Chapter Five
The Fundamentals

My fundamentals are a series of framing devices—ways of thinking when negotiating. If you master the following practices, you will be ahead every step of the way. When you are in the thick of negotiation, it takes discipline to stay focused on what matters. The techniques in this chapter will ensure that you close your deal successfully.

1. Working the Baseline

Get in the habit of *always* wondering whether you can get the other parties to sweeten the deal. If they have made some adjustments or concessions, don’t assume they won’t continue to make more of them. The only way you can find out how much the other side is willing to give up is by continuing to ask. Naturally, you’ll need to know when to stop, but learn to be comfortable with asking if this is the absolute best they can do. Always be on the lookout for additional reasons to gain further concessions from them. Has there been a misunderstanding that, upon clarification, ultimately makes the deal less desirable for you? Have you received other offers while these negotiations are still taking place? Have you become aware of anything about the other party that could provide you with reason for apprehension or doubt? Assuming you are still comfortable dealing with them, refer to any of these factors as justification for further concessions or adjustments.

If you sense that your position is strong and they are motivated to close this deal, merely demonstrating hesitation to get the deal finalized could cause them to offer more concessions. If you believe they could afford to make the deal a little sweeter, try saying: “I really want to conclude this deal, but I just don’t know. I’m excited about getting this done, and yet when I take a step back and think about things I start feeling like I’m not getting enough (or I’m giving up too much). I’m trying my best to get over that feeling.” Notice how you haven’t made any more demands, and you haven’t asked the other party to change anything. You are simply demonstrating some apprehension in the hope of a deal-sweetener to entice you to finalize the discussions. They can respond by saying they cannot make any additional changes, or they may respond with an improved offer.

As long as you are nice and respectful, this hesitation shouldn’t create any hard feelings from the other side. Essentially, you have nothing to lose by saying this. But you must do a good job of assessing their reactions leading up to this so that you know when to stop asking for changes; otherwise, at some point you do run
the risk that the other side no longer takes you seriously and possibly becomes annoyed.

2. Enter Swinging the Ax

At every step of the process, chop down at the price when negotiating to purchase something. Use every meeting, phone call, or discussion with the other party throughout the course of the negotiation to continue to try to get a better deal. You will do much better with your negotiations if you get the price down in phases. Each time you speak with the other party is a fresh opportunity to ask questions in different ways and employ the various negotiating tools you possess as a skilled negotiator.

If negotiations will be taking place in person, always start your negotiations before you even see the item the other person is selling or before you meet the person with whom you will be negotiating. If you see an asking price of $10,000 for an antique armoire, you must start chopping down at that price before you meet the seller or see the armoire. That is an integral part of the "chopping down process." In person, it would usually be much more difficult to get the other side to go down from $10,000 to $7,500 at one time. But what if you were able to get her down to $9,000 even before you saw the armoire? Now you would already have $1,000 of the difference covered before you even meet!

People usually feel uncomfortable getting into details about the numbers until after the first conversation, believing that the first contact with the seller should be reserved for small talk, asking for directions and getting preliminary information about the item itself. Wrong! The initial contact is a golden opportunity—not to be wasted—to begin to make a dent in the price. Sellers often make the same mistake. Why not inquire of a potential buyer if your asking price is within the buyer’s budget? As the seller, you establish legitimacy for your asking price at the outset and weed out potential buyers looking to chop down hard at your price.

Begin your fact-finding mission as soon as you begin communications with a seller. Within the first couple of minutes after getting into the details of the deal, one of your first questions should be something to the effect of, “I know your asking price is ten thousand dollars, but what is the lowest amount you would take for this armoire?” The seller will probably give you a lower number than the original asking price right then, as everyone feels a sense of obligation to reduce their price somewhat from an original asking price when asked to do so. Take full advantage of that easy first step.

Every time you get to a lower price, you must completely forget—and make the other party completely forget—the original asking price, or the price the seller had been asking for before he or she agreed to the new number. If the original
asking price was $100,000, and you’ve successfully chopped that down to $90,000 in the beginning of negotiations, don’t allow the original $100,000 asking price to be brought up again. You are now negotiating from $90,000, not $100,000. Likewise, if you’re able to continue to reduce the seller’s number lower than $90,000, then negotiations are based on that new number, and the fact that the seller’s number was once $90,000 is history, never to be referred to again.

