



THE
FOUNDER'S GUIDE TO
SALES
NEGOTIATION



HOW SUCCESSFUL STARTUPS
CLOSE MORE *DEALS*

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The Founder's Guide to Sales Negotiation

How Successful Startups Close More
Deals

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Welcome to The Founder's Guide to Sales Negotiation

Every negotiation starts with no. And no can be scary, because it means rejection and tension. That's why you often hear vague, well-meaning advice like "create win-wins."

Bullshit.

Creating win-wins sounds great in theory, but it's harder to achieve in reality. The field is always tilted in one party's favor. The question is, how can you tilt it in your favor?

This doesn't mean act like a jerk and screw people over. This also doesn't mean become a doormat and let customers walk all over you. Neither of these mentalities will work in the complex world of SaaS sales. That's why this book begins by laying out the mindset you need to have every time you walk into a negotiation.

As you read this book, you'll see that none of the tactics laid out in here require advanced, Jedi mind tricks. And that's the point: anyone can become a better negotiator by following a set of simple principles.

More importantly, becoming a better negotiator allows you to build a stronger startup. Stop giving out discounts like they're party favors and start charging what your product is worth, and you will increase your revenue (and improve your sales forecasts) with less effort. It's that simple.

Go get'em!

Steli

Negotiation mindset

The 1 thing you need to win every negotiation

There are hundreds of books on how to negotiate. You can spend a year reading them all to become a great negotiator. Or you can do the one thing that will give you the upper hand in every negotiation: be willing to walk away.

Before you walk into any negotiation, you need to know at what price you'll walk away from the deal. Ask yourself: "At what point will I walk away from this? When isn't this a good deal anymore? Where do I draw the line in the sand that I won't cross?"

It always surprises me how few people set their price in advance. It makes life a lot easier and will turn you into a much more effective negotiator.

Simple, but hard

This sounds almost too simplistic, right? Can something so straightforward really be the key to working out better deals?

I believe it is. You don't need to have fancy rhetoric, clever tricks, or complex strategies to be a great negotiator. Just know at which point you'll walk away.

Don't take my word for it. Give it a try. You'll find that while this is easy in theory, it's hard to practice.

It's hard to manage your emotional investment in any given negotiation you're involved in. Fear of losing out will whisper in your ear. Your insecurities will weaken your resolve. Doubts will try to break you.

The hardest person you'll ever negotiate with is not some slick Wall Street dealmaker—it's you! There's an "anxious little teenager" area in your brain that's good at inspiring you to make stupid choices. The higher the stakes, the louder and more forceful it will become.

Win-win, win-lose, and real life

Some people walk into every negotiation trying to get everything they can out of a deal. They don't care if it ruins the other side or makes them unhappy. They just want as much as they can get.

If you don't know the price at which you're willing to walk away, these people can eat you for lunch.

Trying to reach a 100% win-win is noble in intention, but nothing in life is perfectly balanced. The scale is always tipped in one direction—and you want it to be yours. Just a bit.

What's the real goal of any negotiation?

Any negotiation you engage in should ideally lead to a long-lasting, profitable relationship between you and the other party. You can't do this if you're screwing the other side over. Both parties need to get more good out of the deal than they put into it.

What happens when you're not willing to walk away

If you don't establish your price before engaging in a negotiation, it can wear you down and cause you to make concessions you shouldn't make. If you don't draw a clear line

in the sand before you enter the deal, it's too easy to talk yourself into accepting lousy terms just to close this deal.

"It's just an exception."

One of the most common justifications founders bring up for closing lousy deals is that this is an exceptional customer.

Don't make exceptions. That's why you draw a line in the sand.

If you want to close a deal offering one customer better terms, then you need to redraw the line for every customer. This becomes even more apparent as your sales team grows and your sales process scales—managing dozens of people who all bring you exceptional deals is a big mess you don't want to deal with. It's just not worth it.

How Close.io landed its first big enterprise customer (without trying)

Shortly after we launched our sales software, we drew our line in the sand and made a decision.

"We're not going to do any enterprise sales, and we're not going to engage in complex sales cycles with big customers. We'll treat all our customers equal, whether they're a huge corporation or a tiny startup."

There was a reason for this: we knew how enterprise sales worked, and we didn't want to play that game.

Guess what happened soon thereafter?

A huge startup told us they wanted to have their sales team use our software. We liked this company, respected the founders and the product.

But we knew that a company that size could be trouble. Remember, we had drawn a line in the sand. So, we asked them: "Well, are you sure that this software will fulfill all

your needs? It seems that for such a large organization, there are better solutions than ours."

Huge startup: "No, no, we love your software! It's perfect. We want to buy it!"

"But we won't offer you any fancy customizations. We've got our product roadmap and will stick to it. If you have any pressing feature requests, we'll, of course, listen, but we won't focus our engineering resources on building stuff for you."

Huge startup: "No, that's ok, it's perfect as it is now! This is going to be great, and you guys can use our logo and we'll be a great reference customer, BLA BLA BLA."

A few days later, huge startup speaks with us again: "You know what, before we buy, there's this tiny little thing. Just this one feature. It's nothing. You'll have to do this anyways. We're just helping you to do this at the right time, which is now. Right? We need you to do this little addition to your product."

"No. Sorry, as we've said, we're not going to prioritize your feature requests over our product roadmap."

Huge startup: "Well, ok...but, we need this other little thing. You really need to do this. Otherwise, we can't buy."

"That's a great idea. We totally hear what you said. It's a great idea, it's on our roadmap, and it's something we want to do down the line in Q3 or Q4 but it's just not a priority right now. Thank you very much, we'll discuss it with the team, but right now, this is the product."

Huge startup: "Listen, this is a tiny feature request. We love your product. But we can't buy if you don't give us this."

We went through several rounds of this. They requested a feature that was required to make the deal happen. We kept saying no. They threatened to pull out of the deal. We wished them good luck.

Now internally we weren't as cool as we seemed. We feared losing this giant, delicious deal right in front of us.

But we had drawn our line in the sand.

No crossing.

At some point, they said: "Ok, we're willing to make this happen, even though you haven't committed to building any of the features we want. But your pricing is ridiculous. We're not going to pay that. Just think about how many seats we'll add, that's a ton of money even after a 50% discount."

