Negotiate Like a Pro: The Four Levers of a Sale

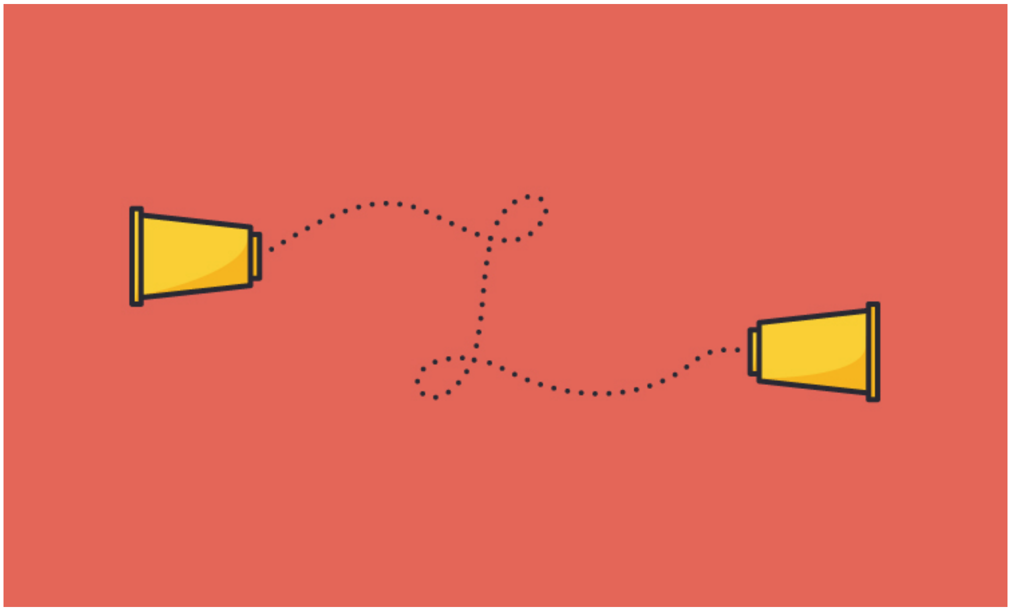
This lesson will be your reference guide on how to enhance your negotiation skills.

Introduction

Welcome to your reference guide on how to negotiate like a pro!

Negotiating demands confrontation and forces people to talk about money (and to each other), which might explain why most of us loathe the idea of doing it.

But negotiating doesn't have to be all that difficult. If we can understand the variables that go into most agreements, and how changing one variable affects the others, we can take control of our deals to craft better, faster, stronger agreements.



The Goal

In this Lesson, we'll discuss how to approach and navigate negotiations tactfully by looking at the four levers of a sale:

- Timing of Deal
- Contract Length
- Deal Size
- Payment Terms

By the time we are done with this Lesson, you will wonder why you ever hated negotiating in the first place. Or, if nothing else, you just won't hate the practice nearly as much. (How's that for a lofty goal?)

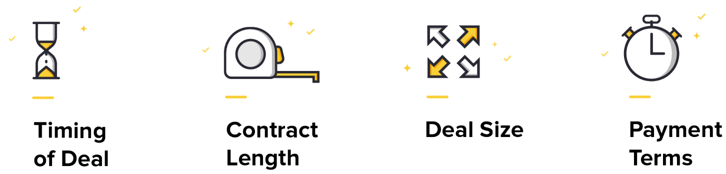
Keep This In Mind

Negotiating is all about finding common ground. In most cases, buyers will want a discounted price. In most cases, sellers will want longer contract lengths. All of these are fine and reasonable things to strive for. But, every ask from the buyer or seller should cost them something, whether it's moving three other levers down or two of them up.

It should take you about 10 minutes to complete this Lesson.

Tip: To continue, click the arrow on the right.

Definitions



So, let's get defining. Here are the four levers of a deal:

Timing

When are you going to become a client?

Contract Length

How long are you going to be a client?

Deal Size

While you're a client, how much, in total, are you going to pay?

Payment Terms

How frequently are you going to make payments toward that total?

Tip: If you ever need to jump around in the Lesson, select the magnifying glass icon in the upper left corner and it will take you to the Lesson's Table of Contents.

Timing of Deal

The Ideal

Most sellers want the purchase to occur as soon as possible. The quicker a contract is signed, the sooner the money hits the bank, the commissions get paid, and so forth.

What This Means for the Buyer

If you know that the seller wants to sell as soon as possible, and you are comfortable signing a deal soon, you now have a lot of leverage when it comes to our three other variables (Contract Length, Deal Size, Payment Terms).