3. Dismiss Reminders of the Original Price

Let’s assume the seller’s original asking price was $500, but you were able to get him to reduce his price down to $450, and then again to $400, and now his revised asking price is down to $375. As negotiations continue, he will want to remind you as to how much he has already conceded in lowering his asking price. He may say things like, “I’ve already made huge sacrifices.” Downplay his concessions by saying, “I agree you’ve come down a lot, but please realize that your number was way too high to begin with. I’m glad I was optimistic and willing to stick it out because now we’re really getting close.”

4. Don’t Bid Against Yourself

In a negotiation, it is always a good idea to get at least one offer from the other side in between your offers. If you ask for $50 and the buyer offers you $20, it’s fair that the ball is now in your court to come up with the next number. If you now say $40, you want her to come back with a number until this process repeats enough for the two of you to agree. What you absolutely don’t want is for you to have said $40 and then for her to respond that it’s still too high and that she isn’t prepared to go above $20. If she insists on staying at her number, you’ll be tempted to come down from your $40 to $30 so she becomes more likely to budge some more. Try your best not to do it, because if you do, then you’ve essentially just bid against yourself and just earned her an easy $10 while setting the stage for her to continue to take advantage of this. She may now offer $22 or $23, knowing you’ll likely continue to make bigger adjustments than her most recent adjustment of $2 or $3. The likely result will probably be some number closer to $20 than $30. If you had insisted that she go up from $20 when it was her turn to make a counteroffer before you went down to $30, you’d be in a much better position as the two of you continued with the negotiations.

If you see you’re dealing with a skilled negotiator who’s attempting to get you to bid against yourself in this manner because she’s refusing to counter and essentially forcing you to provide two numbers in a row, then you should ask her to “give me some number so I don’t feel like I’m bidding against myself.” Most people will respect this request and at least provide some number, even if it’s not a big jump. Any change is still better than you having to come up with two numbers in a row.
5. Get the Other Side to Bid Against Themselves

Always do your best to get the other guy to bid against himself. Whenever possible, stay put at your number and see whether you can get him to provide two numbers in a row. Anytime you can do this you’re winning the negotiation. Often you’ll recognize other people committing this huge mistake without even realizing it. If you find yourself dealing with such novice negotiators, certainly don’t draw it to their attention, and make no reference to “bidding against oneself” because once you point it out they’ll be aware and sensitized about this issue.

At the very outset, after you display disappointment in their first offer, let that sink in for a little while before you start providing your own numbers. Let them get on the defensive about their offer, and see how they react. They may have already expected that their number would be rejected and thrown the number out there in the hopes that you were going to be an easy target. Seeing that you’re not rushing to accept their original terms, they may follow up with adjustments or concessions. Feel them out for as long as you can before you rush to verbalize any numbers of your own.

Let’s assume your neighbor just offered you $500 for your sofa and that you were hoping to receive a higher offer. Instead of rejecting the buyer’s offer or making a counteroffer, just say, “I was looking to get more than $500.” Next, talk about how great your sofa is, how expensive it was when you bought it brand-new, or how unique it is with its custom fabric or unusual feather fill. Let the buyer see your disappointment in her offer. She may surprise you. You may have been tempted to ask for $550. Instead, your delay provides the opportunity for your neighbor to suggest another number of her own, essentially bidding against herself. She may now offer $600, which you would have never received if you had made a counteroffer of $550 too soon.

