

Tips for Trimming your Expenses & Cutting Costs

How to Be a Better Buyer and Negotiator



COST

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MMS

Making More Sales
rapid profit growth

HOSPITALITY

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Table of Contents

1	Getting Yourself in the Right Head Space	4
2	Understanding the Numbers	6
3	Creating Financial Literacy	8
	• The Four Eyes Principle	9
4	Buying Better by Understanding Expense Categories	11
	• Highly Negotiable Expenses	11
	• Highly Variable Quality Expenses	12
	• Large and Lumpy Expenses	13
	• Services and Financial Expenses	14
5	8 Great Buying Tips	15
	• Be a Tight Ass	15
	• Set Budget Targets and Review your Performance	16
	• Watch Wastage and Look for Hidden Kickbacks	16
	• Make Frequent Reviews of Prices vs. COGs	17
	• Engage in Buying Groups	18
	• Use Financial Benchmarking	18
6	Negotiating a Better Deal	19
	• Building Rapport while Staying Focussed	20
	• Dealing with Price	20
7	Asking Questions: The Secret of the Rich	21
8	Negotiating Tips & Tricks	23
	• Tricks for negotiating in the Room	24
	• Playing the Right Role	24
	• Bruce's Tips	25
	• Playing Games and Knowing the Players	26
	Conclusion	27

Chapter 1

Getting Yourself in the Right Head Space

As some of you readers may know, my background actually comes out of the functions business. What some of you may not know is that I actually started out as a geologist. This means that I had a technical mind, so to speak— great with structures, not so great with people.

As I began my foray into the world of functions and hospitality, I quickly realised that one of the biggest things holding back my business was my own mental approach to my work. Like I said, I was a bit more of a technical guy, and it wasn't until I read a certain, very well-known book that I began to realise how little I had my head in the game. The book was by Dale Carnegie and is called *How to Win Friends and Influence People*. That book really taught me everything: the basics of leading people; the basics of becoming a bit more of a people person; and also how to get much, much better results from my business.

So as we start out here, I want to go through a few of the core ideas in Carnegie's book. How do these relate to issues, such as trimming expenses and cutting costs? They give you the right mental approach to enhance your business practices, handle your business affairs, and relate to people. *All* of these things in the aggregate translate into a more efficiently run operation, both on the organisational level and the cost level.

So what did Carnegie have to say? Well, here are some of his key principles laid out for you:

When it comes to handling people...

- *Don't criticise, condemn, or complain*
- *Give honest and sincere appreciation*
- *Arouse in the other person an eager want*

When it comes to getting people to like you...

- *Become genuinely interested in people*
- *Smile*
- *Remember what a person's name is. This gives a person the sweetest and most important sound to hear in any language.*
- *Be a good listener. Encourage others to talk about themselves.*
- *Talk in terms of the other person's interests*
- *Make the other person feel important— and do it sincerely*

When it comes to winning people over to your way of thinking...

- *The only way to get the best of an argument is to avoid it.*
- *Show respect for the other person's opinions. Never say, "You're wrong".*
- *If you are wrong, admit it quickly and emphatically.*
- *Begin in a friendly way*
- *Get the other person saying, "yes, yes", immediately*
- *Let the other person do a great deal of the talking.*
- *Let the other person feel that the idea is his or hers*
- *Try honestly to see things from the other person's point of view*
- *Be sympathetic with the other person's ideas and desires*
- *Appeal to nobler motives*
- *Dramatize your ideas*
- *Throw down a challenge*

Seems so clear once you read it, right? Dale Carnegie's work was, and continues to be, resonant for a lot of people. This is the one of the major reasons it has such a lasting effect. As we move forward through this book, revisit these core principles of Carnegie's. Use them to refocus your mental energy and allow them to get you in the right head space to learn what you need to learn from what we're going to talk about here.