And they were right. It would have been a ton of money. Some people on our team were very tempted to take it, even with a huge discount.

But ... line in the sand.

No exceptions.

We were profitable. Our company was growing fast. We didn't need this deal to survive and thrive.

So, we told them: "This is the best price we can offer." (This was our standard pricing for customers of their size.) "I know you want 50%, but we can't do this, it wouldn't be fair to our other customers. You take it, or you leave it, and if you leave it, hopefully down the line we are going to be able to work together."

They didn't buy.

We had lost the deal.

At least that's what we thought.

A couple of days later, we get a notification. The huge startup had entered their credit card and bought all the seats they wanted to buy.

"We're not going to buy if you don't X, Y, and Z."

Some prospects will try to pressure you by dangling a carrot in front of your face, and then pulling it away, telling you: "I'll buy, but only if you do this and that for me. And if you don't jump through this hoop and that hoop, we're not going to buy."

If you're faced with this situation, look at the line you drew in the sand. Do you have to cross it to make the deal happen? If the answer is yes, just walk away.

"If you make these changes, we'll send you a check."

Zach Holman shared a great story of his early days at Github.

An enterprise prospect liked their product but wanted some extra features. They sent Zach an email: "If you go ahead and make these changes, we'll come on board and send you a check for \$75,000."

It caused him anxiety to say no to their request.

Imagine his surprise when he received their response: "Cool, no problem. My boss made me ask that. We'll have a check in the mail later today."

But even if the customer hadn't bought at that time, it would probably have been the right choice.

Zach stated, "While all of their needs combined wouldn't take more than a day or two of development time, most of them were requests...we didn't want to add to our product."

His most memorable takeaway: "Everything you add to your product dilutes everything else."

When are you willing to walk away?

Answer that question before any negotiation. It'll help you to stand on firm ground even with parties more powerful and well-versed in advanced negotiation techniques.

Wolf or lamb in SaaS sales?

What's the right attitude, mindset and energy to sell SaaS products? Many people, particularly those whose first profession isn't sales, get this wrong.

They either:

- Go for the close like a sales assassin, sell like a shark, and bring in deals like the Wolf of Wallstreet.
- Or they sell like gentle lamb, a caring consultant, simply offering a choice and letting prospects decide on their own.

Neither of these sales styles will lead to sustainable success.

Let's take a closer look at both, and then see what you can do to succeed in SaaS sales.

The wolf

A wolf is effective at closing deals. Free from inhibition, he operates with strength and doesn't hesitate to apply pressure to make the sale happen. It's the archetypical pushy salesperson, utilizing hostile strength to get what they want.

The problem is, particularly in SaaS, this is a subscription business! If you bring a customer on board who simply won't renew their contract after 30 days, you've gained nothing. In fact, the cost of selling to them, onboarding them, and supporting them during the setup phase is probably higher than what they paid you.

And more importantly: this sales modus operandi is just unhealthy. Don't be an asshole—it's not worth it. You might be the number one closer (you get a coffee and a Cadillac), but that doesn't count for much if it makes you miserable.

The lamb

The lamb is on the other end of the spectrum. Instead of hostile strength, the lamb operates with friendly weakness.

It's a "soft" sales approach, without influence and leverage, without power over the prospect, without confidence.

The problem is that prospects don't want to invest their money into companies that employ "weak" people. And those prospects who do will often be the kinds of customers you shouldn't take on in the first place: abusive customers who exploit you and treat you like a doormat. Lambs attract "wolf customers."

Consultative sales?

Many self-proclaimed sales experts advise you to take a consultative sales approach. They say selling has changed.

Which is all well and fine, but in the real world, too many people use this explanation as an excuse to avoid doing uncomfortable things.

If you're a consultant, your job isn't just to dispense advice. Your job has three requirements:

1. Figure out what needs to be done.
2. Find a way to get it done.
3. And make sure it gets done.

If you're not doing these things, your "consultation" has no value.

The good parent

I personally think that rather than a consultant, you should act like a good parent.

Good parents have their child's best interest at heart, but they also communicate from a place of strength:

- They give clear directions.
- They confidently take charge of the conversation.
- They lead with clarity.

Imagine seeing your son do this:



What would you tell him? “Well, I think there might be other fun alternatives you could consider. I’d be happy to inform you about the available choices if you could spare five minutes of your attention.”

No. That’s not what you’d say. You’d communicate with strength and authority.

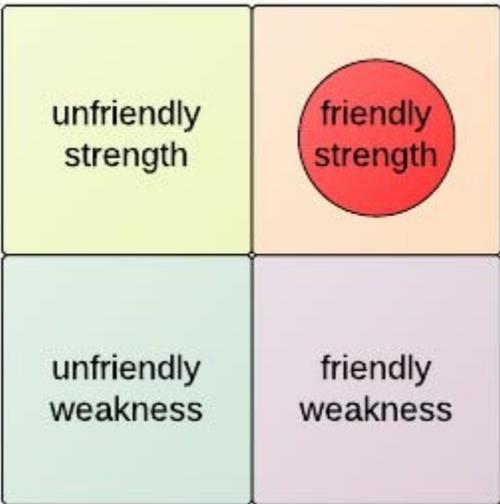
A good parent will communicate in whatever way necessary to get the right behavior from the child.

I can already hear some people taking offense with this: “Prospects aren’t kids! They’re adults, they’re equals.”

Of course they are, but if you’re a truly good salesperson, you know more about your product and your marketplace than your prospects. You’ve dealt with the challenges and problems your prospects are facing many times already, whereas for them it’s probably the first time.

You should have deeper domain expertise and be able to see some of the “juvenile” mistakes your prospects might commit due to their lack of insights and experiences.

A good salesperson will *respectfully* exert influence—and even put the screws to a prospect—if that’s what’s required to get them to make a good decision.



Sell with friendly strength.

Negotiation tactics

The most powerful negotiation tactic ever? Shut the fuck up!

Most startup founders don't think of themselves as master negotiators and struggle to come up with the right things to say in crucial moments. These moments are the perfect time to exercise one of the most valuable sales tricks: silence.

Although simple, it's hard to embrace silence during negotiations due to the level of fearlessness and discipline required. However, it is an incredible tool—one which saved our company \$225,000.

Why does silence work in negotiations?