You will win your negotiations if you can learn how to get the other parties to provide their numbers while you focus on your responses to their numbers. Let’s say you are the seller. If they start at twenty dollars, keep the focus on them and on their thought process instead of responding with a number of your own. Say something like, “Well, that’s much lower than I was hoping for. I was hoping we’d at least be pretty close to each other’s numbers. It looks like we have a long way to go.” Then you can remain silent and see if they say anything. Again, the more turns they take in between your turns, the better you’ll do. If the silent pause doesn’t work, then turn it around on them and say something like, “Can you make me a higher offer so at least I can feel like we have a chance of working something out here?”
A good rule of thumb is to try to get them to go twice in a row before you go once. If you try to get them to make three adjustments to your every one they may become agitated. But, getting them to adjust twice to your every one may not even be noticeable to them. So, in this example, if they then come back with a revised offer of twenty-five dollars, you could then respond with a number of your own. When they provide a number (or any relevant terms), hold the focus on them again: Can they do better? Explain why the number offered won’t work, why you have other options, or why they should be more open-minded.

Although you are paying close attention to how many times in a row each of you is making adjustments, the unskilled negotiator has so many thoughts and ideas running through his or her head that key tactics such as this one are overlooked. In fact, you’ve probably fallen victim to this tactic at least once in the past without even realizing it!

6. Keep Some Chips in Your Pocket!

If you initially set their expectations low, the people on the other side will end up feeling like they received more than they would have if you had set their expectations higher at the outset. Don’t begin with an insulting number, but start as far away from your actual number as you can without appearing unreasonable. As you negotiate—from their perspective—any concession or adjustment you make now seems like a greater gain. They will end up happy, feeling like they bargained well.

Once you have to commit to some number, make sure it’s much lower than what you’re really willing to pay if you are buying and much higher than you’re really willing to accept if you are selling. Remember, negotiations usually take place in stages or phases, involving give and take, which leads each party to feel like he made sacrifices. Each party wants to feel like he “got a good deal,” like the other side gave in on price or other terms and that he wasn’t the only one who got less than he asked for. That’s human nature, a key factor in almost every negotiation.

Let’s assume you’re interested in buying a hair salon business that is for sale. You know the asking price is $200,000, and the seller wants to have the buyer take over all operations and expenses within the next ninety days. Also, the seller plans on taking her best employee and fifteen thousand dollars’ worth of hair-care products with her to the new shop she’s opening two towns away. Additionally, the seller is looking to get paid at least 50 percent of her asking price in cash up front, with the remaining 50 percent paid in monthly payments over several years. As you can see, there are many terms involved in this deal in its entirety. All of this is aside from issues that will arise throughout the process that have not even yet been thought of or addressed.

Let’s assume further that you are only willing to pay $180,000 for the business
and that you need to have 120 days before you will be ready to take over the operations and expenses. Also, you’re okay with her taking her best employee and the fifteen thousand dollars’ worth of products, and that you are prepared to put down 50 percent of the price. Your “up-front” money is only 50 percent of $180,000, which is $90,000, and not 50 percent of the $200,000 the seller is requesting, which would have been $100,000 in up-front money.

If you start off by offering $180,000, you’re offering her $20,000 less than she wants. She’s already not going to be happy because of the price reduction, so you’re certainly not in a great position to be asking for an additional thirty days or for changes to her up-front money request. You’ve left yourself with no wiggle room. Instead, begin by offering $160,000, which she probably rejects. The difference now, however, is that you know you have an additional $20,000 to work with, “chips in your pocket” for later. After she rejects your initial offer of $160,000, try to get her to provide a counteroffer. Assuming she does, it’s still likely to be close to her original asking price of $200,000.

You now can raise your initial offer from $160,000 to a higher amount, but in exchange for this increase, insist on her being more flexible regarding some of the other terms of the deal. Your wiggle room has earned you some concessions because you’ve made it appear that anything over $160,000 is out of your comfort zone. She has to give up something in return for your raising the offer from $160,000 to $180,000. Had you originally offered $180,000, she would have rejected the offer. But now, because you’ve made a substantial improvement to your original offer, you’ve placed yourself in a better position to negotiate on the other terms that are still crucial to you in this deal, such as the amount of up-front money and the time you have to take over the business.

7. How to Bid Low Without Being Insulting

It is possible to go very low without being insulting. As with everything else, it’s all in what you say and how you say it. Let’s assume you finally have to give your number, but you know that your number is going to be way too low and could possibly insult or even anger the other party. Start by educating yourself on the seller’s number and how it was arrived at. Accordingly, you have to come in with a number low enough so that the seller’s counter would still allow you to be in your desired range. The key to the very low offer technique is to come up with a good excuse as to why your number is low.