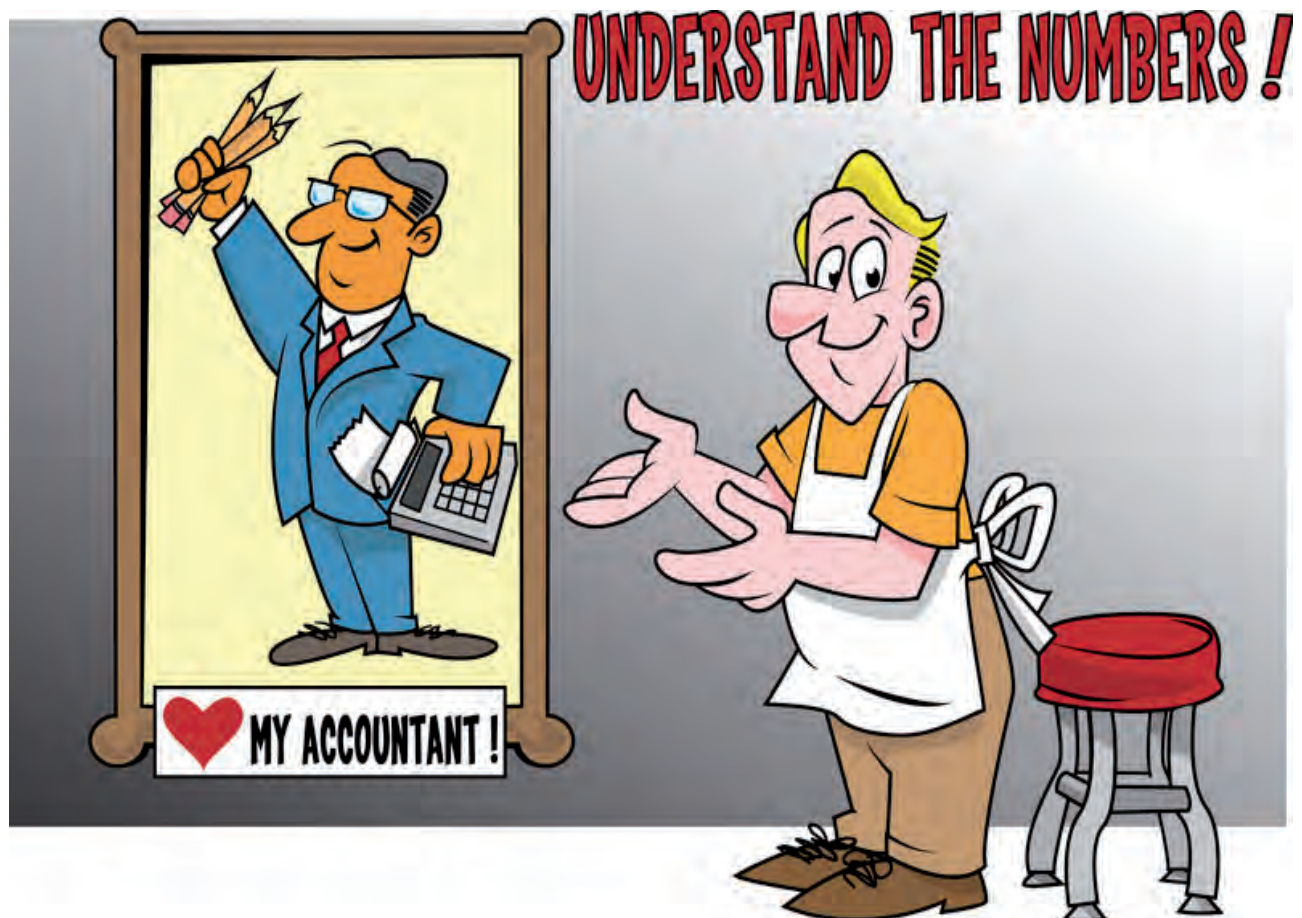
Ready? Let's get into it.

Chapter 2

Understanding the Numbers

How many people in sales and business do you think really understand numbers? For most people, they may look at their profit and loss numbers, but they don't know much about balance sheets. I was the same way.

Many people are, in fact, allergic to numbers — they don't like numbers much at all. If you have one of these allergies, what you need to do is *force* yourself to look at the numbers and understand the numbers. When you focus on the numbers, you do better.



The trick is to understand how numbers translate into actions. How do you do this? Start by loving your accountant! The more often you speak to your accountant, or your bookkeeper, the more often you receive some numbers that have meaning. Those numbers can then translate into an action plan for your business.

One obvious action plan that often stems from numbers is, “cut, cut, cut”. The truth is, though, that you have to be careful with what costs you cut. What you cut today can get you in trouble for tomorrow. Typically training, marketing, repairs, maintenance, IT spends, etc. can be cut in the short-term, but will basically harm you in the long-term.

So start visualising how the “number” reality of your business can translate into “action.” Seeing this connection can give you a much healthier approach to your bottom line.

At the moment, the marketplace is particularly demanding. We all know this. The marketplace is tough and the banks are tightening up a lot. As a result, people are spending a little bit less, and they’re being much more frugal. Everybody’s looking for a better deal. How do you deal with this new frugality? Well, you could consider bundling with some of the big deal makers out there today— the Groupons and Scoopons of the world.

More importantly, what you need to do is take dead aim at your financial action plan. I was recently at the airport in Singapore and saw that they had put a tiny ceramic fly on the back of the urinal. You know why? This small choice, well, it resulted in a 30% reduction in urine spillage! Until the fly was put there, no one was taking aim. In general, and especially in sales and business, many failures can just get chalked up to the fact that most people haven’t taken aim at what they’re going for.

When you aim at something, you have a much better chance of *getting it*. So whether that be a sales target, a cost of goods expense target, a percentage for rent, or whatever target you’re going for, focus your energy! Learn to love and understand the numbers and maintain a laser focus on turning those into an effective action plan.

Chapter 3

Creating Financial Literacy

Financial literacy is essential to you getting on top of costs savings and trims. It's not, however, just about your own financial literacy... it's also about transferring financial literacy down through your entire team.

I ran an object lesson once with a team to see how aware they were of the financial realities as they exist today in the marketplace. I gave them a photocopy of a hundred dollar note and asked them to partition it up, allocating sufficient funds for each of the four main cost categories that drove the restaurant business — food and drinks, wages, expenses, and rent — so that we could see what profit we were left with in the end.

Now, traditional wisdom in the restaurant industry stated that a 30/30/30/10 split was usually par for the course. But the truth is, that those costs have escalated significantly in recent years. A 10% profit margin seems like a pipe dream to many in the functions business or hospitality.

The trick here is to educate staff about the true costs of running a business, at least giving them a basic understanding of food and drink costs, wages, expenses, and rent. They also need to understand how much falls into the catch-all "expenses" category these days: advertising, IT, government costs, insurance, and more. And under "rent" of course comes various utilities and other added costs. What's left after all of that? Very little profit.