That is, you can offer your immediate agreement to a seller if he or she will allow for a shorter contract length, a smaller total deal size, or more advantageous payment terms (e.g. instead of paying up front, you might ask to pay in quarterly installments).

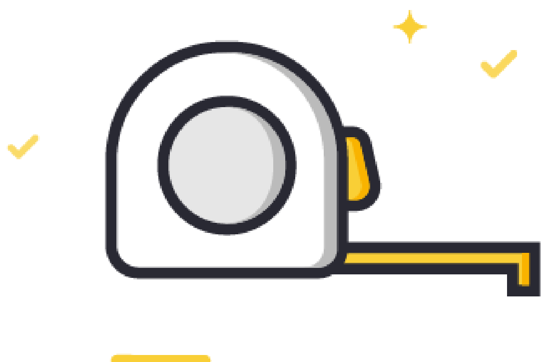
How Sellers Can Use the Other Variables to Help with Timing

If your buyer isn't interested in making a purchase soon, you need to get them to be. To do so, you can offer a shorter contract length, a smaller total deal size (i.e. give them a chance to pay less by signing faster), or more advantageous payment terms. Remember, any of these offers should only be valid if the buyer will ink the deal in the next day, week, or month; that is, be clear when you need the buyer's signature in order for them to qualify for your special offer.

> **Example Offering**: "I will give you 10% off the list price if you sign before 5pm on Friday. If the clock hits 5pm and I

do not have your signature, the list price will still be available to you, but the discount will have expired. I hope this helps!”

Contract Length



The Ideal

The seller wants the buyer to be a client for years, not days. The longer the contract, the better.

What This Means for the Buyer

If you know that the other end of the table wants you around for awhile, and you're willing to make that commitment, you now have a lot of leverage when it comes to two other variables: Deal Size and Payment Terms.

That is, you can offer to commit to a longer contract at a reduced total price or for more advantageous payment terms (e.g. quarterly instead of annually, monthly instead of quarterly).

How Sellers Can Use Deal Size and Payment Terms to Help with Contract Length

If you are the seller and your buyer doesn't want to commit for as long as you'd like them to, you now have some bargaining power over Payment Terms and Deal Size.

Flip

Adjust the deal size.

“Sure, you can come aboard for half of our desired

Flip

Extend the contract length.

“Sure, we can let you pay quarterly if you sign on for two

On the flip side of all of this, your buyer might be over the moon to sign on for 4 years. If that’s the case, consider throwing them a thank-you when you’re outlining their Deal Size and Payment Terms. It’s always good to reward people when they help you and ask for nothing in return.

Remember: You only get paid commission for the initial term (i.e., the first year), unless you sign the client up for a multi-year term within the first six months of their initial term.

Deal Size

Remember: You can discount any deal up to 10% *without* management approval. Any discount past that mark needs to be approved by sales leadership.

When most people think of negotiating, this is the main thing they focus on. It's the measure of just how much money is changing hands as a result of the agreement. It *seems* like the end-all, be-all, but it's not — at this point, you see how Deal Size is just *one* part of the big picture.

The Ideal

Big deals are better than small deals.

What This Means for the Buyer

Buyers can use Deal Size to negotiate for better Payment Terms or a more agreeable Contract Length. That is, if you are forking over a ton of money in total, you can likely get out of annualized payment terms and pay with frequency instead.

How Sellers Can Use Deal Size to Affect Timing

Sellers can use Deal Size to create urgency, which affects Timing of Deal, by offering lower prices during given periods and not others.

So, if your buyer wants a reduced price, give them a limited window for securing that price so that you can get a better result with timing.

Payment Terms

The Ideal

Everything is paid up front, typically within 15 or 30 days of signing.