Being silent in a negotiation creates social awkwardness for the other person, creating the urge for them to continue talking.

In those moments, the other party will slip up and give away their negotiation high-ground due to their unstructured thoughts.

Bingo.

Once someone keeps talking, all you do is keep shutting the fuck up and let them negotiate with themselves until the right moment appears. That's exactly how I saved \$225,000 in a ten-minute phone call.

Here's what happened: The founding team of Close.io was doing something completely different when we first started out. We offered a simple service where consumers could round up all their credit or debit card transactions and give the change to charity. To do that, we had to license somebody else's technology. We signed a three-year contract with that company for a shitload of money.

We thought we were super smart, so we negotiated a special deal with them: the first year of the contract we'd pay almost nothing, the second year a bit more, and the third year we'd pay them a crazy amount of money (around 90% of the entire contract value).

We assumed that after three years we'd either be so successful that we could afford to pay, or our startup would already be dead, so it wouldn't matter anyway.

The account executive from the company didn't care since his commission was paid on contract value, not payment terms.

Win/Win.

However, one year later, we completely changed our business. A huge pivot. We didn't use their super expensive technology anymore and couldn't afford to keep paying them.

We tried everything we could to get out of the contract. We called them, used our network to reach out to them, visited their offices, wrote letters...we tried everything because we were in a desperate, hopeless situation.

Our account executive kept telling us that he would love to help but, "The evil guys from finance aren't allowing me to do anything so you'll have to pay the entire contract amount to get out."

Fuck. You. Pay. Me.

He wasn't interested in helping us out, and I don't blame him. We were worth more to him as a bankrupt customer than a customer he let out of a valuable contract.

Eventually, we got connected to one of their board members and convinced him to send our account executive an email and tell him to help us out.

That got his attention.

The next day my phone rings: "Hey, Steli, this is John [not his real name]. Is this a good time to chat for you?" Me: "Yes, sure, let's chat."

John: "I really want to help you. You guys are a struggling startup and I have a huge soft spot for entrepreneurs. I put up a huge fight with the finance department and got you an amazing deal. I think you'll love it. You'll be super thrilled to hear that instead of \$250,000 you just need to pay us \$100,000 to get out of the contract."

I just had \$150,000 taken off my shoulders. I felt like doing a happy dance.

But can you guess what I did instead?

This was the moment to use the simplest and most powerful negotiation tactic ever.

Silence

After a couple of moments of awkward silence, he continues to say, "Well, Steli, you know, it's really important to us that our relationship stays healthy and I want you to know that [insert a huge pile of bullshit here]. This is really the best I can do for you, I already took a lot of heat from finance for this. I hope you'll understand."

23 ...22 ...21 ...20 ...19 ...

He continues: "You know, one thing we might be able to do, if you postpone canceling the contract till January next year, is probably give you a much better deal, maybe something between \$25,000 and \$50,000 instead of \$100,000."

It was November. Waiting for two more months was no problem.

“January, 25 thousand, sounds good to me.”

John: “Uhm ... great, I’m really glad that we can part on good terms. I will send you all the information later today.”

And that was it. The result was much better than I could have ever expected. That phone call saved us \$225,000.

I couldn’t have negotiated that kind of deal if I had said something. All I did was shut the fuck up and let it play out in front of me.

Admittedly, this was the most spectacular shut the fuck up story I’ve experienced, but I can tell you this: Nine out of ten times, keeping your mouth shut at the right moment will work better than anything “clever” you could ever say.

Want to close more deals? Just show a little vulnerability

If you want to build a prospect's trust, stop acting like a sales hero.

Prospects don't care about superhuman confidence. And they don't expect you to have all the answers. **They just want to see some vulnerability.**

Why is this so important?

Because prospects already feel vulnerable. They're talking to you because they need help. They have a problem only you can solve. But prospects aren't looking for saviors—they're looking for partners. They want vendors who are empathetic and understanding. They want to work with people who can be vulnerable, too.

At some point, prospects are going to ask questions you can't answer. And they'll have demands you can't meet. It's important to be honest and authentic, even if it leaves you open to criticism or disappointment.

Most salespeople are so afraid to let down prospects that they overcompensate. They promise things they shouldn't promise. They talk in absolutes. They bullshit and bullshit and bullshit.

But prospects know when you're not being honest. They know when you're scared to look vulnerable. **They know when you're pretending to be a sales hero.**

So how can you show your vulnerable side and still negotiate deals?

Ask for help

Ever been in a sales conversation that's going nowhere? A negotiation that's stuck? There's a magic four-word-sentence that can resolve these situations and help you get a real dialogue going. Just say the words: "Help me out here."

Sometimes, prospects flat out refuse to answer your questions.

But other times, prospects aren't outright resisting you ... they're just subtly evading a meaningful exchange of information. They respond to your questions, but their answers have a very low information density, don't provide you with any valuable insights, or are confusing.

Here's how asking for help looks like in action: "Okay, you said earlier that your #1 priority is high-volume sales, but you *a/so* said you don't have many leads to call right now. So what am I missing? Help me out here."

Another time, you might be stuck in a negotiation deadlock. Just say: "Help me out here. What is it going to take to make this happen? This negotiation has been going on for too long. Help me out here, what do we need to do?"

Some founders might think asking for help is a sign of weakness, but that couldn't be farther from the truth. You're not a mind reader. When something's confusing, get unconfused. By asking for help, you empower the customer to give you the information you need to close them.

Say “I don’t know”

If you don’t have an answer, just say so.

We all want to be the smartest person in the room, but nothing says idiot quite like getting caught in a lie.

And I get it. It’s difficult to say, “I don’t know,” when you feel like it’s an answer you *should* know. But ad-libbing or freestyling isn’t going to get you anywhere. You see this a lot with new sales reps—they’re asked a question they haven’t prepared for and they just keep talking. It’s like watching a crash in slow motion.

Let me be clear. There is absolutely **nothing** wrong with saying: “You know, that’s a great question. I don’t know the answer, and I don’t want to give you the wrong information, so let me talk to one of our experts after this call and get an answer for you.”

If you’re new, say, “That’s a great question, but I don’t know the answer. This is my first week, so I’m still learning the ropes. But I’ll talk to one of our experts and get you an answer right away.”