So educate your staff and make sure they're on board and aware of what's at stake. Be transparent with them so that they have a clear understanding of what it will take to get your business to succeed.

The Four Eyes Principle

Now I did some work once for Siemens – the electronics company – and they had a strategy called “The Four Eyes Principle”. What this principle stated was that every business has to have four eyes on costs at all times. One set of eyes are always focused on the top line, i.e. “spending money to make money” and growing the business. The other set of eyes need to be on the bottom line, focusing on trimming costs and saving. With all “Four Eyes” working at once, a business had a decent chance of coming out ahead.

Now, in the hospitality business, you need to be extra vigilant. But you know, what? It’s okay. Because just one *dollar* makes a difference.



Think about it. One of the things that blew me away when I started thinking about these ideas – and it took me a while to learn this – was that any time you *cut a dollar off your cost*, you *add an extra dollar to profit*. Any time you *increase your prices or reduce your discounting by a dollar*, that drops straight through to the profit. Sadly, any extra additional sales, like one dollar of additional sales, will only get you a proportion in profit; sometimes 10%/20%/30%/40% extra of that is profit. But the first two ideas in this principle— cost cutting and price increasing — are particularly useful in order to grow your profit. In some businesses, increasing turnover by 10% and adding 100% to profit can be accomplished, because there has been a high set of fixed costs.

So work on educating yourself and your staff about the finances in your business, consider leveraging the “Four Eyes Principle”, and always remember that even one dollar makes a difference. In the next chapter, we’ll get into some techniques I’ve developed for understanding and managing expenses and getting that “one dollar” to shift into the plus category for your business.

Chapter 4

Buying Better by Understanding Expense Categories

One very important way in which you can start getting that dollar working for you is by doing what I call “buying better.” “Buying better” involves understanding four different categories of expenses. By understanding these categories, you can better manage your costs to start shifting those dollars one by one into profits.

The four categories of expenses are:

- Highly Negotiable Expenses
- Highly Variable Quality Expenses
- Large and Lumpy Expenses
- Service and Financial Expenses

Let’s go through each of these one by one and see how each of them affects your business’ cost efficiency.

Highly Negotiable Expenses

There are several expenses at the core of your business that are completely open to negotiation. You may not even be aware that there are negotiable expenses in business these days, but there are. Understanding where these expenses are can save you thousands in the big picture.

I remember one time where I sat down and decided to address some waste management costs at a business. Within 15 minutes I saved \$3,000 just by asking for a better deal on the waste bins. It was that simple. But it took me being aware that this cost was up for negotiation. So what are some of the highly negotiable costs at your business?

Energy, electricity, and gas are highly negotiable. In addition, telecommunications, insurance, office supplies, hygiene services, cleaning supplies, toilet paper, printing your packaging, commodity foods, and signage are all *negotiable*.

These expenses are negotiable, because they come from highly competitive industries and ones with a lot of turnover. There are several techniques you can leverage to negotiate these expenses down. For one, you can join buying groups. There is one called Pubs Clubs, I think, as an example.

Also, look for new entrants into the marketplace, especially in energy. They are keener to grow and they're *dead keen* to get some business. You can also ask your association, your colleagues, and your friends for their connections and helpful advice. You can also use purchasing services like Reassign or ERA (Expense Reduction Analysts), although they will charge you a percentage of what they save you.

There are also a number of online websites and comparison websites, such as Energy Watch, that you can use to cut some costs. This is one of the fastest ways to reduce your costs with these highly negotiable items. This technique doesn't require much energy or skill on our part at all. It's just a matter of applying some attention and using these resources to find out where you can buy the best deals.

I've also done some bulk buying in my time. I used to buy a trailer load of toilet paper every season for my three function centres. So at the start of the season in September, I would buy an entire semi-trailer load at 20% of the price of buying it on a box-by-box basis.

Highly Variable Quality Expenses

A slightly more difficult category of expenses is our second one on the list, Highly Variable Quality Expenses. This category includes fresh foods, frozen foods, other grocery, beverages (including alcohol, soft drinks, and coffee), uniforms, work and safety wear, linens, and the laundering for those linens.

Cutting expenses in this category can be especially risky for a restaurant or other business in the hospitality industry. Saving on these Highly Variable Quality Expenses can quickly turn into a PR disaster for your business.

I remember one time I went to a club in Orange, New South Wales where they had done some significant hacking in this category. My meal arrived at the table. After one bite I turned to the chef and I said, "Wow! You've done really well here. These are,

without a doubt, the worst chips I have ever had in my entire life. How are you doing it?" Turns out that, in order to save in this Highly Variable Quality Expenses category, the chef had been using red palm oil that he had found for really, really cheap, and it was turning his chips fluorescent orange in colour. He'd also done a deal with the frozen chips suppliers to give him some really floury chips that were just dreadful. As a result he saved a fortune, but unfortunately was driving all of his customers away.

Unfortunately, you pay for what you get. So in this category, tread lightly. Keep an eye out for time-based specials and overstocks, but make sure that the quality is still in place. There are deals to be found, but make sure that you never make a choice that will compromise your key offering to your customers.