Don’t attack the seller or the product; rather, make it clear you understand that it’s a low offer, but you have sincere, legitimate reasons for making it anyway. The reason could be that you completely underestimated the item’s cost when you worked out your budget for it, but you’re hoping the seller doesn’t want to have to negotiate with any more people. You might say you have less money available than you thought, but you’re hoping somehow something can still be
worked out. You could say you recognize your offer is low but you’d be very appreciative if they would still consider it.

Whatever you say, the point is to keep your number low while being apologetic. If you are the first to admit your offer is low then you take away their reason to be angry. They won’t be as likely to assume you’re trying to take advantage of them and more likely to consider your bid. They may counter with something reasonable rather than cutting off communications. Don’t forget that negotiations involve a great amount of psychology.

Present a good reason for why every single dollar matters to you now. This will excuse your meager financial position. For example, if you’re looking at buying a truck, you could point out you only have a certain amount of money to spend and that you also have to consider the fact that you will have to buy snow tires right away. Or you could demonstrate to them how much gas money you have to budget for because this truck won’t get the same mileage as the other vehicles you’re considering. Or maybe you can bring up how much more expensive the insurance on this sports car is in comparison with the other cars you’re considering. This way, it’s clear to the other party that you have other immediate expenses associated with this purchase.

On the one hand, it’s not cool to “make your problems their problems.” Why should they care what else you have to spend your money on or what else you need? On the other hand, however, it doesn’t hurt for them to understand and appreciate the total amount of money you’ll have to spend all at one time, even if it’s not all going to them.

8. Get an Answer Early in the Process

You’d be surprised how many people will come close to literally telling you their actual bottom-line number, if you simply ask them. Therefore, don’t be afraid to ask, and ask early in the process. Notice that “how much do you absolutely need to get?” is much different from “what is your asking price?” or “how much do you want?” You have taken the focus away from wants and brought it down to just needs. Everyone wants to get top dollar, but what does a seller actually have to be offered in order to say yes? For example, the seller may want to get as much as his neighbors got for their house, but he may actually only need to get enough to pay off his existing mortgage.

You say something like, “I know your original asking price is one hundred thousand dollars, but have you thought about what you absolutely need to get to really make a deal? Is there some threshold amount you know you absolutely must get to make it work for you?” Most people, when asked in this manner, will lower their asking price. What a simple way for you to get them to reduce their price quickly and easily without even having made an offer of your own!
9. Always Ask About Other Offers

A question about other offers the seller has received need not sound intrusive. You are being curious, just doing your best to get all the facts. When you ask, “Have you had any other offers?” you are likely to get some very valuable information. For example, the response could be, “Yes, I have received two offers of fifty dollars each, but I didn’t accept them.”

Your follow-up question should be: “Do you mind telling me why you didn’t accept those offers?” Don’t assume anything. You can ask more questions about those offers. Were they offers in installments? Were the buyers going to pick it up in four weeks? If so, maybe the seller would take fifty dollars, but maybe he didn’t want to store the item, or wait weeks for the money. Perhaps he now says “Fifty dollars is just way too low. I may have been okay with seventy-five.”

It could be that you have just heard his real, desired number simply because you asked about other offers. Additionally, if he answered some of your other follow-up questions, you may now also know more about his goals regarding time frame and any other terms about which he’s concerned. If he responds that asking him about other offers is intrusive, simply apologize and say something like, “I ask too many questions sometimes” or “Sorry, I was just curious.” As long as you show you are apologetic, it should not damage the relationship. Only in rare instances will this questioning hurt your negotiations, so it is usually worth taking the shot if you bounce back nicely should the seller get upset.

10. Don’t Insult the Merchandise

Remember that people take pride in their possessions. You are certainly entitled to point out major defects, but keep in mind that people take criticism of their belongings personally. Can you remember back to a time when you were selling something? Did a shopper just go on and on about what it was missing, what was broken, or what needed to be replaced? Did you feel insulted, and did you dislike them and not want to give in to them? Unskilled negotiators make those mistakes. You want the seller to like you.