It’s an awkward and vulnerable thing to say to a prospect, but nobody’s going to be mad that you’re new. We’ve all been there. We’ve all had first weeks. As long as you’re honest—and you show that you’re eager to find the right answer—they’ll be encouraged to continue the conversation.

Admit you were wrong

At some point, you’ll provide a prospect with incorrect information. It happens to all of us. You’ll misquote a launch date or overquote a discount.

In these situations, most reps try to ignore the problem and hope prospects don’t notice or care—which is the dumbest thing you can do.

Instead, call them right away and correct that false information. It sucks, but it's the right thing to do. Just say: "I wanted to check back with you about the call we had a couple hours ago. I told you we'd build this feature within the next eight weeks, but I talked to our product team and it turns out I had the timeline wrong. This was pushed back on the roadmap, so it's probably going to be more like three or four months before we have this completed. I apologize for getting the dates wrong."

Or, if you're dealing with a price negotiation, say: "I know you really wanted a 20% discount, and you had a very good reason for why that's the only price you can pay. I told you I could make that happen, but I went back to the team and, even though I fought tooth-and-nail, our finance department won't approve it. No customer has ever received a 20% discount. The best I can do is a 15% discount, which is still an amazing deal. I think this can work, and I hope you agree with me."

What's the takeaway? Call the prospect immediately and tell the truth. You're going to feel completely naked, but it's the only way to move forward and re-establish their trust.

Learn to say no

When you're qualifying leads, don't be afraid to tell people, "I don't think our solution is right for you."

It's never easy to turn away money, and this kind of honesty occasionally leads to disappointment and anger—especially from enthusiastic prospects—but selling to the wrong customers can kill your startup.

Saying no to feature requests is equally worrisome for sales reps. No one wants to say, "Look, I understand you want this feature, but it's not on our roadmap and we're probably not going to build it any time soon. So, if this is an absolute must, you shouldn't buy our product."

It's scary when you don't know whether that's the last straw for a prospect. You may feel vulnerable in the moment, but you're actually taking a position of strength. For one, you avoid bringing on a bad customer—who will undoubtedly hound you about the

feature for the next six months—and, when you ask if this feature is a really deal-breaker, you usually find out it's not a deal-breaker at all. The prospect isn't going anywhere.

Embrace the chaos

During a crisis, you're going to feel incredibly vulnerable. Customers will be pissed, solutions will be delayed, and you won't have anything to say other than, "Sorry."

You may feel like ignoring phone calls and emails, but you have to show up. You have to call the customer and apologize. You have to listen as they scream and shout about taking their business elsewhere. Even if you're not able to help them, it's on you to be present.

This shit sucks, but it's possible to turn these vulnerable moments into opportunities for growth.

A while back, we had a technical problem with our telephony provider, so we called our customers to apologize. After talking about how committed we were to solving the problem—and how committed we were to our customers—we asked if they were happy with our product overall. Many said yes. So, we recommitted to the relationship long-term. To do that, we pitched pre-paid, annual contracts at a discounted price.

And quite a few customers took us up on our offer.

We communicated transparently and admitted we'd let them down. We let them say what they needed to say, then we pushed the conversation forward. We weren't afraid to look vulnerable. In the end, we turned an outage into a real opportunity.

So, what's the lesson?

The "coffee is for closers" way of selling is over. Well, it's almost over. If you really want to connect with prospects—if you want to establish trust and close more deals—you don't need to be the smartest, fastest, and strongest sales rep in the world. You just need to understand that we all feel vulnerable from time to time. Even founders.

The pair negotiation tactic

When you're negotiating a deal, there's always an invisible force working against you: **time**.

Getting emotionally invested—the negotiation kiss of death

The problem isn't just that you want to optimize for closing the deal as soon as possible. It's that the more time and effort you invest into a negotiation, the more emotionally "invested" you become in its success.

A natural consequence is that it becomes harder for you to avoid making more compromises and concessions as time progresses during the negotiation.

Nobody is immune from this negotiation weakness

It doesn't matter if you're a rookie negotiator or a pro. As long as you have a pulse, you're likely fall victim to this phenomenon. As you lose your objectivity and willingness to walk away from the deal, you lose your ability to negotiate effectively.

The good news is that there is a very simple and effective solution to this problem: **pair negotiations**.

Get someone involved in the last stages of the deal

Present the terms of the deal to someone in your team who hasn't been involved in the negotiation and has no stake in it. Do this during the final stages of the deal to make sure your teammate has the proper distance to look at the deal with fresh eyes.

A peer negotiator to balance you out

You want to find someone who you fully trust and who has critical thinking abilities. In a startup, you might want to bring in an engineer to fill this role. (They are amazing at unemotionally poking holes into deals.)

Present the current terms and demands from the other party, and ask for feedback on the things you're willing to compromise on.

Almost always, your peer negotiator will push back hard. They will question why your position is so weak and why you're willing to give in so much to the other side.

This will feel very uncomfortable. You will likely feel compelled to push back. It's funny, but often you'll find yourself defending the other side and taking their position in the negotiation.

If you are self-aware and trust your peer negotiator, this will be a very healthy interaction that highlights opportunities as well as weaknesses in your current position.

It's a good quality and sanity check before you seal the deal. And oftentimes, it will help you avoid costly mistakes and take advantage of big opportunities before closing a great deal.

Try this out the next time you're negotiating and see for yourself what a difference it'll make.

Easiest negotiation hack ever? Postpone!

People will sometimes reach out and ask for a discount on your product **before** they take the time to sign up for a trial and use it at all. What do you do when that happens?

Instead of debating if you should or shouldn't offer them a discount right away, you need to refocus their energy on what really matters: **your product!**

Let's explore the four core reasons why you never want to negotiate pricing before someone has had a chance to trial your product and determine that it's a good fit.

1. You're starting the relationship on the wrong foot

People who ask you to lower your prices before they have invested any time into using your product are usually trouble.

This can often lead to winning a new customer who expects you to give 24/7 premium phone support and prioritize features based on their needs, all while trying to pay you pennies on the dollar.

If you start the relationship by giving them everything they ask for, don't be surprised if they keep asking for more in an unreasonable fashion. This is ultimately unsustainable and unhealthy for both sides.

2. They're buying for the wrong reason

At this point, they can't tell if your product is a good fit for them since they have never used it. Your first priority should always be to help people explore and discover that your product can really solve their problem before negotiating the final pricing.