Large and Lumpy Expenses

Funny name, right? This third category involves all of those large-scale expenses you need to shell out to repair and maintain your business and keep it in working order. This can involve fixtures and fittings, furniture, or even little items, such as plates, and cutlery. Plant and equipment can also fall into this category, as well as office equipment, motor vehicles, photocopying machines, and computer hardware.

One tip that can be useful in this category is at the end of the month, or at the end of the quarter, many companies offer their reps and their dealers rebates. It's better to buy a car at the end of the month or at the end of the quarter, for example, because if a dealer is just short of a couple of deals to get their massive rebates, or some money back on all of their purchases, they'll be very keen to sell you a car at a very cheaper price.

It's also a good idea to comparison shop online in this category, looking specifically at non-branded products over branded. Nowadays you can get items that are 95% as good for 30% of the price in the non-branded category of goods. You can also do better with tenders; request for tenders, request for proposals. There are a couple of really nifty websites out there that you should check out when trying to control expenses in this category: www.alibaba.com (basically e-Bay for businesses) and also www.madeinchina.com. I had some great successes getting printing done offshore, and all sorts of interesting things on Alibaba, Gray's Online, and Overstocked. Additionally, www.oo.com.au is another website that's particularly useful when hoping to save on the Large and Lumpy.

Services and Financial Expenses

The hardest way to save, in my experience, was when it comes to buying services and financial help. A good trick of the trade is that you have to be specific in your contracting and tendering. Make sure you can get a service agreement that says what they're going to provide. That's very useful— in fact, it's a must. Anybody that's providing you a service should give you a service agreement.

You can also look online and offshore for services to save some money. If you need a service done, such as writing website content for your restaurant, designing a logo, etc, you can go to www.elance.com, www.odesk.com, and www.fiverr.com. These freelancer sites can give you access to pros with quality skills at much more manageable rates.

Chapter 5

8 Great Buying Tips

Over the years, I've sat down and consolidated my thoughts on how to buy into my "8 Great Tips for Buying". Are you ready? You'll want to write these down so you remember them. We'll go through them point by point, but in summary:

- **Be a tight ass**
- **Set budget targets and review your performance**
- **Watch wastage and look for hidden kickbacks**
- **Make frequent reviews of prices vs. COGs**
- **Encourage high margin customer purchases**
- **Engage in buying groups**
- **Use financial benchmarking**
- **Learn to negotiate better**

Got those down? Good! Now let's look at each one in detail.

Be a Tight ass!

You heard me correctly! Don't be afraid of being a tight ass and asking for more. Yes, people are going to say, "Geez, you're a real tight ass". But let me tell you something — the people who run businesses that are tight asses are making *two to three times* the profit of the ones that spend all their money. PERIOD.

It's a bit of an issue for some people. They just like spending and buying stuff. But the companies that are run by large, efficient corporations or groups, or owners that are particularly tight, those are the companies that are driving the Ferraris and doing particularly well.

It can be an interesting experience to be a tight ass. You know what's most interesting about it? You get rich! Ask anyone who knows plenty of rich people and they'll tell you that rich people are the stingiest. It's true! I've met a lot of really, really rich people. They collect all the money they have and they keep it. The more you can learn to do that, the better.

Set Budget Targets and Review Performance

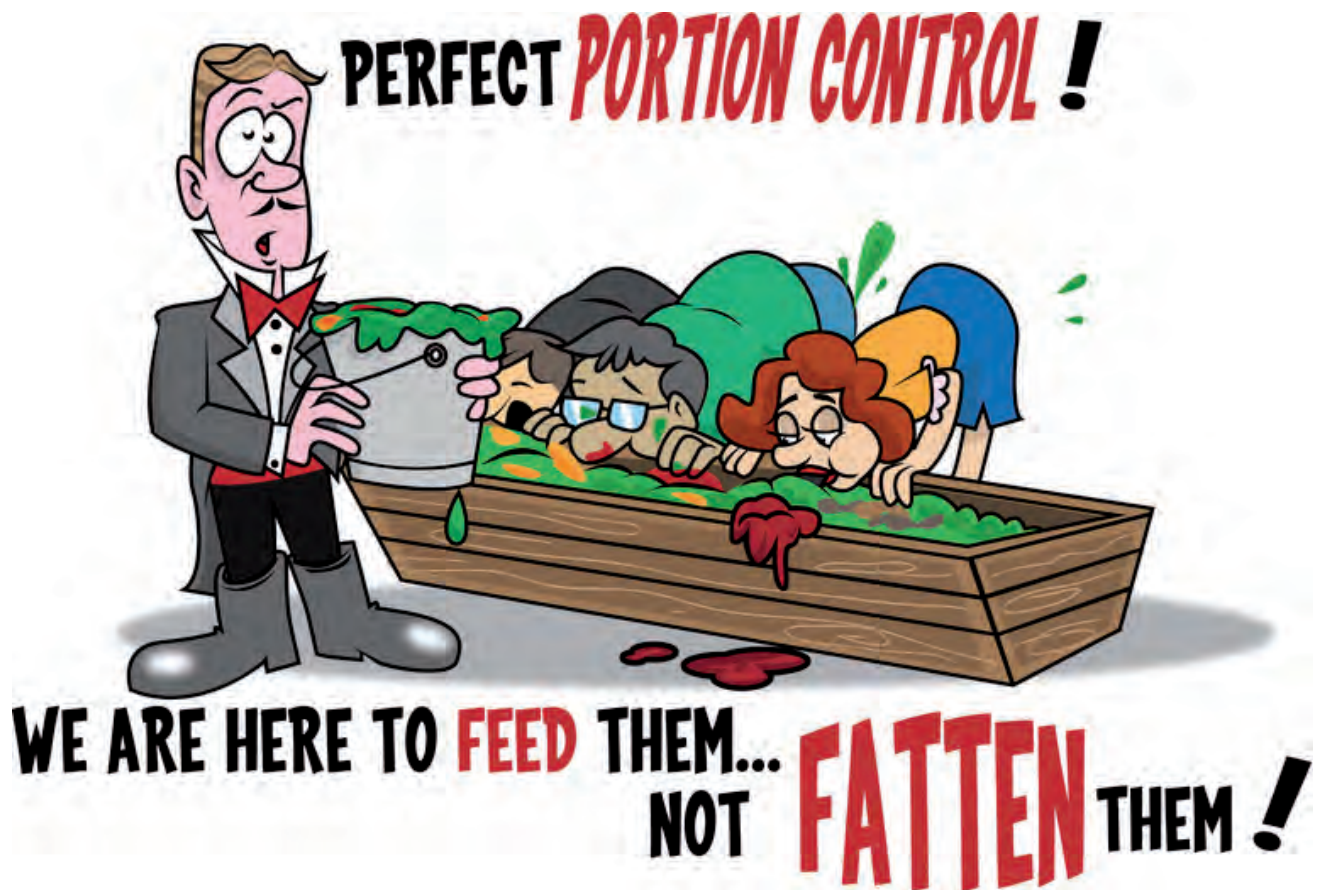
Make sure that you set budget targets for yourself on a regular basis and that you check-in to make sure you're adhering to those goals and standards. If you see yourself consistently meeting your targets and think you can ratchet the bar up a little higher, give it a try. Work incrementally to increase your goals, though. You don't want to go in for any large-scale changes all at once.

