

The commercial negotiation framework

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Abstract: - Negotiation is the activity during which people deal with their differences and depending of the individual skills this process may end in success for a side or another or both. Commercial negotiation is a particular branch of negotiation. Commercial negotiation has three main elements involved seller, buyer and product/service. This process is being governed by one important factor and that is price. Given the fact the commercial negotiation is present into the contemporary life more than ever it is important for both sides to improve the negotiating skills for being able to handle this activity with success. This article presents techniques, tactics and methods that help the actors involved in the activity to achieve their proposed goals.

Key-Words: - commercial negotiation, sale, buy, techniques, tactics, methods

1. Theoretical introduction

Commercial negotiation regards the assembly of measures meant for closing a deal between two or more parts. The business may consist in selling, ordering, transactions, etc. it always includes a delivery of goods and/or services and a counterpart, mostly in monetary shape (the price). The counterpart has on the other side many different aspects and in general it has different conditions (the delivery deadline, the payment deadline, contractual obligations, etc)

The commercial negotiation represents actually a particular side of the negotiation process. The schemes that can be elaborated for negotiation, in general, are applied, after their adaptation to commercial negotiation. From its structure point of view, the commercial negotiation consists in three fundamental elements:

- the actors: the seller and the buyer;
- the differences: of objective, information, statute, values;
- the desire of making an agreement;

From its dynamics point of view (mechanisms and resorts) the commercial negotiation can also be analyzed starting from a field of forces in which:

- stakes, attitudes and prices interfere;
- the previous elements confront, together with strategies, techniques and tactics;
- the negotiators' behavior are being defined;
- the styles of negotiation come into place.

It results that the fundamental problems of negotiation in general (the mainly integrative or distributive orientation: its efficiency, its level of determining the results, the effects and incidents in time) are to be found

also in the commercial negotiation. The commercial negotiation presents a few dominant characteristics: [1].

1. The commercial negotiation is dominated by the existence of the product/service and of its attributes (price, quality, terms, payment conditions, warranties etc). If the social negotiation has a powerful ideological orientation and in the international negotiation there is a powerful ideological orientation, in the commercial negotiation the environment identifies itself with the competition. Negotiation places face to face actors that search for a mutual adjustment of their economic needs, concretized in a product/service. This omnipresence of the product puts some color into commercial negotiation with technical aspects involved (the selling/buying techniques). The negotiator becomes tributary not only to his reputation but also to his organization, his credibility having two distinct components: his own credibility and that of his product.

It results that in commercial negotiation there are involved both objective aspects (which are defined according with the market) and relational aspects (concretized in interpersonal aspects).

2. The commercial negotiation determines the appearance of some tension between the need of closing a deal unilaterally advantageous and that of long term fidelity. All these involved, the commercial negotiation is never strictly distributive but it is rather mixed.

3. The actors of commercial negotiation share principles, values and a common language which determines in creating a specific ambience to this type of negotiation and in correspondence of a certain negotiator profile.

4. The interdependence between suppliers and beneficiaries can be interpreted as a constraint but also as a source of opportunities.

These characteristics that are to be found in the same shape in other types of negotiations represent the specificity of commercial negotiation in general. There are though differences between the various situations of negotiation. Between the economic negotiation carried on different levels there is a tight dependence. Thus, the macroeconomic negotiation creates a favorable frame of development of the microeconomic negotiations between firms, and these. On the other side, create a climate proper for the deepening of collaborations on macroeconomic level.

Determining the general framework of commercial negotiation means:

- knowing the general situation and the global economic, political and military environment;
- the delimitation of the external juridical framework-international law, agreements bi and multilateral etc;
- knowing the strategy of development and the balance sheet of the respective county, the customs taxes in import, profitableness indicators etc;
- knowing the situation regarding the country of potential partners (by studying a monograph with up to date information).

The specific framework of commercial negotiation contains the particularities of the product's market and the characteristics of the relations with the negotiating partners and it has the following aspects:

- the product in the context of the partners' market;
- the situation of the negotiating partner;
- settling the exact position of the negotiating partner.