Discounting your product upfront might help you close some deals faster but will often lead to these customers ultimately discovering that they should have never bought in the first place.

Always be wary of prospects who don't want to do their homework upfront. Nothing sucks more than a new customer that cancels immediately after having cost a ton of time on support and onboarding.

3. You're negotiating on price vs. value

The problem with people trying to negotiate pricing before testing your product is that you are forced to negotiate on price rather than value.

They don't have a chance to build up any desire to buy and discover the massive value your product could deliver to them. Suddenly, your product turns into a commodity and your only differentiation is offering them the lowest price possible.

4. You're negotiating without leverage

The more time people invest in your product, the more invested they become and naturally the harder it is for them to "throw away" the time they put into exploring your product and making it part of their daily workflow.

You always want to postpone the most difficult/complex parts of the sales negotiation until the end of the sales cycle. That way you ensure the right amount of momentum as you move forward in the sales process and avoid too much upfront friction.

How to respond when someone asks for a discount without having tried your product

"Thanks for inquiring about pricing options! Why don't you sign up for a trial and give the product a go? If you find that it's a great fit, I'll take care of you and make sure you get a price that makes you happy. Sound fair enough?"

This works every time. The reply you usually get will be: "Great! Just signed up and giving the product a go. Thanks!"

What are the results you should expect?

Nine out of 10 times, the people that turn out to be a bad fit will self-select during a trial and just leave. The prospects that are a good fit will love your product so much that they will not negotiate hard for a discount since they now really understand its value.

Even if they do, it's fine to give great customers a good price because you know they are buying for all the right reasons and will probably stay with you for a long time.

We've done this thousands of times and it always works. I hope this startup sales negotiation tactic serves your business as much as it has ours :)

P.S. The same tactic doesn't just work for people who are "unreasonable" and potentially a bad fit. Even when uber-nice prospects are worrying about pricing upfront, we tend to ask them to first discover if the product is even a good fit for their needs. See the following Twitter exchange as a good example of this:



Craig Clark
@iamcraigclark



Follow

@Closeio I'd pay more for you than I do Highrise but the pricing structure is too prohibitive if I wanted 2-3 users for small business use.

[↩ Reply](#) [↻ Retweet](#) [★ Favorite](#) [⋮ More](#)

7:21 PM - 5 Feb 2014

Reply to @iamcraigclark @Closeio



Close.io @Closeio · Feb 5

@iamcraigclark Give the trial a shot, play with the product. If you're happy, email us and I bet we can work something out.

Details

[↩ Reply](#) [↻ Retweet](#) [★ Favorite](#) [⋮ More](#)



Craig Clark @iamcraigclark · Feb 5

@Closeio You guys sure know how to say all the right things. :) I'll setup a trial soon.

Details

[↩ Reply](#) [↻ Retweet](#) [★ Favorite](#) [⋮ More](#)

What to do when customers ask for a discount (and why you shouldn't give them one)

In the previous chapter, I explained why you shouldn't negotiate with a prospect who hasn't tried your product. The same rule applies in different contexts as well.

“But Steli, this customer is different. They've tried the product/they're a great customer/we could make lots of money if we closed them. Shouldn't I give them a discount?”

No.

Giving discounts just to win business can cost you more than money. It can kill your company.

Sure, you probably think I'm being dramatic. You've been giving discounts for ages and your revenue and customers are still growing. Right?

The problem is, when your company culture is a discount culture you might win a few battles, but you've already lost the war.

SaaS companies today don't win on being cheap. They win on being valuable.

Let's start off with the obvious: The SaaS landscape today is more crowded and competitive than ever. You know that when a prospect is talking to you, they're also talking to your competition. And somewhere in the negotiation, the prospect is going to ask you for a discount.

And so, you think, "If my competitor is willing to offer their solution at that price, I can too, or even a little lower. Just to close the deal." The problem is, once you start down this path, it's almost impossible to get off it.

You've positioned your company as being the cheapest solution, rather than the most valuable.

When you offer discounts, that's all people think about your company. We've seen this exact situation happen in the consumer goods space. The market gets so crowded and undifferentiated that customers will only pick either the cheapest option or the brand they know and trust.

In SaaS, the only way to win on price is to be free. And you can't build a company like that.

Instead, I truly believe the winning SaaS companies of today and tomorrow will win on value and on brand. And you can't have either if you're trying to be the cheapest.

Discount culture creates a weak sales force (and a weak brand)

When you give discounts, you're setting the wrong example for your team. Instead of going out and selling your solution's value and your brand, your salespeople will become transactional. They'll give the prospect information and then offer them whatever they want.

Worse, your sales team will start offering discounts **without even being asked!** I've seen this happen many times at SaaS companies and it drives me crazy.

A sales rep is talking to a prospect and they qualify them. There's a match, because they can really deliver value. And when the prospect asks about pricing, the sales rep preemptively goes: "Well, this is our price. But I would give you a good discount."

Wait a minute. **Nobody asked about a discount!**

This is a weak sales culture. Your sales reps will always use the easiest tools available, and when they see discounts being given they'll start to abuse them. They'll start to think: "Everybody thinks everything is too expensive. Every buyer wants the cheapest, so before they ask, let me just tell them I'm going to give them a discount."

Suddenly, one of the most vocal voices of your brand—your salespeople—are weak. They're cheap. And that's going to reflect on your brand at the end of the day.

You can't scale because you don't know what a customer is actually worth

The other huge issue with discounts is that they make your business completely unpredictable and unscalable.

Instead of a Basic, Pro, and Business plan where you know how much revenue you make for each, you've got Customer A with a 12% discount, Customer B with 14%, and Customer C with 2 free user accounts. Good luck trying to build models or forecast your future revenue or even figure out what's going on with churn.

Those discounts are going to undermine your entire financial structure because **you don't know what a customer is actually worth**. If they remove or add seats, you have no idea what that means in true revenue or churn.

It's going to cause problems for your support team, your success team, and your marketing team. Even your product people are going to get angry because they'll have to build all these backend solutions to keep track of billing on all your different discount cases.

You'll piss off your customers when they find out you're charging them more than others

Let's say a slightly larger company aggressively negotiates a big discount. A few months later, a smaller company comes, and your sales rep says, "This is the best discount we can give. I can't go any lower." I guarantee, at some point, your customers are going to talk to each other. And when they do, the second customer is going to be pissed.