Watch Waste and Look for Hidden Kickbacks

Waste is a huge issue in the restaurant industry. It's sort of the nature of the beast, unfortunately. You cannot always plan ahead and order the perfect amount of food for the week. After all, you're not a mind reader and can't be sure of how business is going to be in a given week and whether or not any deus ex machina style events may interfere with your business. In general, try to work closely with kitchen staff to monitor waste and plan as best as you can.

Get all of the kitchen workers to understand what the cost is to put things in bins, even the waste. One of the ways I did this when running a restaurant was really simple. If a bag of flour comes in, and I'm paying \$67 per bag, I write that information on the bag. If a box of wine comes in, I would do the same thing so I know exactly what I am paying for this wine. If you've got some things that are being wasted — big box of butter, packets of napkins — mark those too. This circles back to that financial awareness you want to instill in your staff.

I also found – and this was quite bizarre – that fat chefs, or round and plump chefs, tend to think that everybody wants to eat five cubic tons of food on their plate. I used to post a quote in my kitchen that read, "We're here to feed them, not fatten them". If you try and serve ginormous portions of everything: A) a lot of food goes down the bin; and B) You're not being very sustainable to your customers or guests. If you serve reasonable food portions, you're able to serve customers multiple courses, such as serving desserts. So controlling portions is another tool to consider.



Kickbacks are another industry-wide problem. I remember once the food providers were providing a competition for some local chefs, and I opened up my freezer and it was completely full of dim sum. I thought, "Gee, this is bizarre. We don't actually sell dim sum". And it turned out that the chef had bought so many dim sum and other products that he got himself a free plasma screen TV as a kickback. Make sure that you have it in your business contract that absolutely no one in a position to buy for your company is allowed to negotiate a special deal where they receive a kickback.

Make Frequent Reviews of Prices vs. COGs

Anything you can do to make frequent reviews of your prices and your cost of goods sold will benefit you in the long run. Most people underprice what they're doing, frankly, and there are often opportunities to grow more in this area. You can also encourage your staff in what's called "high margin sales", in which you get them to upsell high margin products. A restaurant can make a real good margin on things like chicken, salads, pasta, soups, certainly house wine, and drinks. The more you encourage high margin purchases, the more your cost of goods will be under control.

Consider putting a margin chart up on the wall that says, “These items are ones we make a great high margin on”, and “these ones we don’t make much margin on”. Use a green, yellow, red traffic light system, or alternatively, putting little asterisks or shift suggestions on some of the items on the menu or in the bar. Remember, where the attention goes, the money flows.

Buying Groups and Efforts

There are a number of buying groups and efforts through the AHA and other organisations that can benefit you. The best way to do that can be to just use good, ol’ fashioned word of mouth. Ask around in your niche and see where others are leveraging these types of opportunities. There are also a couple of programs on these approaches, such as “Cooking the Books with Andrew Breeze” and also “Profitable Hospitality with Ken Burgin”, so consider looking into those, as well.

Use Financial Benchmarking

Financial benchmarking is another great tool you can leverage. Your accountant may be able to give you some benchmarks from other industries and possibly other companies in the hospitality industry using CCH. There are also a couple of companies that do it called, Resurg and Avatar. These services basically tell you “What should I be paying for these things and what percentages should we have?”, so make sure you leverage these tools as well in your arsenal.

And finally, there’s learning to negotiate better. This one is actually a pretty big one, so we’re going to look at it in the next couple of chapters on its own. See you on the next page!

