

BATNA WATNA AND BOTTOM LINE



IDENTIFY YOUR BATNA

As you prepare to negotiate, you need to find out what are your alternatives if you don't reach an agreement, what can you fall back on if your terms can't be met. This is commonly referred to as your BATNA: your best alternative to the negotiated agreement. The benefit of knowing your BATNA is that it gives you the confidence to ask for what you want.

A strong BATNA is like an insurance policy. A strong alternative provides you with two possibilities. Number one, either you reach an agreement with favourable terms, or you can simply say no deal because you have a good alternative plan.

When researching your BATNA, ask yourself how much it will cost to do the deal you're negotiating relative to the cost of your best alternative. When estimating your costs, think about both the short-term and long-term impact like we discussed before. Maybe you're willing to concede a bit in the short term to allow you to reach your long-term goal.

Or maybe if you win this deal, you'll make decent profit now, but you'll have to hire more staff or keep more inventory, which could open you up to higher expenses in the future. You always need to look at the complete picture. Next, you need to think about feasibility, which option is the most feasible, which one could you realistically put into action in time?

List your best alternatives to the negotiated agreement (BATNA):

CALCULATE YOUR RESERVATION PRICE

After you've identified your alternatives to a negotiated agreement. You now need to determine what your reservation value is. This is the amount that is outside of your boundaries and will signify that it's time to walk away from the negotiation. Think about what is the least that you will accept if you're the seller or the highest price that you're willing to pay if you're the buyer. This is often referred to as your WAP - your walk away position. If price is your only determinant, it's a pretty easy process to come up with the lowest amount you'll accept or the highest price you'll pay. However, often there are multiple variables to consider like deal size payment terms, long-term benefits, referral, and repeat business opportunities.

List your best alternatives to the negotiated agreement (BATNA):

THE OTHER PARTY'S ALTERNATIVES

When preparing to negotiate, it's not enough to only look at your own needs and wants to maximise your chances of reaching a mutually beneficial deal. You also need to figure out how much the other party is willing to give. You need to know your counterparts BATNA as well. Ask yourself: What will they do if we don't reach an agreement? What alternatives do they have?

List your counterpart's best alternatives to the negotiated agreement (BATNA):

YOUR BARGAINING RANGE

Your bargaining range consists of an optimum minimum and target goal. The minimum is the point at which you would walk away from the offer. The target is the point where you would like to end up after negotiations. And the optimum is your ideal scenario.

Minimum

The point at which you'll walk away

Target

Where you'd like to end up after negotiations

Optimum

Your ideal scenario

ALTERNATIVES TO DISCOUNTS

When you're negotiating with customers, it's important for you to think through different alternatives. Quite often people feel like the number one objection is price but that that's not always the case. So you need to think through alternatives.

Whenever there's a bit of pushback from customers, instead of just offering a discount, which obviously eats into your margins you need to think about alternatives - what else could we offer?

List your alternatives to discounts:

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