For example, don’t say things like, “There seems to be a lot of wear and tear on this car. It looks pretty dented up.” Instead, shift your focus, saying, “I’ve got to say your car looks great, but I just need to point out to you that similar cars I’ve looked at were literally in near perfect, mint condition. It’s okay, because your car is very nice, but I just hope we can figure that into the final price we negotiate.” In this manner, you still made your point, but you did so in a milder and less insulting way. Point out defects gently. “Can we work out some discount for the dent on the passenger door? Have you looked into how much it would
cost to get that fixed? The car will look perfect once that gets fixed.” This way without being offensive you are still managing to bring up the dent and the fact that you expect the final price to reflect it.

11. Never Accept Any Offer Too Quickly

Even if you’ve just heard the offer of your dreams, appear to pause and weigh your options in your head. If you accept an offer too quickly, the people on the other side will be convinced they could have done better and you would have been happy with a lower offer. They might try to change things, back out, or get some additional after-the-fact concessions from you. It’s simply human nature.

All of a sudden, at the eleventh hour, they may try to change a part of the deal, saying something like, “You are shipping the car to me, right?” They may even start making it appear as if they understood some of the terms of the deal differently than you did.

Another potential risk of accepting an offer too enthusiastically is that the other side may begin to distrust the item or service. Is something wrong with this item, if you are so quick to accept their offer? You always want your counterparts to feel like they got a good deal, so watch out for overeagerness!

12. How to React

No matter what, you need to act somewhat disappointed when you receive an offer or asking price. Don’t question the person’s fairness and don’t be insulting; instead, act surprised and make it seem like you weren’t expecting that number because you weren’t prepared to pay that much or accept that little. You were hoping for and expecting better. remember, most of the time individuals or companies don’t start with their best rock-bottom price. If you don’t question it at all, you won’t get any adjustments.

When they provide you with their offer, they will be doing their best to read your reaction by watching your expressions and other nonverbal cues and by listening carefully to what you say and how you say it. They will rely on their assessment during the remainder of the negotiation. You must handle this critical point with the skill and care necessary to set the tone for the entire process. By showing them that you are disappointed and expecting something better, you lose nothing. You will still have the opportunity to accept their offer if it was originally acceptable to you. They are not going to take away their offer because you hesitated at first. In fact, it’s more likely that they’d take away their offer if you demonstrate you’re too eager to accept it.

Ask them to justify their position and try to convince you that their offer is fair. The more convincing they need to do, the more satisfied they’ll be when you ultimately “are convinced.”
Let’s assume you’re selling your house. You list it for $100,000, but you would realistically accept $85,000, and you are selling your house yourself and not through a realtor. You receive an offer of $85,000—which you are tempted to accept. But you remember: appear to be slightly disappointed (while polite and friendly) so your body language, facial expressions, and tone of voice communicate that you were hoping to receive a higher offer. You say something like, “That is a lower offer than we expected. I’m hoping that’s just your starting point to negotiate and that you can adjust that number.”

As a result, the buyers will make an adjustment or concession, justify their position but remain firm, or remain firm without justifying their position. If they make an adjustment or concession, you just earned yourself a better deal because you displayed disappointment, although in reality you would have been happy to accept their original $85,000 offer. If they make no adjustments or concessions, but at least work at justifying their offer to you, then your acceptance of their offer is a concession made by you. As a result, they will feel better about the deal than if you had immediately demonstrated satisfaction with their offer. Consequently, it will be easier for you to get a concession on the many other issues that will arise later before the deal is completely executed.

Keep in mind that little things always seem to come up even after all parties believe they have covered all issues. It’s always good to have your counterparts feel like they “owe you one” rather than the other way around. In sum, it almost never hurts to demonstrate some disappointment with their original asking price or offer.

Along the same lines, and for the same reasons, it’s recommended that you also downplay any satisfaction with the final results of a negotiation. As with your initial reaction to an offer, if you make it obvious that you got exactly what you wanted, the other party is going to feel remorse, or feel that they could have gotten more from you. Accordingly, they may then look for ways to avoid fulfilling their obligations in accordance with the terms of the deal.