And rightfully so. You lied to them. You betrayed them. And they have every right to get loud and aggressive and drag your brand through the dirt and tell everyone they know about how terrible you are.

This doesn't mean you can't give discounts. You just have to do them right.

If you're just giving out discounts willy-nilly, you're going to get burned. You're going to destroy your brand, piss off your customers, and create more headaches than that little bit of extra business is worth.

But this doesn't mean you can't give out any discounts. You just have to make sure when you do, you do these two things.

1. Make sure you're getting something in return

The problem with discounts is they create abusive customer relationships. Your customer comes in, demands a bunch of things, and you give it to them just for a bit of business. Instead, you need to ask for something in return. This creates a healthy, reciprocal relationship.

In SaaS, that means asking for:

- 1. Prepayment:** When a customer agrees to sign a long-term contract or prepays for an entire year, you absolutely can give them a discount. You get guaranteed income and predictable cashflow and they get a break on the monthly price. We offer customers of our insides sales CRM a 10% discount if they pay annually instead of monthly.
- 2. Case Studies:** Trading a bit of a discount for marketing materials is also a good deal. Feel free to offer a discount if a customer is willing to spend a few hours on the phone with your sales team to make a great case study and do some co-promotion.
- 3. Referrals and reviews:** You can also offer discounts for connections and leads. Ask for a positive review on a specific platform or give discounts if they connect you with other people in the industry who could be strong prospects.

2. Make sure your discounts are standardized

If you are giving out discounts, you can't have any flexibility or offer customization. Your sales reps can't just give them out however they want. You need to have set, predetermined discounts for each of the deals you're offering.

For example, you could offer 10% for a case study, 15% for prepayment, and 20% for a referral that leads to a new customer. That's it. There is no 12% or free seats on offer.

"But Steli, what do I do if a customer says they're not going to buy if I don't give them a bigger discount?"

There's always going to be someone who wants more. But remember: draw a line in the sand.

If they're not willing to work with you, they're most likely not your ideal customer. At Close.io, we've told thousands of businesses "no" when they asked for bigger discounts.

And you know what's funny? They all get angry. They all scream and yell and tell you there's no way in Hell they're going to buy from you at that price. But in my experience, about 50% of the time, they become customers anyways.

It's just the way they negotiate. They're trying to get the best deal for their business and you have to respect that. If you have a strong brand and can show the value you provide, there's a very good chance they'll choose you anyways.

Of course, there's one big exception to all of this: Enterprise

As you can tell, I'm sick of seeing discount culture in SaaS companies. But there is one big exception.

If you're selling to enterprise clients, the way you handle discounts is going to be completely different. You can't just give them a price and say, "This is what it is." That's just not how they work.

Most enterprise companies have a procurement department whose sole job is to get discounts. They have a discount quota to meet, and if you won't play ball, they're not even going to consider you.

That's just the way their organization is built and you're going to have to go with it if those are your ideal customers.

If you're trying to win with discounts, you've already lost

If you don't value your solution, your customers won't either.

So, if you feel like you *absolutely* have to offer some sort of discount, make sure:

1. It's standardized (and don't budge!)
2. You're getting something equally valuable in return

Sell your prospects on value first and make the discount a bonus. Not only will this give you a stronger brand, but it will set you down the right path for real, sustainable growth.

Flip your prospect's questions to close more deals

Questions are powerful. The right questions allow you to control the conversation and uncover hidden needs.

But there's another way to utilize questions to close more deals: flip them.

Here's how flipping questions works: When your prospect asks you a question, flip it back on them. You ask them the same question they just asked you.

Answering a question with a counter-question can come across as a bit confrontational. You can soften it with a buffer phrase like: "That's an excellent question, and before I go ahead, allow me to ask you ..."

Then ask them one of these questions:

- In an ideal world, what would be the answer? What would you want me to say?
- What would you want the answer to be?
- What would be the ideal answer?
- Why is this important to you?
- How does this play into the larger context?
- What's your workflow like?
- Why do you want it to be that way?
- What are you looking for?

Flipping questions helps you uncover deeper wants and needs of the prospect.

Find out why they ask that question, why they are curious about this, why they care. You'll better understand how your solution can be a good fit for them. Or how it isn't a good fit, in which case you can save yourself and your prospect time by ending the sales conversation.

Scenario 1: Answering questions bluntly

Prospect: "Does your product have feature X Y Z?"

Sales rep: "Yes, we do indeed!" or "No, we don't!"

You might think "No, we don't" is a bad answer, but both answers are bad! Superficial responses like these don't lead to great sales conversations. You won't be able to advise your prospect in the best way possible and uncover ideal opportunities.

Instead, you dig deeper. (If you're a regular reader of my blog, you've already read this a thousand times. I keep saying it because people keep missing out on it.)

Scenario 2: Flipping questions & digging deep

Let's use a specific example here for the sake of clarity. You can apply this to whatever product or service you're selling. Since we at Close.io sell sales software, let's use that as an example.

Prospective customers often ask us about reminders or tasks. These are often customers who have previously used certain CRMs (which shall remain unnamed!). As they've increased their lead flow, they've sunk deeper and deeper into CRM hell. (CRM hell is that painful place where you spend more time managing your CRM, and less time doing actual work.)

Prospect: "So, does your product have reminders or tasks?"

Sales rep: "I'm glad you asked that question! Now before I answer it, let me ask you, in an ideal world, what would the answer be? How should reminders or tasks work?"

Prospect: "Well, we need a reminder when someone doesn't respond to our email."

Sales rep: "I see. Why is this important to you? What's your workflow like?"

Prospect: "We send cold emails to product managers. When they respond, we then send them another email to set up an appointment, and sometimes they go silent at that point. We would like to add a reminder to get back in touch with them if they don't reply at that point."

Sales rep: "Ah, I see. There are two ways to answer that question. First, yes, you absolutely can add a reminder in Close.io to any lead. In our app, we call them tasks. You can also connect tasks with your calendar, Google, Apple Outlook, whatever you use. And you'll get reminders."

Prospect: "Aha, good."

Sales rep: "Now that was the first part of the answer. But here's the part you will really love. We've got something much better than tasks and reminders for a case like yours.