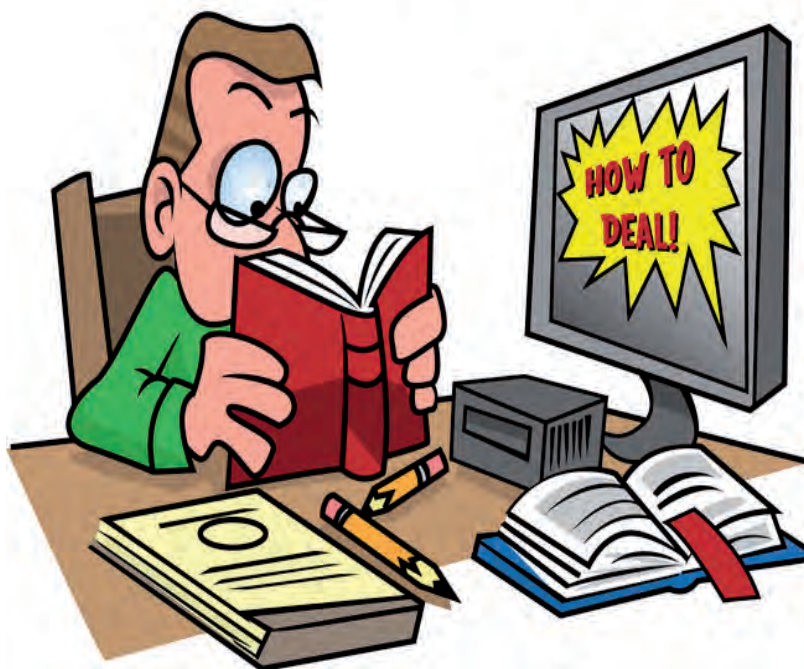
Chapter 6

Negotiating a Better Deal

As promised, we're going to spend time in this chapter looking more closely at negotiating a better deal for you and your business.

Improving your deal-making skills is perhaps the most essential tool in your arsenal. In fact, deal-making is the highest paying activity that you can do. There's nothing that pays as much money for you as doing better deals. There are also predictable responses that you can count on in the negotiating process. Different people negotiating different ways, but there are some things that are fairly predictable. Let's go through a few.

STUDY NEGOTIATION SKILLS



DEAL MAKING IS THE
HIGHEST PAID ACTIVITY

THERE ARE
PREDICTABLE RESULTS THAT
YOU CAN COUNT ON IN THE
NEGOTIATING PROCESS

Building Rapport while Staying Focussed

I'll start with an anecdote that illustrates an important idea here pretty clearly. My mother-in-law accidentally sent my sister-in-law a message at 3 o'clock in the morning the other week. It turned out that the dog had redialled the telephone mobile and she got this message sent to her by Telstra. So my sister-in-law was lying in bed and the message she received on her phone was: "You missed a call from (my mother-in-law) who said "Woof, woof, woof, woof, woof, woof, woof, woof, woof". It's now a running joke in our family. It comes up every time we have a family gathering, it seems.

In your business, however, you don't want these small personal narratives dominating the conversation and coming up again and again. Should you have rapport with someone you're negotiating with? Absolutely. Should you get bogged down in endless chit chat, anecdotes, and inside jokes?

No way.

What I have found again and again is that the people who talk a bit more about results and just use a bit of small talk to build rapport are the ones who actually get down to work and get deals done. I used to have some reps who had nowhere else to go, and would come in, and just talk crap for hours and hours and hours. And in the end, I understood that my time was valuable and said, "Look, just really cut to the chase or leave".

If you focus on performance and possibilities, and products and services, and talk about new stuff (what's hot, what's new, what's working, etc.) as opposed to the personal stuff, the better results you get.

Dealing with Price

Now a lot of people will just negotiate price. They'll spend hours, days, or weeks, just negotiating a price. You know what happens when you get bogged down on price? You miss out on all the great terms you could have spent that time negotiating instead. Sometimes it's better to just cut a deal on a price and then get into the real meat of the deal, "I don't want to pay for this until the first of the month", or "I want 30/60/90 days", "I want conditions", "Look, if I'm not happy with this, I want it on approval. I'll take it, but if it doesn't sell, I want you to take it back", or "I only want this done here". Don't those all sound like pretty critical things to discuss?

So, again, don't get bogged down on price. Once you've got a deal and you cut a deal on the price, at that point you can go back.

Chapter 7

Asking Questions: The Secret of the Rich

I was down in Melbourne CBD the other day. I walked past a Catholic bookshop and there were two beggars. The first bloke that I walked past said to me, "You don't have any small change, do you?" In which case, most people who walked past said, "No".

And then down the other end of the bookshop there was a bloke sitting there with a sign. He'd decided to go with some signage and he had put some visual stuff into it. He had gone with a bit of a sales aid. He had a dog there as well and he said, "Could you spare a few coins?" He was making an absolute killing and had a bagful of money.

So here it is: it's all about *how* you ask.

If you say "You don't have any deals, do you?", that's not getting you anywhere. You're setting yourself up for a big, fat NO. Use open-ended, general inquiries, "What specials do you have?" How you phrase your question can define the answer you end up getting.

Now asking, in fact, turns out to be the secret of being rich. Not many people are aware of this. My mom – bless her heart – many years ago went on a course on deal-making and negotiating, with one phrase that she was taught, "Can you do a better price?"

