount make the sale unprofitable? Or would it decrease the salesperson’s commission? Did management recently reprimand the salesperson for offering too-steep discounts? Perhaps it has something to do with the effort and time involved with a pricing rebuttal. As a negotiator, you are at an extreme disadvantage until the other party’s true interests are revealed.

So how do you get the other party in a negotiation to reveal true interests? We’ve reached step two in our methodology: *Probing*. Probing includes asking questions and listening. Remember, negotiation is a

process, not an event. Every engagement with your vendor is an opportunity for probing. That includes telephone discussions, account reviews, presentations, product demonstrations, facility tours, lunch, etc.

Generally speaking, the person with whom you are negotiating represents at least two agendas. The first is his/her company's objectives. The second, his/her personal interests. Effective probing will determine both. Professional negotiators ask questions to determine *motivations and expectations, wish lists and must-have lists, stated goals and real interests, soft spots and desperate needs, and personal aspirations/psychic needs.*

Rephrasing is an excellent probing tool that confirms understanding, but more importantly elicits a response that moves off position and clarifies interests. "So what you're saying is that your company never offers greater discounts than what you've already proposed?" We also like to ask "Why" questions whenever we think we hear a stated position. "Why is that important?" "Why do you feel that way?"

Two similar approaches to overcoming probe-resistance are *restatement* and the *show-me-how* techniques. Restatement is a great tool when your opponent makes a strong or emotional comment. "Can you restate that?" gives them an opportunity to clarify information, almost always in a less emotional way. If the other side is locked into a position you feel doesn't make sense or won't work, you can point it out using the show-me-how technique: "Can you show me how that would work?" A few embarrassing sentences into the explanation, your vendor often realizes his/her error, and you have a new opportunity to align outcomes.

Of course, we may reach a stage that the other side becomes so entrenched in a stated position that negotiations become deadlocked. First, try to get the other side to share your vision through hypothesis: "Let's pretend..." "Just suppose..." "What if..." We find that sometimes, stated in this manner, the opposition will see that your requested outcome is in fact achievable. At worst, the hypothesis technique requires that the other party disclose additional information. While your counterpart may not immediately give in to your request, you're talking again. You've jumpstarted the once-stalled probing process.

Another technique to unlock deadlocks is to *find reasons to agree*. Go back and summarize all the areas in which you both agree. Remind the other side why the deal is a good idea. Recount true interests, not positions. Show them how close you are.

The final step in the negotiation process is *proposal*. Generally speaking, while you want to influence the offer before it's made, get the other side to propose first. It's the reason a car dealer says, "make me an offer". Use the information learned during the preparation phase like benchmarks and precedents.

Always secure primary discounts before negotiating terms, conditions and accessorial concessions. Remember, this is an article on "win/win" outcomes. The proposal stage is the time to use your must-have and nice-to-have lists. Get most of what you want by giving up some of what they want and less critical items. Whenever possible, increase the rewards for the other side in the form of additional business, long-term commitments and psychic awards. Offer to be a reference, case study or customer site tour. If during the probing phase, you determine praise is important to the salesperson, offer to write a letter to their boss commending his/her efforts. This is where both preparation and probing pay dividends.

However, not all negotiations are meant to conclude successfully. Be prepared to walk away if the other side forces you below your bottom line or your alternatives are better than the ones proposed. Walk away if you feel long-term problems outweigh short-term gains, or if you're convinced the other side can't abide by the terms of the deal.

Prepare, probe and propose. Set your aspirations high. With preparation and a strategy, you can even the negotiating playing field with your vendors, secure maximum discounts, improve service and contracts terms.

Rob Martinez is partner and executive vice president of Navigo Consulting Group, procurement specialists for shipping & mailing services. With 15 years experience as both a vendor as well as outside consultant to

the industry, Mr. Martinez specializes in cost reduction through data analysis, strategic sourcing, modal optimization, utilization of technology, RFP's, contract negotiation and supplier management. A frequent speaker at numerous industry conferences, Mr. Martinez has authored multiple logistics-related articles and is quoted extensively in industry publications. Active in various associations in San Diego, Mr. Martinez is on the Planning Board for the Institute of Supply Management (ISM) and is the President of Mail Systems Management Association (MSMA). Mr. Martinez can be reached at 858-538-3359 or rob@navigoconsultinggroup.com.