

## How to Negotiate Concessions to Close Better Deals

### Via [Axial](#)

Strong negotiating skills are often the single most important differentiator between closing good deals vs. great deals — or not closing a deal at all. Negotiation is more art than science, as it involves creatively reading your audience, knowing when to dig in, and when not to. Often, I have been called in to help close a deal or save a deal. Many times, I have found that both buyers and sellers, engaged in trying to make a deal, are so locked in their positions that there is little opportunity for give and take. Feelings are strained, attitudes are entrenched, respective positions are hardened, and therefore opportunities for compromise are lost.

For any negotiation to work successfully, both parties need to feel they are getting a good deal. The deal can't be lopsided for it to have any reasonable chance for success. Structuring deals means working towards a win-win outcome for both parties.

This brings us to the art of compromising with concessions.

Concessions are almost always necessary to complete any successful transaction. You have to be willing to make concessions to get concessions in return. But the process isn't easy.

**First**, don't assume that your actions will speak for themselves. Often, concessions go unappreciated and unreciprocated. Unless you establish that you have made a major concession, your counterparts will be motivated to overlook, ignore, or downplay your concessions. Why? They want to avoid the strong social obligation to reciprocate.

Emphasize the benefits of your concessions to the other side. My own research suggests that negotiators reciprocate concessions based on the benefits they receive, while ignoring how much others are sacrificing. One way for an owner to highlight the benefits he is providing is to contrast his offer with those made by similar firms (assuming they were lower.)

**Second**, don't give up on your original demands too hastily. Timing is important in any negotiation. Every deal has a life of its own. If the other side sees your first offer as frivolous, your willingness to move away from it too soon will not be seen as concessionary behavior. By contrast, your concessions will be more powerful when your counterpart views your initial demands as serious and reasonable. So when you give a concession, let it be known that what you have given up (or what you have stopped demanding) is costly to you. By doing so, you clarify that a concession was, in fact, made.

**Third**, demand and define reciprocity. Establishing the fact that you have made a major concession in itself helps trigger an obligation to reciprocate, but sometimes your counterpart is slow to act on the obligation. To increase the likelihood that you get something in return for your concessions, try to explicitly — but diplomatically — demand reciprocity.

Consider the following negotiation between an IT services firm and a client. The client suggests that the IT firm's cost estimates are unreasonably high; the IT firm believes that the cost estimates are accurate (even conservative) given the complexity of the project and the short deadline. If the IT Project Manager is willing to make a concession, she might say: "This isn't easy for us, but we've made some adjustments on the price to accommodate your concerns. We expect that you are now in a better position to make some changes to the project deadlines. An extra month for each milestone would help us immeasurably."

**Notice that this statement achieves three goals:**

It establishes that a concession was made (This isn't easy for us, but we've made some adjustments . . . .)

It tactfully demands reciprocity ("We expect that you are now in a better position to make some changes . . . .")

It begins to define the precise form that reciprocity should take ("An extra month for each milestone . . . .")

Remember that no one understands what you value better than you. If you don't speak up and define what reciprocity means to you, you're going to get what your counterpart thinks you value or, worse, what is most convenient for your counterpart to give.

Ideally, negotiating parties establish an environment where they do not nickel and dime one another throughout the process. Rather, each side learns about the interests and concerns of the other and makes good-faith efforts toward achieving joint gains. Unfortunately, this is not always possible because one side or the other is not negotiating in good-faith. When trust is low, or when you are in a one-shot negotiating scenario, I recommend clients make contingent concessions. A concession is contingent when you state that you can make it only if the other party agrees to make a specified concession in return.

Contingent concessions are almost risk-free. They allow you to signal to the other party that while you have room to make more concessions, it may be impossible for you to budge if reciprocity is not guaranteed.

A final negotiating technique I use is giving concessions in installments. Extensive research by the late Stanford University professor Amos Tversky and the Princeton University professor Daniel Kahneman indicated that while most of us prefer to get bad news all at once, we prefer to get good news in installments. This finding suggests that the same concession will be more positively received if it is broken up into parts and offered at different times in the process.

There are other reasons to make concessions in installments. Most negotiators expect that they will trade offers back and forth several times before the deal is finished. Installment concessions may lead you to discover that you don't have to make as large concessions as you thought. When you give away a little at a time, you might get everything you want in return before using up your entire concession-making capacity. Whatever is left over is yours to keep.

The above strategies are aimed at guaranteeing that the concessions you make are not ignored or exploited. Effective negotiators ensure not only that their own concessions are reciprocated, but also that they acknowledge and reciprocate the concessions of others.