Ever since then, she's been using this over and over again... and it's pretty embarrassing. She'll be in Cole's or the Woolworth's Supermarket and there she is, asking them for a discount. And you know what? She gets one. "Is that your best price?", "Tell me your best price.", "What would I have to do to get a better/best price?", "Will that be less expensive if you only made one delivery instead of two per week?", "How much for cash?", "Could I get a lower price?", "What specials are available?", "What's your off-peak price?", and "You'll have to do better than that". These are just a few of the many questions you can use to set the bar in a negotiation.

And then? You wait. You sit there in silence... and then they'll usually chip in with a better deal. Don't drop it there. Push on with more questions: "That sounds a little high.", "If you include X and Y, you've got a deal.", and "Can I get better terms?"

What I have found is that anybody who asks any of these questions will get much, much, much better results. In terms of asking questions, here's a little trick to remember: smart is dumb and dumb is smart. Think of Colombo – the old detective from TV – and how he used to always ask these sort of weird wonderful little questions. Sometimes coming at people sideways or playing "dumb" to a degree can get you in a good place in your negotiation.

You can also ask for permission to ask questions. "Look, is it okay if I ask you a couple of questions?" We're looking to identify possibilities and get them to buy in. You might say, "Look, what's really important to you about this deal?", "What outcomes are you really looking for?", "If I buy more of those, can I have a better price?", "If I do this, can you deliver it in one lump?", or "If I buy more, can you give me better terms?" And then always asking, "What else?" and "Who else?" Set a tone that says you're here to investigate.

I referenced being silent a little bit back there. That's an important concept to look at on its own. Sometimes the most powerful thing you can do is ask a very effective question, and then shut up and listen to the answer. Oftentimes, if you just take the space to wait, they will actually feel under a bit of pressure to give you a better deal.

You can also paraphrase it if they've been mumbling and bumbling along and use questions to clarify what they are trying to say. This allows you to begin defining the conversation. "So look, what you're telling me is that you can't give me a better deal if you do this/that/the other?", or "Look, when you say discount, what exactly do you mean?" Clarify and you're in control. And don't forget to listen actively when they start talking. Insert a lot of "uh huhs", "hms", and "yesses" wherever you can to show that you're actively engaged in the conversation and what they have to bring to the table.

Chapter 8

Negotiating Tips & Tricks

In this chapter, we're going to look at a lot more negotiation tactics and tricks that you can use. Now, the catch is, you need to know when to use these, and you also need to know *when they're being used against you*. (Lightbulb!)

Probably the most classic one with this is the good cop/bad cop routine where someone pretends to be your friend and the other one pretends to be real hard ass. Learn to recognize it so they can't use it against you! And use it yourself whenever you can get away with it and when working as a team.

BEST DEAL MAKING TACTICS



AVOID DODGY DEALERS- PROMISE & NOT DELIVERING

DON'T LIE, CHEAT & STEAL !

Another important trick is to understand your limits in negotiations. Your limits define your outcomes, so they are clearly essential to know and recognise. Ask yourself:

- *What are you really trying to do?*
- *What would you like to have?*
- *What do you intend to have?*
- *What's really a must-have?*

Once you have a clear answer to these questions in mind and have clearly defined your limits, you'll be much better positioned to negotiate effectively.

Intelligence (as in inside knowledge) is particularly powerful in negotiations, especially when you're negotiating to find out from your friends what other deals they've been getting.

Tricks for negotiating in the Room

Here are a couple of really, really simple tricks just for negotiating: for one, think about where you sit in a negotiation. If there are a couple of people in a room, push your chair back and sit where you can watch the body language of both of them. You never want to be turning left and turning right.

When you have two people on your team, always sit apart so that you speak with two different voices and you can have two different conversations going. When you have a large group opposing their small group, keep your group together for power. When they have a large group opposing your small group, intermingle to diffuse their power. If at all possible, sit where you can see what they're writing. If you're selling, it's always better to have them on your dominant side. If you're buying, you're probably better off to have them on your less dominant side.

Another little subtle trick is utilising the printed word. Quite frankly, people think that a price that's printed out on a price sheet is more believable than one where you just made it up. If I just tell you that the price is \$17 a kilo or \$79 dollars a carton, you are much more likely to perceive that price as flexible than if you had a price list. If there's a price list in the room, people are far less likely to think they have leverage.

Playing the Right Role

Another tip I stand by is never being the person to offer to split the difference. That person nearly always gets a worse deal. You can be cautious of, or use the "Take it or leave it" deal, which is "This is as good until you leave the room". As I mentioned before, if you can negotiate with somebody that you're the good guy and they're the bad guy, you get to be the intermediary person and sometimes get a better deal.

For example, the chef can pretend to be the good guy for the suppliers, but keep referring to the boss being a real bad guy or hard ass. That way the chef can get the relationships and get the good deals, but when we have to have a crunch at deal..."Look, the boss needs me to get a better deal than that." That's called the expert negotiation.

A bottom line gambit is where you go back multiple times and get a better deal every single time. There's another one with the slightly sassy name, "call girl principle" that says people's desire to trade or give you a good price diminishes after the service has been rendered. Many times, if you're negotiating services, negotiate the deal on the price upfront rather than afterwards. And if you're going to do a trade-off that says, "If I give you a discount now, then later on you're going to do me a favour", you're actually better off doing the trade-off straight away.