The situation of the negotiating partner takes into consideration:

a) the firm with which it is negotiated, taking into consideration the following aspects:

- the turnover, the number of employees, the value of the social capital;
- the juridical form of organization and the internal organizational structure;
- the group or persons that control it;
- the position on the market and the reports with other companies and with the competitors;
- the sales volume and the distribution on clients and suppliers;
- the investments policy;
- the marketing strategies used, the distribution web;
- the practice and usage in the relations with foreign partners;
- the company's reliability and solvability;
- the history of the reciprocal relations.

b) The persons with whom the negotiation is made and that is:

- their position inside the company;

-their level of education;

- their power of decision and the relation they have with the management;

- personnel particularities (character, personality, erudition, intelligence, life views, family situation, behavior in previous negotiations, hobbies, etc)

In practice there is a great variety of commercial negotiation which can be distinguished by analyzing three different points of view.

1. "The big negotiation" and "the small negotiation"

The big negotiation is that which regards, for example the contracts between industrial groups and small negotiation refers, for example, at the detailer put face to face with the buyer in his daily activity.

Because the disproportion between the two approaches is considerable it is obvious that these two won't use the same type of strategies, techniques and tactics and also they won't respect the same rules.

In the case of a big negotiation the partners know each other, the relation is usually long and they know pretty well the essential data of the strategies for achieving a precise finalization.

In many of the industrial negotiations are to be found these kinds of characteristics.

In the case of a small negotiation, the client is unknown (not in the sense of not knowing his name or qualities) because the impulses, the need and personal strategies are often ignored by the seller and sometimes by the client himself.

The evolution of the economic conditions has determined the appearance of an intermediary type of commercial negotiation: the act of selling becomes a part of a game more complex than the approach client-product. The transaction takes place in wider frame and it is characterized by a tendency of globalizing the results and the relation. The art of selling becomes a contractual strategy between two partners which enter into a wider relationship, more complex and durable than a single act of selling. An ideal strategy needs to be able to evolve in response to changes during the negotiation because the balance of bargaining power can often shift during the negotiation [2].

2. "The selling negotiation" and "the buying negotiation". From the point of view of handling the situation the buyer – negotiator is in general, from many reasons, in a different position than that of a negotiator-seller.

The buyer-negotiator is in general capable of attracting competition on his side, while the seller-negotiator must negotiate against competition. In other words, in general the seller is never sure that he would sell, while the buyer knows whether he will buy or not.

In general, the buyer reveals his needs and eventually multiplies his sources of supply, he listens to his

interlocutor without revealing his possible motivations, and he compares and draws conclusions. The seller tries to reduce competition by presenting his offer as being special in comparison with others he listens to the buyer in order to discover his motivations. The buyer's initiative is oriented to increase competition and the sellers' it to decrease competition by presenting the technique, economic and relational characteristics of the negotiating process.

The buyer's constraints are different than those of the sellers. First of all, the buyer has in mind the price and second of all the security of the provisioning. The seller instead is oriented towards a wider range of criteria: the profitableness of the transaction which he often combines with the increase of the turnover or that of the market share. Each of them aims to "pull" the final deal point as close to his desired price as possible (or even go beyond it) [3] The buyer remains in his "territory" while the seller leaves his own territory in order to conquer that of the buyer. From these reasons it is admitted that, in general, at least at the beginning of the process of negotiation, the forces report is in the buyers favor [4]. This affirmation needs though to be shaded because the initial report of forces depends of other factors as well such as: the type of selling, the place of the selling, the intensity of the competition, the previous records of the respective relation, the circumstances, the company's wideness, the alliances, etc. It results that the initial report of forces can evolve in accordance with the dynamics of the negotiation process, in particular in accordance with the negotiators' ability. Another aspect of the buying/selling negotiation refers at the misunderstanding between the buyer and the seller. In buyer's eyes the seller manipulates, exaggerates, dissimulates, etc. in the sellers' eyes the buyer puts pressure and uses blackmail.

