

10 tips for small businesses negotiating with big companies

Whether it's the small software company negotiating with Hewlett-Packard, the energy-device company negotiating with the large consumer products company or the digital mapping company negotiating with the behemoth search engine company, contracting with the big company is daunting for these sellers.

We've seen companies take varying approaches in negotiating. These approaches range from full speed ahead (we've got to get a contract at any price) to resignation (we'll just use their contract and try not to raise a ruckus) to concessions (we'll concede on price, quality, timing, the list goes on) to avoidance (we can never satisfy them, so why try). Smaller companies can be equal, if not better negotiators, by using the following tips.

1. Big does not mean better, smarter, faster. Ask any big company employee if they are overworked, overwhelmed, underappreciated and vulnerable to reductions in force. Add to this the big company's concern about global competition, emphasis on short-term profits and constant demand for improvements not to mention ROI. The result is employees who may not have the breadth, depth or agility that your company can provide. Your small company can bring value and strength to the bargaining table — you can be a more agile, capable negotiator. Remember this whether you are the sales person at the first meeting or the company representative hammering out the deliverables schedule.

2. Big can be small. Even if you are trying to sell nifty photonics technology to General Electric, size need not be overwhelming. Think small. Look for the division, the department, the functional area that needs your product. Think small. Your big costly product or extensive services can be broken down into phases. Think small. BigCo is not looking for you to provide world peace. They often have a small specific problem you can solve that impacts their profit and/or productivity.

3. Knowledge is power. Big companies nowadays assume you know everything about their company — their business direction, their products/services, their customers, their issues. When you negotiate with them, you must know their business metrics.

Whether it's plowing through the Web site, annual and quarterly reports, trade journals, or quizzing their vendors, customers or company representatives at trade shows, you must be prepared. What is their history, their industry reputation, their current focus, their payment history, their needs? Where can the company be flexible in the contractual relationship? Yet much of that valuable information is not public on the Internet or readily available from other sources. Stay tuned — we'll discuss the right and responsible way to do competitive intelligence in our next article.

4. Their Business. Their Needs. Their Concerns. Not Yours. No, we are not suggesting you ignore whether this contract makes sense for your company, i.e. it is profitable, feasible, strategic and productive for your business. You have to know your company issues from day one and keep revisiting them. No small company should enter into a contract that sucks away its lifeblood. Rather, we think that you need to be prepared to answer the large business's concerns and issues based on what your company can deliver. Unmet expectations are a litigator's dream.

5. Keep Quiet. Let BigCo make the first offer. Your silence during negotiations can be powerful. BigCos are so inundated with pitches, promotions and pandering. They are not used to the quiet but clever company. People hate silence — they will talk and often reveal useful information.



GUEST OPINION

*Rob Quinn
and Joyce Colson*

6. Write it Down. Their checklist. Your checklist. Writing makes you stop and reflect. Unless you have a photographic memory, you or someone who's with you has to take notes while negotiating. BigCo is likely to have either a large group sitting in on negotiations or a long string of people through whom you must negotiate. Notes are important. And get the deal reduced to writing.

7. Ask Questions. The more you ask, the more you learn. If you are making a sales pitch in the negotiations, you are not listening. It's not about you. The more you talk, the more they are likely to ask you the tough questions, e.g. can you do better on price, can this product do X, etc. Avoid asking yes or no questions. Ask

open-ended questions such as who, what, when, where, why and how questions. Before you negotiate, make a list of the questions you want answered and the tough ones they may likely ask you and your response. Avoid answering bottom-line questions you are not prepared for or wish to defer by asking them a question in response.

8. Listen. Skilled negotiators know that the more you talk, the less you learn. What is BigCo saying? What is BigCo not saying?

9. Time. While the large company will want to rush you into taking their first offer, don't accept their first offer. Take your time. We are mindful of sales cycles and the need for profit. But that does not mean you accept their deal the same day they make it. Tell them you have to think it over. Ask yourself is this the right time for a deal or not?

10. Attitude. It's everything. Big companies relish desperate, demure smaller companies who will make a deal on terms dictated by the large company or who will concede at the first whiff of disagreement or disappointment of the big company. Self-assured, informed, realistic, patient and respectful negotiators can make a big difference on behalf of their small company. Neither blustering nor cowering is productive.

Small companies who use their knowledge and negotiate quietly and confidently by listening, questioning and timing their moves, will have successful negotiations with Goliath.

Joyce Colson and Rob Quinn are partners in the Boulder law firm Colson-Quinn. Colson-Quinn represents established and emerging entrepreneurial Colorado companies in corporate and intellectual property matters. They can be reached at 303-415-2557 or by e-mail at Joyce@colsonquinn.com or rob@colsonquinn.com