You see, you can automatically generate a list of all leads who have responded to your initial cold email, but then went silent. So normally after how many days of silence would you follow up?"

Prospect: "After 7 days."

Sales rep: "Are you using a cold email template, or do you write each cold email from scratch for each lead?"

Prospect: "We use a prospecting template."

Sales rep: "Ok, now look at this. In Close.io, you won't ever need to manually add a reminder for a thing like that. Instead, you just use our search function to show you all leads that a) have received your prospecting template, b) have sent you at least one email, and c) whether the last email interaction that took place was an email that you sent them more than seven days ago.

Close.io automatically logs all your email activity associated with your sales leads. Within less than 30 seconds, you have a list of all the leads you need to follow up on. Let me show you."

Prospect: "Wow, nice!" (The more tailored to their specific workflow we make this, the more impressed they are.)

Sales rep: "Even better, you can just save this as a SmartView, so you can access it with just one mouse click or share it with your team."

If a prospect has previously managed their sales pipeline through manual reminders and tasks, and we show them this, it's always a big aha moment. It will save them time on a dull, repetitive task. And the data in their CRM is a lot more accurate because we've eliminated that room for human error, so leads don't slip through the cracks anymore.

Now, if our sales rep wouldn't have flipped the question or dug deeper, he could have just said: "Yes, we have tasks and reminders."

This opportunity to educate the customer shows that there's a much better way to flip questions. Otherwise, the chance to show how Close.io can improve their workflow would have been completely missed.

You've probably heard that the best salespeople are like trusted advisors. That's great right? Every sales rep and their mother nowadays will tell you: "If you decide to do business with us, we won't think of you as a customer. We will think of you as a partner."

And when you hear it, that little bullshit alarm in your head starts to go off.

But by flipping questions and digging deeper, you can turn yourself into an actual partner, a trusted advisor, a professional who creates value for the prospect. You help them to discover opportunities for optimizing their business, overcoming obstacles, and achieving objectives more efficiently. That's the kind of salesperson businesses want to deal with.

This is harder than it sounds. So, practice!

When asked a question, we instinctively feel propelled to answer. When I was a small boy, I was taught that when someone asks me a question, I need to answer it. My guess is, you were too.

When your parents asked you a question, you were supposed to answer, right?

Later in school, when your teacher asked you a question, you had to answer it. It's one of these basic things we all learn as we grow up.

To answer a question with a counter-question goes against that conditioning, and you might have to remind yourself to flip their questions.

Don't overdo this

Use this technique carefully. If you overdo it and flip every question a prospect asks you, it'll just become irritating.

Sometimes, the best way to answer a question is to do so in a straightforward, direct manner.

Sometimes, the best way is by asking a follow-up question.

And sometimes, the best way is to flip the question back on them.

So, when should you flip questions? Gut instinct, a bit of practice, and common sense are good enough guidelines. Think about the direction the conversation is taking if you respond straightforwardly and the possibilities that could open up when you flip it.

With a bit of experience, you'll add this to your repertoire of sales skills and use it to close more deals.

Sales negotiation overkill? How to handle prospects who keep requesting more

I recently listened to our sales guy talking with a prospect who had a seemingly endless list of objections. He wanted feature X, he didn't like the way our sales CRM lacked social features, he thought we should improve the mobile experience, and it just went on and on like this. It was a never-ending list of requests.

Our sales guy defended our app. Immediately jumped in after every objection. Gave lots of explanations and excuses.

The prospect kept going on. More objections. More demands.

It went back and forth like this for several rounds, and the call wasn't going anywhere. It was just tiring and exhausting, and no value was created for either party. The sales conversation slowly but surely deteriorated into one big waste of time.

How do you handle a situation like this? What can you do when you're inundated by objections, and for every answer you give, you just get another objection?

Let them talk themselves empty first

First, don't immediately jump at every objection they give you. Instead, let them talk and just listen. Don't create a situation where it becomes a competition between sales rep and prospect. Give them space to express their concerns.

Ask if there's anything else and keep listening. Don't defend and don't directly respond to these objections at this stage.

Prioritize objections

Now ask the prospect, "Out of all these things that you mentioned, what's a deal-breaker, what's important, and what's nice-to-have?"



Let them prioritize their requests and objections into these three categories.

And then focus on the deal-breakers. Completely ignore the nice-to-haves. Just handle the objections that can kill the deal first.

Then ask them: "Did I do a good enough job? If we could address these particular things in this way, would you consider us the right solution?"

You'll either get a yes or a no. If you get a yes, it's easy—you can move on with the sale.

But what if they say no?

Then you ask them another question. You ask them, "What's missing? What else do you need?"

Prioritize their objections, so you can focus on the things that matter, rather than forever dancing back and forth with them around an endless stream of objections.

Ignore the nice-to-haves

Don't talk about nice-to-haves if you haven't dealt with deal-breakers and the important stuff. Even if you can fulfill *all* their nice-to-haves, and you're the perfect fit for them in that category ... if you can't resolve the deal breakers, the nice-to-haves are worthless.

Keep the conversation on track

I can tell you from experience that many times prospects will bring up a dozen different things that they want to have, and when you ask them: "What's a deal breaker, what's really important to you?" they will bring up things they haven't mentioned at all.

Prospect: "Well, if you want to talk about the really important things, that's A, B and C." (And during the entire conversation, they've talked about everything from D to Z, but not a single word about A, B or C.)

If this happens to you, don't get frustrated with the customer—it's *your* responsibility to keep the sales conversation focused on what matters.

YOU must ask the right questions so that they give you the answers that matter.

Negotiation aftermath

This LOI template will close deals quicker (and works for other contracts)

Are you in the final stages of negotiating a deal with a large customer or partner? And now you need to send over the paperwork?

Here's a simple sales hack to get a LOI (Letter of Intent) template that will get signed quicker and reduce the amount of legal hassle to a minimum. This works for a letter of intent, as well as other kinds of purchasing contracts, letters of agreement, term sheets, etc.

The typical way of crafting contracts: Slow, painful, and expensive

Even if you use a good LOI template, you'll often find that it creates a lot of friction.