Despite these differences the seller and the buyer are subject to the same mechanisms specific to negotiation, which means its rules, the process itself and the determination of its results. Also, they use in an adapted manner the same techniques, their efficiency of negotiating depends more or less on their attribute (of buyer/seller) and even more on their general ability of "winning" a negotiation.

3. Negotiation in accordance with the type of product. Within this category there are distinguished two types of negotiation: negotiation of products /industrial services, negotiation of consumable goods.

In the first case the negotiator's use either the motivation or the technique. The phases of the negotiating process are longer and more complex and they include investigations, technical demonstrations and the detailed arrangement of the warranties and the maintenance clauses. A good negotiator should be informed regarding some technical aspects of the respective product to

which it must be added the art of the merchant. In the second case the negotiators know very well that the buying motivations of the client are either impulsive or relatively simple and on the other hand the quantities put in the game are quite considerable.

The buyer of a wide consumable good will negotiate in accordance with the anticipated relationship on behalf of the final consumer. The seller of wide consumable goods is before everything a merchant.

4. The banking negotiation. The negotiation between a bank and its customers can be analyzed from the banks point of view or from the clients' point of view. In the last years the banks are not only interested in the fast evolution of the new banking products and the new competitors but also by the behavior profile corresponding to the different customer segments. From the client's point of view, negotiating with a banker requires at least a minimum set of banking knowledge, and that knows the usage, the constraints the banking criteria. Ignoring those elements reduces considerably the negotiating power of the client. Without some basic knowledge of these subjects, not necessarily to the level found among professionals the occasions to evaluate the advice will be wasted [5].

The factor of reciprocal trust and of continuity represents an important element of the banking negotiation. The client must distinguish what is and what isn't negotiable. For example the client will not be able to negotiate the international constraints or the banking principles. In this kind of negotiation interferes the problem of the report of forces. Many customers consider that this is strictly in the bank's favor but based on a corresponding preparation and of a better usage of the techniques of negotiation the client will be able to modify this report into his own favor.

2. Tendencies in commercial negotiation

An actual tendency is represented by the strategic sale (the major sale) which has the following characteristics:

- it has a crucial importance for the organization;
- it has a high cost;
- it implies more decision actors;
- it is based upon establishing long term relations.

In the conditions of globalization and technological evolution this type of sale presents a continuous importance. In a strategic sale the seller actually sells three elements:

- a relationship based on trust, credibility and the recognition of the reciprocal benefits on both sides;
- a product or a service;

- a business, and that is a complex assembly of annexed clauses and special arrangements (finance, compensations, warranties, etc)

Such a sale requires a strategic approach which can be accomplished in successive stages:

1. The systematic research of information;
2. The analyze of the objectives and of the partner's objectives
3. The strategic planning of the sale (which means the use of the available resources in an efficient manner);
4. Putting into practice the business for both sides which means costs, advantages, etc.
5. Preparing some proposals that will be formally presented;
6. Organizing a team responsible for taking decisions and with making the proper actions regarding coordination and guiding of the negotiation.
7. Searching for an agreement first from successive signals and then through am manner more and more formal (letters of intent, protocols, etc)
8. Organizing to entertain and develop the relationship.

The concept of strategic sale seems to lead to finding common points in commercial negotiation and the projects management. The sale will thus be considered as a web of interdependent activities which use resources and stimulate costs. The client intervenes in this web by introducing uncertainty and interactions. A series of events will play a major role in the process of negotiation.

- the benefits/costs;
- the management of resources and time;
- the reducing of uncertainties and risks;
- the reducing of problem s;
- creativity.

Another tendency relatively recent in the commercial negotiation consists in the awareness of some radical changes in the sales economy:

- the decrease of sales of wide consumable goods in parallel with the appearance of new competitors of the traditional sale and with the development of information and communication technology;
- the " stability " of industrial products sales together with the considerable modification of their style;
- the improvement of the intellectual formation of the sellers through the gathering an increased volume of basic knowledge and by the increase of the competence level;
- the entering into force of marketing, especially of direct marketing and of the methods of customer selection and segmentation;
- the development of the sellers style by improving their image;
- the development of direct relations between sellers and suppliers (fro example through electronic mail);

- the increase of the resellers importance (dealers) and of the franchise.

