THINK @ SHANKER INC.

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Accelerate Sales:

How bad negotiating can kill your brand

Poor negotiations kill margins, turn your products into commodities, transform your customers into price-obsessed bottom feeders and hurt your brand. Here's what you can to stop it.

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What kills margins, turns your products into commodities, transforms your customers into price-obsessed "bottom feeders," and leaves them dissatisfied even though you've sold them your finest jewelry at the lowest possible price?

The surprising answer: When your sales associates negotiate poorly.

I've documented situations in which customers received a lower price than they expected yet walked away mistrusting the price because the way the negotiation was handled left them wondering if they'd still overpaid.

I recently worked with a major luxury retail jeweler who improved margins by 5 percent the first year and three points the second—just by changing sales associates' negotiating behavior. Moreover, the better negotiations improved clients' satisfaction with their purchases and enhanced perceptions of the store—even as they paid increased prices.

Customers aren't born expecting to negotiate. And in the luxury market, it's not because they can't afford to pay. They negotiate because they don't trust the price and don't want to overpay.

What makes them so suspicious? We do. All too often the way negotiations are conducted sends the message that the salesperson expects to discount merchandise as a matter of course. This makes it seem that the salespeople themselves don't trust the price. It's not surprising that the customer in turn becomes suspicious and increasingly aggressive in asking for discounts.

By changing poor negotiating behavior, you can strengthen your store's reputation and condition clients in different and better ways. Remember, beyond making the sale, the most important goal is to build trust in your pricing by communicating that accommodations are a way of doing business, not the way.

Lasting changes in negotiating behavior require a holistic approach that combines skill development, motivation, and ongoing reinforcement by management. The following are some best practices from Shanker Inc.'s Brand-Building Negotiations system, designed to both help you make the sale and also protect your brand.

- Remove calculators from sales stations. Otherwise you send the message that you expect to negotiate.
- Provide a personal reason for each accommodation. Say, for example, "Because you're an important customer" or "Because you're a new customer." This makes your offer sound unique, not something you do for every sale.

- Delay offering any type of accommodation until the customer has expressed an interest in purchasing a specific item. If you give customers prices before they're ready to buy, you're arming them for a price war with your competition.
- Determine the customer's price expectations before offering an accommodation. Until you know the customer's expectation, you're negotiating against yourself.
- Always discuss value before price, whether it's the value of the product, brand, or store. Discussing price without value "commoditizes" the product and suggests you have nothing of value to offer beyond a low price.
- Describe accommodations in terms of dollars to be saved, not percentages. That provides concrete value for the customer and doesn't sound like a fire sale with large percentage markdowns.
- Go slow and don't present your best offer first. The customer wants to feel he gained something through negotiating and that you're working for him.
- Be willing to step away, particularly if negotiations go beyond two rounds. Too many "fast rounds" of negotiation turns into a game and sends a message that the sales associate is not working for the client. The associate should step away to involve a manager, which shows he's going the extra mile to get the best price possible.

Remember, in the luxury market customers don't negotiate in jewelry stores because they have to. They negotiate because they don't trust the price and don't want to pay more than a product is worth. Making these changes will get customers to believe that, in your store, they are paying what your products and services are really worth.

About Shanker Inc.

Martin Shanker is the founder and president of Shanker Inc., a Manhattan-based international management consulting firm for such companies as Burberry, Cartier, The Estee Lauder Companies, Ralph Lauren and Van Cleef & Arpels. Described as a 'behaviorist' by The New York Times, Martin specializes in helping global brands accelerate sales and profit by growing their companies from within. By addressing the tough issues of sales and management teams, and the behavioral dimension of retail relationships, Shanker Inc. offers a unique, multi-dimensional way for companies to achieve success through their own people.

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