Also consider playing the reluctant buyer or seller. You can do this by doing the "flinch", which is when someone first tells you the price, and you give him or her a visible reaction, such as "Oh! You're killing me. That's way too expensive." You can use a vice technique that says, "Look, you're always going to ask for a bit more, a bit more, and a bit more". You can ask for the nibble that says, "Just give me a little bit of it. Just a sampler just to see how we go, and then give me another sampler, and give me another sampler". You can also do the withdrawn offer that says, "This offer is only good until you leave today", or "It's only good until Tuesday".

One that I've been caught on a few times is called the, "want it all" technique, which is where you ask for more and then buy less. So you say, "How much is it for a chair?" The person responds with, "\$200". You ask, "Well how much is it for 100 chairs?" The person responds with, "Well \$150", and you say, "Okay, well I want 5 so I'll take them for \$150." This is where you ask for more, but you only buy a few.

Bruce's Tips

I went to a presentation the other day by Bruce Matheson – the guy from ALH, a real legend in his field. He had some of the best little tips that he used in his life for deal-making.

One of them was don't be greedy. He said everyone's got to eat and sometimes they plan revenge if you beat them up too much. He always says that whenever he does a big deal, he looks at what he could possibly lose, not what he could possibly make out of it. And he said that's been really helpful for him his whole life when buying stuff. He also says that he makes his own market, which means he approaches people for what's for sale rather than waiting for them to come to him and try to sell him stuff.

Plus, he buys on deals. Typically, he would be buying on death, divorce, and disaster when people are really, really keen to sell and that's when he bought at the best possible price. And he always says, "Everything's for sale at a price".

Another tip Bruce recommends, that I always use is, "Always trust your gut feel". This is really one of the most valuable things you can do for yourself in the negotiating room. Listen to the person on the other side of the table, but also make sure you listen to yourself. Your gut can be the best negotiator in the room, so you'd be wise to listen up and tune in.

Playing Games and Knowing the Players

There's a whole lot of game playing that goes on in negotiations. Us Aussies, we're not real big on negotiating and deal-making, but what we find is that if you go over to Asia, they absolutely want you to do negotiating and deal-making, and then you have to work out what's a decent price.

For example, if you are selling a car and you said to the person, "It's \$5,000", and the person looks at you and says, "I'll take it." You suddenly think, "Gee, I sold that way too cheap", or if you're buying a car and you give somebody an offer, you look at his or her car and you say, "I'll give you \$5,000 for it", and they say, "I'll take it". Again, they didn't play the game, and you're there leaving thoughts of, "Maybe I should have charged more for it". There is sort of the reluctant buyer and the reluctant seller. There's a set of emotions to be played.

You have to know who you're dealing with. Who are the different players and understanding their personality types? There are some people who are very strange, and there are some who are very fast. They want to do things quickly and decide quickly. And there are other people who want to think about things for a long, long time.

The most important personality types in negotiations, though, are people who are very relationship-orientated and very accommodating. They will discount the price *and* they don't want to damage the relationship. Then there's other people who are at the total opposite, where everything's a competition, they want to kill people, and they don't put much effort into the relationships.

So stay on top of who is in the room and what type of personalities you are dealing with. You have to work out where the players sit on a relationship result scale. If they're very easy-going, they're going to be able to accommodate you and give you more. If not, you'll have to be ready to step up your game. Big time.

Conclusion

Well, I hope you've enjoyed the ideas and thoughts I've shared with you here. Circle back through the

book as the months go by, and you begin implementing these ideas so you can refresh your knowledge and understanding of these principles. They may take on a new colour and meaning for you as you begin seeing how these ideas can manifest in real life, helping you trim costs and start saving big.

Most importantly, moving forward, try to approach your new game plan for your business' finances with *confidence*.

IT'S ALL ABOUT YOUR CONFIDENCE LEVEL!



No matter how much useful information and how many innovative ideas I throw your way, you're not getting anywhere without the right amount of confidence and positive thinking! Get yourself in a place where you approach each day as a business owner or manager as confidently as possible.

Are you competent? Are you passionate? Are you knowledgeable? Let people know! And more importantly, remind yourself of these qualities too! If you're feeling hungry or desperate, and if you don't like yourself very much then guess what? You won't work well, sell well, or deal well with others. Like yourself, and remember, winners win and losers learn!

You need to have the right emotional energy to succeed. What is that "right" energy? **Not** desperate, but dynamic. Before we say goodbye here, I want to picture a continuum with desperate on one end and disinterested on the other. You don't want to be desperate, because that is where you fall into a "must have" or "must sell" mentality. Others will see this on you... and you'll sense it in yourself!

On the other end, we have completely disinterested. People will also zero in on this, as well. No one wants to do business with someone who doesn't care and can't build rapport. Find your middle ground, what I like to call the **DYNAMIC** place between desperate and disinterested. When you're **DYNAMIC**, you care, but not too much — the ideal place for doing deals.

So build your confidence, make sure you know your worth, and then get out there and effectively convince others that you've got what it takes. With confidence behind you and the right dynamic balance to your approach, you'll be right on course to start running your business efficiently, trimming costs substantially, and getting ahead of the game!



David Staughton

AUTHOR | SPEAKER | CONSULTANT

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