Here's what the typical process looks like:

1. You download a template online and tweak it to your own needs with the help of your lawyer, or you use a friend's LOI.
2. You send your LOI to your customer.
3. Your customer sends your LOI to their legal department.
4. Their legal department will dissect your LOI as if they're the CSI investigating a high-profile murder case. They'll go over every line, every single word to make sure that it's 100% waterproof. The legal department doesn't care how long this takes. They just want this to be safe for the company to sign. They want to put themselves in as much a favorable legal position as possible. This can take a lot longer than you'd expect.
5. Then they'll make edits and comments and send those back to your buyer.
6. Your buyer will then send those over to you.
7. You'll adjust your wording according to their requests together with your lawyer.
8. You send the revised LOI back to the buyer.
9. They send it to legal again.
10. This can go on for several rounds...

It's like a big legal ping pong match between lawyers: very expensive, time-consuming, and tiring. It can slow down your sales process considerably.

Wasting time in the contracting stage is something you want to avoid as much as possible. It can even starve a good deal to death, because during the weeks and months it takes a buyer to sign the damn thing, something else comes up in their company that nips the deal in the bud and makes it irrelevant for them.

Keep the process moving forward. Don't lose a deal right in front of the finish line.

How to get the right LOI template for your buyer

Rather than trying to come up with a letter of intent in a vacuum, ask them for one, and use that as your template!

Call up your buyer and say, "Hey, can you share a letter of intent or a contract that you used in the last six to twelve months that was already approved by your legal department when buying something similar to our service or product? Have you bought something similar in the last year or two that went through procurement and legal and got green-lighted?"

If you have a deal like that, can you share that letter of intent or contract with us?"

The buyer will send it over to you, and you have your perfect LOI template for this buyer. Just edit it to your needs.

The big advantage is that it's pretty much already pre-approved. You're using the wording their legal department is comfortable with.

You'll get through their legal department a lot faster, they'll sign sooner, and you can close the deal quicker. You get their money, and they get your solution earlier. And you can perform that favorite change in your sales CRM: changing the lead status to "closed". Everybody is happy...except maybe the lawyers who are being paid by the hour.

How to renegotiate a deal

It can happen to the best of us. We pursue a deal, negotiate for the terms, and get the customer to sign the dotted line only to figure out a short while later that the terms of the deal are bad. That's seller's remorse.

What do you do now? Do you just try to make the best of a bad bargain? Do you go back to the prospect and re-negotiate the deal?

If you do re-negotiate the deal, how do you go about it? How do you bring it up with the prospect? How do you tell them what you both just agreed upon isn't acceptable? In what words do you let them know?

There's something much more important than all these tactical questions...

Rather than asking for tactics and hacks and rhetorical tricks, take a step back first and think about the basic psychology of the negotiation.

The question you must ask yourself is this: **Are you willing to lose the deal?**

If you're not willing to lose the deal...forget about re-negotiating. Take the deal as it is. If you're afraid of losing the deal, you'll lose the negotiation. And what's even worse, you'll lose your credibility.

If you are willing to lose the deal though, you can go back to the buyer. Tell them with friendly strength: “Listen, I really only want to do this when both parties are happy. And I want to be honest with you guys. I’m not fully happy anymore.

Thinking about the way we structured this deal, I’m not confident that we can serve you long-term while making a profit and providing you with [the service/the technology/the solution] you deserve.

This is not the right deal, and I think if we could only change this number, it would benefit both of us and would have a lot more longevity. Are you open to that?”

What if they don't agree and say no?

Accept the consequences.

“You know what? I get where you’re coming from, and I hope you can see where I’m coming from. Maybe this isn’t a good deal to begin with. Maybe we are not a perfect fit.

It’s always sad to see this happen, but I’d much rather learn that now, than in two or three months after we’ve both invested a lot of time and money into this.

I want to let you guys think about it, but I truly believe that if we can’t get close to what I described to you, this deal probably shouldn’t happen.”

Then be willing to let go of the deal. If they say no, tell them the deal is off the table.

Why you need to go in with the willingness to lose the deal

There are two main reasons:

- The energy and attitude of being willing to walk away is the magic ingredient that will often help you win the negotiation. It doesn't make sense from a logical perspective, but it does make a difference in the real world.
- Even if you don't win the negotiation, at least you're winning credibility. People will respect you and talk about you highly. They might not buy today, but they might six months down the line, and if they do, they're going to trust your word and they're going to know that you always come from a position of strength, and you're not somebody who can be pushed around.

How to tell one of your largest and oldest customers they'll have to start paying twice as much

We did this once with our sales platform. One of our customers was generating a lot of costs doing tons of calls in obscure countries where the calling costs were very high. We were making very little money on them, even though they were a large customer.

It always sucks to have to go to a large customer that's been with you for a long time and ask them to pay more money.

We encountered resistance from our own sales team, and our reps made valid points. This customer was a large company, they had referred many other customers to us, and we didn't want to risk the goodwill we've had with them.

But it was inevitable. We couldn't keep servicing this customer profitably on the old terms, and we needed to almost double the price.

We re-approached them, explained exactly why the price wasn't sustainable, and gave them time to decide whether they wanted to stick with Close.io despite the price

increase. If they decided to move away from Close.io, we promised them our engineers would make sure that the transition to another solution would be taken care of.

Obviously, we got some pushback from them about doubling their price. But eventually they decided that the value we provided was still significantly higher than the price they paid, and we were still the best fit for their needs. They appreciated our transparency and started paying us a lot more money. We could now really afford to service and support them, and they're still incredibly successful with us.

Thanks for reading The Founder's Guide to Sales Negotiation

“Draw a line in the sand. Know your product’s worth. Let the other side talk and shut up.”

If you can do these things, you’re already ahead of the competition. However, negotiation isn’t about the *quantity* of your tactics; it’s about the *quality* of your emotions.

As you’re negotiating, specific emotions can hit you at certain stages: anxiety in the beginning, overattachment in the middle, and even regret in the aftermath. Your main challenge will be to manage these emotions and not let them cloud your judgment.

In the beginning of a negotiation, use friendly strength to strike the right balance between strength and weakness, friendliness and hostility. In the middle, have a peer negotiator to provide unbiased feedback. And in the end, don’t be afraid to walk away.

If you can do this, you will be an unstoppable force.

For more negotiation advice or advice on startups and sales straight from the trenches, visit the Close.io blog (blog.close.io)!

Go get'em!

Steli