



Controlling Your Destiny

Your level of service and product quality won't bring in higher prices if you can't convince your customers of the value and benefits you offer.

By Stan Pohmer

**"When a person with money meets a person with experience, the person with the experience ends up with the money, and the person with the money ends up with the experience."
— Harvey Mackay**

Today's business climate is tougher than it's ever been, and the challenges to profitability are putting many growers' long-term futures at risk. In response, there has been a call to arms that one should sacrifice top-line sales to ensure bottom-line profits (That's not necessarily bad advice).

You can control costs better than any of your competitors, grow the best quality products and offer the best services and support to your customers. However, if you can't convince your customers of the values and benefits you offer, you'll never receive the reciprocal value back in the higher prices you should be receiving from them. This is more critical today than in years past with the consolidation at retail putting more buying power into fewer hands, the rise of buying cooperatives and more retailer focus on selling price points rather than value to consumers.

A Buyer's Market

In most cases, retail buyers have a clear advantage over suppliers in negotiating what they want rather than what you need...they are in the driver's seat. With an oversupply of product in the marketplace, it is definitely a buyer's market. You should also know that large retailers take the negotiating process very seriously.

As a former retail buyer for large chains, I can attest that large retailers train their buyers in the art and science of negotiating, and they train them very well. We actually had day-long classes with outside negotiating experts who schooled us in how to approach and plan a negotiation; how to create the upper hand and leverage; how to maneuver and manage the give and take process to achieve our goals; and how to handle

conflict and challenges that got in our way. We role-played and challenged each other. We had mentors who sat in on meetings and critiqued us, giving us feedback on what we could do to better prepare and improve our results — this training wasn't a 1-time deal: It was ongoing.

The Negotiating Game

There are ways to even the playing field a bit and put your company on a more equal basis at the negotiating table; it's not easy, but it can be done. Granted, with the conditions that exist in today's market, the buyer has the edge. Knowing the rules of the negotiating game can help you gain some advantage.

Here are some key lessons to consider:

Know the market. You can't effectively negotiate unless you absolutely know the market. In preparing for the negotiating game, knowing your competition's programs, your customer's retail competition and, most importantly, your customer's goals and challenges are not only important but critical. This is a prime example where knowledge is truly power. Become more of an expert than the person you are negotiating with.

Keep the emotion out of the discussions. A decision based on emotion is a clear-cut road to disaster.

If you honestly can't say "yes," it's "no." Don't talk yourself or allow yourself to be talked into yes just to be nice or to keep the discussion going. No one ever went broke by saying no too often. Smile and say, "No, no, no and no!" until your tongue bleeds!

Be willing to walk away from the table. This is the single biggest tool you have in any negotiation and the hardest one to stick to. If you can't afford to walk away

from the deal, you've already lost the negotiating battle. This is why many, myself included, constantly advise growers not to have any one customer control more than 25 percent of your volume — if you have to walk away from the negotiating table, it will hurt...but it probably won't put you out of business. If the retailer controls too much of your production, you can't realistically afford to walk away no matter how bad the deal is for you. Remember, no one ever choked swallowing his pride.

There is no such thing as a "final offer." Always leave enough room to allow both of you to come back and renegotiate after reaching a temporary impasse without putting either of you in an embarrassing position.

Never give an ultimatum unless you mean it. Nothing closes the door to discussions faster than a "take it or leave it" ultimatum.

It's not how much it's worth; it's how much people think it's worth. Negotiating isn't just about tangible product; it's about the perceived value and the intangibles. Your challenge is to position your product at the highest perceived value, which means focusing on demonstrating and selling the value of the intangibles. In most cases, there's little difference in your and your competitor's 4-inch marigolds, so why should you get a higher price for them? Do you do a better job of managing inventory flow, shipping smaller quantities more often? Do you provide merchandising assistance and signage, helping with displays? Are your payment terms more advantageous? Do you offer preseason training to their seasonal employees? Bottom line, what are the advantages you bring to the table beyond the prod-

uct that sets you apart and can help command a higher price that adds value to the relationship?

Many people listen, few people hear. It's amazing how many times I've been in negotiating sessions where I got a better price just by not saying anything. Basically, the supplier took my silence as a no and just kept lowering the price and throwing in extra benefits just to get me to say "yes" — and I didn't have to say a word! The more you can get the other person to talk, the more information you'll gather to help reach the yes stage. Try to let the other person speak first.

Know all the facts before you offer a price. One of the easiest buyer negotiating tactics is to reach agreement on a price...and then ask for the "gimmies" (Gimmies like an extra 30 days payment term, a volume or ad allowance, or lower minimums). Once the price on the table is agreed to, buyers have the leverage to get you to absorb these extra costs as part of your profit, not theirs. Make sure you know and anticipate all the rules, needs and wants before you offer a price. It is much easier to come in high on your fully loaded quote and then reduce it by eliminating some of the add-ins you had built into it in the first place.

Agreements prevent disagreements. During the negotiating process, reconfirm the small agreements reached; this takes them off the table as part of the overall negotiation, and then move to the next step or discussion point. Make sure you reconfirm the final deal in writing, listing everything that was agreed to and send it to the buyer — don't wait for the buyer to confirm it back to you. If he or she doesn't come back to you with any comments or changes to your confirmation letter, then that is the final deal that everyone has to live up to.


The Art And Science Of Negotiating

Planning for a negotiating session takes every bit as much preparation as planning the production of a crop. If neither one is taken seriously, the results will be very apparent. I mentioned earlier that negotiating is both an art and a science; it is a combination of good intrapersonal skills, the ability to quick-study human behavior and good business judgment. And in my experience, the art and science of negotiating can be learned and improved upon over time with experience. So take the time

and spend the money on some of the excellent books, instructional tapes and CDs, and seminars available on this subject. Then practice, practice, practice.

One of my favorite business gurus, Harvey Mackay, had this to say about negotiating, "When a person with money meets a person

with experience, the person with the experience ends up with the money, and the person with the money ends up with the experience."

Remember that negotiating isn't a 1-time event; it is an on-going process. Over time, you can gain advantage and get more control over your destiny... 

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