

BATNA

**How this acronym can help salespeople
negotiate more effectively**

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BATNA stands for "Best Alternative to Negotiated Agreement".

BATNA is not an acronym you see very often but it is probably the single most powerful method of successfully negotiating favourable terms and conditions relating to a sale or agreement.

The concept of BATNA was developed by negotiation researchers Roger Fisher and Bill Ury of the Harvard Program on negotiation. BATNA is the course of action that will be taken by a party if negotiations fail and an agreement cannot be reached.

So if the outcome of your current negotiations with another party is not as good as your BATNA, then there is no point in proceeding further towards an agreement. In essence, BATNA is a very effective way of maximizing your confidence when negotiating because you know your second best option (first is a mutually agreeable negotiation). You don't have to agree to a bad deal.

BATNA allows you to have the confidence to reject any unsatisfactory agreement. It gives you confidence.

In any event, having confidence can be a very important part of negotiations because HOW you negotiate has been proven by research to positively affect the outcome, regardless of the actual substance of the negotiations.

But I can sense you asking 'Why do we need to go through all this trouble?'

In today's competitive business climate, good selling involves not just getting a deal - it's about getting a profitable deal. So in the closing stages of a sale, intelligent negotiations can be a way of achieving a favourable outcome for you without giving in too much to the other party's requests.

It can also assist in getting to a Win / Win outcome for both parties.

I like to use a simple but effective example of how a BATNA can literally be a life saving technique.

Imagine if you will, two trapeze artists have an argument. One trapeze artist says he is more important because he has to catch the other one at 100 metres in the air. The other one says that she is more courageous because she is the one risking her life by releasing the trapeze in mid air and flinging herself over to the other artist. All he has to do is catch her. They argue bitterly until the catcher says "Fine. Let's see who is more important when you jump tomorrow".

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“Oh oh” thinks the female trapeze artist, “what if he only pretends to catch me and he deliberately doesn’t?” One hundred metres is a long way to fall. She goes home thinking ‘Do we have a negotiated agreement tomorrow?’

What is her BATNA? Falling to her death is not a good BATNA!

Let’s look at a few obvious BATNA’s the female trapeze artists should have in place before she potentially leaps tomorrow to her death.

1. Install a safety net (I bet she feels better already)
2. Call in sick
3. Wear a parachute (although 100 metres may not be high enough)
4. Grab hold of her colleague instead of letting him catch her

So BATNA has the immediate effect of making her feel a little more confident. Of course, she should talk to her colleague before the act and make peace but at least she can do that without a lot of anxiety.

How else can BATNA help?

If you have a particularly strong BATNA, it is probably worth pointing it out to the other side. They may then realize that they stand to lose out if the agreement is not negotiated. This strengthens your side a great deal and you can more forcefully state your case to reach an agreement. You can act as if you can break off negotiations because you are comfortable with your BATNA. This is a powerful concept to use when appropriate.

For example, let’s imagine that you are negotiating an important deal that would constitute 10% of your yearly sales target, something you’d really like to get. At the same time, you know that this customer is very budget conscious and from past experience you know that they will try to squeeze your price as much as possible.

Let’s further assume that your target gross margin in your business is 30% and that for that reason, you need to achieve a unit price of 10,000\$. Your proposed unit price was 11,000\$.

What would be the lowest price you would accept? 10,000\$? 9,500\$? 9,000\$? Or even less? What would it mean to say no at any of these points?

Knowing your BATNA will protect you from accepting an unacceptable deal.

BATNA A:

If you know that you have another three hot big projects in the making which could total 25% of your yearly target volume and if you additionally know that these 3 prospects would be less price sensitive, i.e. 30% gross margin wouldn’t

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be a problem, then you may feel comfortable to say 'no' at a price of less than 10,000\$.

BATNA B:

If you know that it will be very difficult to achieve your yearly sales target without this deal because your pipeline is not very promising and if you additionally know that your company's overall sales is far behind target, then you may want to have a discussion with your manager first to see what would be the lowest acceptable price. Perhaps you could even try to be creative in thinking how you could create additional value for your customer so that you don't need to agree to a too low price. Once you have figured all this out, then you also know what would happen if you say 'no' if you reach your lowest acceptable price. Then you can make an informed choice.

In summary:

I strongly recommend applying this thinking to a particularly tough negotiation you may be going through now and see what happens. I am confident you will be pleased with the outcome.



Henry Ching is a Sales Trainer and Coach at Progress-U Limited. Henry works with sales managers, salespeople, entrepreneurs and anyone else who want to further develop their sales skills and methods using Best Practice thinking.

Today, even top sales performers face ever-increasing challenges in:

- How to shorten the sales cycles;
- How to avoid being drawn into a margin destroying price war;
- How to qualify better so they work on higher quality deals;
- How to close effectively and
- How to maximize the return on investment on the sales efforts made.

Henry assists his clients in tackling these challenges through Progress-U's innovative and unique "Stop Selling!" approach and by sharing his extensive experience gathered during his corporate career.

Henry is known for his creativity and humour when it comes to tackling difficult sales situations or working on complex deals. He has developed sales strategies and training that have helped many clients address their sales challenges.

During his corporate sales career at IBM Australia, Fujitsu and Information Builders, Henry has worked with Blue Chip clients like Mercedes Benz, HJ Heinz, Dun & Bradstreet and the Australian Defence Force. He succeeded in highly competitive sales environments that required thinking 'outside the box'.

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