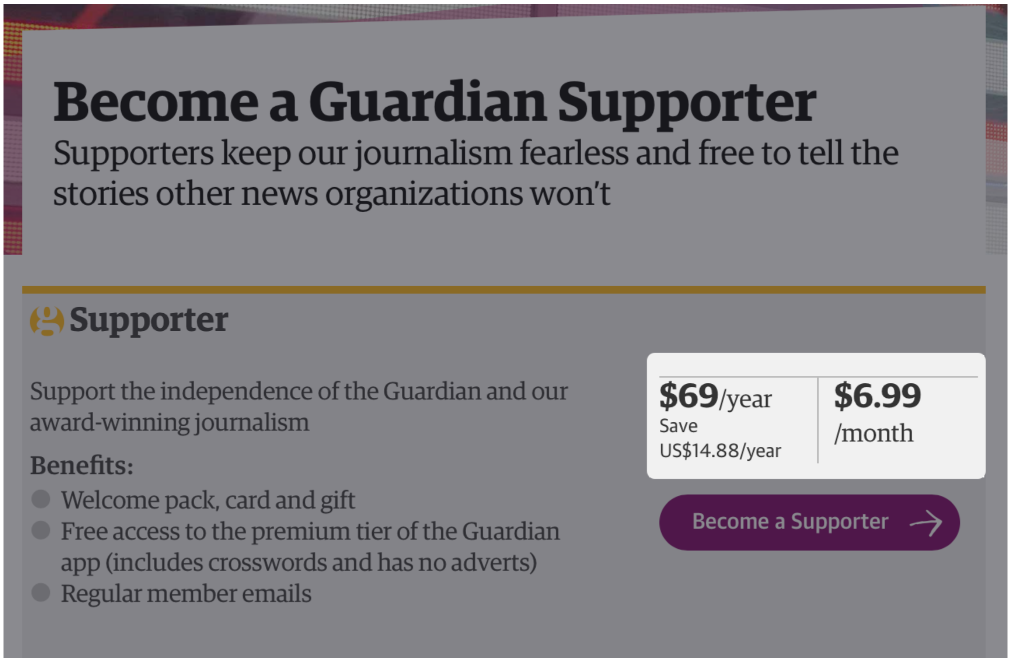
That is, if you sign a yearly contract and you can pay for the entire year right now, instead of twelve times over the course of the year, that is a harp to your buyer's ear. It puts much-needed cash in the bank, where it can be used to grow the company (and pay the seller his or her commission more quickly).

What This Means for the Buyer

If you're willing to pay an entire contract up front, you have plenty of opportunities to lower your liabilities when it comes to Deal Size, Contract Length, and Timing.

When it comes to Contract Length, you can ask for an extra month or two for free if you pay everything up front. In the same vein, regarding Deal Size, you can ask for a discount on the total price if you pay for the entire contract right away.

Built-In Discounts: You will find many sellers who offer discounted deal sizes if a buyer pays annually. That is, sometimes, this negotiating lever is addressed in advance by the buyer, and the seller doesn't even need to ask for it.

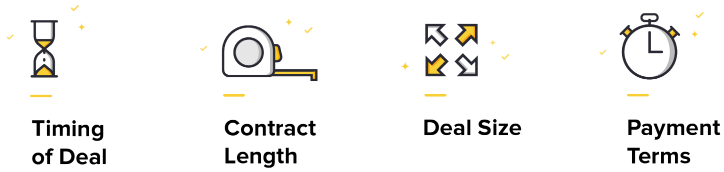


Notice how The Guardian gives the buyer a built-in discount if they pay annually.

How Sellers Can Use Payment Terms to Close Better Deals

You want everything up front, but your buyer isn't interested. So make them interested. Tell them you'll cut their Monthly Cost or Contract Length if they pay right away.

The Key Takeaway



Anytime somebody is negotiating with you, there will be levers to pull. Ramping up one lever might mean reducing others, or vice versa. The important thing is that you **recognize the relationships** between the four levers of sales so you can adjust them fairly *and* advantageously.

Tip: You can always refer back to this Lesson by going to your My Assignments tab or searching for it in your Learning Library.

The Other Side of the Table

You are being sold something that costs $10 a month. The seller wants you to buy as soon as possible. What might you ask for in return?

Quiz

We hope you enjoyed learning about the four levers of a sale and now feel equipped negotiate like a pro.

Before you go, please answer these questions:

Required

If a deal closes this week or next month, so long as it's in the same quarter, it makes the same business impact.

True

False

Required

Which of these discounts can you give without management approval?

Choose all that apply:

10%

15%

20%

25%

30%

Required

Which of the following retire quota?

Choose all that apply:

One-time services revenue

Recurring subscription revenue, paid monthly

Implementation fees

Recurring subscription revenue, paid quarterly

Recurring services revenue

Recurring subscription revenue, paid annually

Required

Buyers should pay more money if they want quarterly billing or monthly billing.

True

False

Required

What management-approved asks could you make of a buyer who wants a discount on a subscription?

Choose all that apply:

A commitment to do a case study

A multi-year contract commitment

A reduction of services dollars instead of subscription dollars

An agreement to sign the contract in the next 72 hours or lose the discount

A referral relationship

Remember: To complete this Lesson and submit your responses, don't forget to click **Finish** on the right.