13. The Raphaely Takeaway

You have to be willing to bluff. Sometimes you need to show that you are willing to walk away. You have nothing to lose because there are many ways by which you can “come back” after a failed bluff attempt. Knowing this should provide you with the confidence to bluff when you have to. People become more thankful for the deal you presented them after it has seemingly been taken away from them.

Make sure not to make it personal and not to say anything insulting, because one wrong remark at this time could be all it takes to prevent them from reaching back out to you later. Never express your bluff in permanent and
absolute terms. Instead, make it clear that you are hoping to hear from them again. Make it easy for them to save face in the event they change their minds and want to reach out to you later.

Say something like, “It just doesn’t look like we’re going to be able to work anything out. It was a pleasure working on this deal with you, and I’m very sorry we couldn’t make it happen. I’m still hoping you will change your mind about the price and call me with good news.”

After you inform them that you are walking away, be silent and listen to what the other side says and closely observe how they react. If they do or say anything that indicates they still want to work things out now, you have just significantly strengthened your position. If, on the other hand, they seem to be okay with it not working out, keep in mind they may be doing some bluffing of their own at this point. Now you have to assess your next options, based on the circumstances and on how things have gone until this point. Do you walk away for now and see what transpires over the next couple of days? Do you walk away for good? Or do you “undo” your bluff immediately? Those decisions will be based on your immediate, realistic assessment of how far off you are from your goals and how badly you want to make this deal. If you now find yourself uncomfortable with walking away, then start to undo your bluff immediately.

14. How to Handle a Failed Bluff

To undo a bluff immediately, speak up quickly before the conversation or meeting is over. This is easier than you think. Put your pride and ego aside, and get the job done. Take a pause. Then demonstrate that you are upset that the two of you couldn’t come to terms after all the effort each party put into working it out. Point out that you like them, you’ve enjoyed trying to work things out with them, and you feel a sense of sadness for not being able to come together. Next, tell them you don’t want to have to go through this again with someone new.

You’re not making it about the fact that you can’t live without this deal; instead, you’re making it about the fact that the two of you have worked so hard and come so far that it’s a shame not to see the deal through to its completion. Create the image of someone who doesn’t like to fail or give up. You feel a connection with this person and want to succeed together on solving the remaining problems. When you speak in these terms, you aren’t undoing your bluff from a position of weakness.

If you believe you don’t have to undo your bluff immediately, wait to see if they contact you at some point. If they don’t contact you, then you might call them saying the same types of things you would have said in the event of an immediate “undo.” You could say: “I’ve been thinking about things, and I’ve concluded that I gave up on this too quickly. I know you are a reasonable
person, and I shouldn’t have assumed that we wouldn’t be able to work things out.”

Note that at no time are you saying that you’re agreeing to give them exactly what they wanted. You are just suggesting that negotiations be opened again. You aren’t giving in yet, and maybe enough time has passed which has made them realize they are now willing to offer an additional adjustment. You are still—and always—negotiating, even after undoing your bluff. You are committed to opening discussions again, if they are willing.

Another route is to ask your spouse, friend, business partner, or other designated person to reach out to the other side on your behalf, saying something like, “I am reaching out to you on Mike’s behalf because I know he’s being stubborn, but he truly wants to work this out with you. Maybe you can help me get you guys back on track. Can you make a concession or counter his last offer so he can accept and go forward with the deal?” Remember, you use this tactic when you are already reasonably convinced that you have nothing to lose at this point, as your bluff didn’t work.

15. Recognize When You Need to Encourage the Other Side

What do you do if you sincerely want to work out a deal with the other side, but you sense they’re getting frustrated that things aren’t moving along more quickly or easily? Take a break away from the actual process and do your best to point out to them how much ground you have already covered. You could say, “I know we are still five thousand dollars away from each other in our negotiations, but what a difference this is from where we began—at twenty thousand dollars apart!”

Obviously, you don’t want to appear desperate or overeager, but you do want to reassure them that you’ve traveled a long distance together and that soon you will be in agreement. Simply by demonstrating that you are confident that the deal will work out will encourage your counterparts to feel the same way.