Often the term "commercial negotiation" is identified with that of "selling technique" even though there is a series of differences mentioned in the following paragraphs.

Selling is an act of exchange with an onerous title in which the buyer enters into the property of some goods and services for remuneration given to the seller. This consists in convincing a respondent that the product-service offer responds the best to his needs.

Negotiation consist in analyzing a situation in which there is a common interest even though the interests on each side seem opposite and in which each side tries to impose his conditions to the other side before reaching a satisfactory agreement for both. In "win-win" negotiation the two parties have a common interest in reaching a solution which is optimal and suitable with regard to the supplier's ability and the users' requirements [6].

The selling and buying techniques are being integrated in the process of negotiation where they become manner tactics. In the specialized literature there are formulated a series of recommendations regarding the efficient techniques of negotiation available for the traditional sale (wide consumable goods). The principles upon which these recommendations are based are [7]:

1. There is a small number of principles and fundamental rules in the art of selling and no fundamental rule has been discovered during the last century but those existing have been continuously improved. The sellers must know only a part of the fundamental principles and they must consequently apply them until they become a second nature. Goldman remarks the fact that there are from this point of view three categories of sellers:
 - sellers that know these principles but don't apply them accordingly;
 - sellers that ignore them;
 - sellers that know them but who are not aware of the need of their improvement.
 2. Most of the sellers are not so good psychologists as they think they are and overestimate their level of knowing the people.
 3. The level of aspirations of the sellers must be very high; they need a lot of energy and tenacity;
 4. There is a number of methods that have proven their efficiency;
 5. The models must be adapted to the instability and complexity of concrete negotiation situations.
- Goldman underlines the essential ideas on which the used models are being based upon:
- the necessity of respecting the buyer's needs and motivations and on the fact that the idea of the provided service is at least as important as the product itself; the

reasons of buying are not always rational so that need isn't created than it can be awakened or developed;

- the merchandise doesn't sell itself exclusively through its qualities and price;
- a dynamic sale doesn't have to be a forced sale;
- the client is not always right.

Regarding the proper methods there must be added some remarks. Most of the "doers" insist upon the importance of the first contract and of receiving the negotiation partner. They also underline the importance of demonstration and argumentation. Finally the conclusion requires a special attention.

Two of the classic models of traditional sale are AIDA and DIPADA.

The AIDA method proposes the seller a four step process, each step having a particular objective:

- the seller must first of all attract the clients' attention by addressing corresponding questions even from the beginning of the negotiation or by using a positive and different presentation or by presence and looks;
- afterwards the seller must provoke by making a demonstration based upon evidence, tangible facts and by the ingenious maneuver of the merchandise;
- the third step consists in awakening the client's desire to buy with the help of the argumentation techniques;
- in the final step the seller must reach an agreement which means to provoke the client to decide by trying to modify the clients attitude and by taking advantage of the opportunities.

In the case of the DIPADA method the first three steps regard:

- defining the need (the seller does not talk yet about his product);
- identifying the product;
- the proof of interest of the proposed transaction.

The argumentation in the case of a sale or a commercial negotiation must respond to a certain number of criteria:

- the pertinence: taking action, adapting the arguments of language and the clients' expectations, the demonstration based upon evidence;
- the empathy: the capacity of feeling the needs and expectations of the respondent, of putting himself into his place and of being sensitive to the actions and social interactions;
- efficiency: focus on the essential, soberness;
- inducing: the capacity of influence and integration;
- solidity: the capacity of overcoming obstacles and to impose at the end;
- orientation: the argumentation must sustain the AIDA or DIPADA methods;
- the adequate form of expression: clarity, facilitating a proper climate.

3. Conclusions

Commercial negotiation is a part of the negotiation that involves some different strategies and techniques. First of all commercial negotiation has two main actors involved the seller and the buyer. In accordance with their desires and needs, the act of negotiation can lead to success for both sides or not. This success depends only on the ability of each of them to bargain what they want but by being first of all informed, flexible and willing to sell/buy. In such a manner the negotiation activity will end up in great satisfaction from both sides.

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