

SellingBrew *Playbook*

RESEARCH • BEST PRACTICES • TRAINING

SPASIGMA Negotiation Training Review:

A Modern Approach for Fixing a Costly Revenue and Profit Leak

Exploring a Virtual Solution to the Massive "Mismatch" in Negotiation Skills That Costs Companies Millions

In any realm of competition, what are the odds that an untrained person will triumph over a highly-trained and experienced opponent? What are the odds of a middle-aged man, who hits the heavy bag once week at the gym, prevailing in the ring against Floyd Mayweather? What are the odds of a weekend cook, whose claim to fame is scrambled eggs, beating Bobby Flay in an Iron Chef showdown? What are the odds of a checkers-in-the-park aficionado, who wins maybe 6 out of 10 games, trouncing Garry Kasparov in a head-to-head chess match?

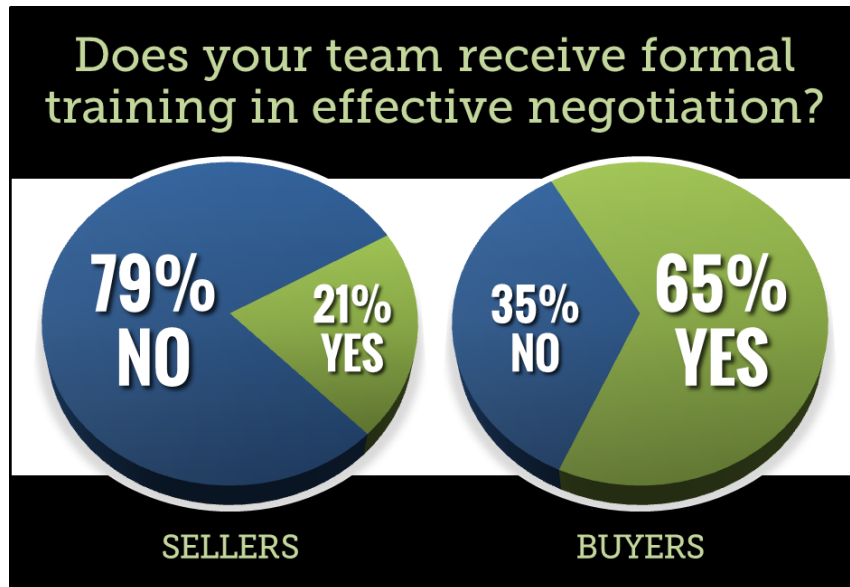
Will it even be close? Will the untrained person be able to hold their own for even just a little while? Sure, it's always possible the untrained person might get really, really lucky. And it's always possible for the more skilled opponent to have a really, really bad day. But the odds against it are what? 100 to 1? 1000 to 1? 10,000 to 1? Maybe even a million to 1?

With all that in mind, think carefully about this next scenario...

In a business transaction, what are the odds of an untrained person getting the best deal possible when squaring off against a trained negotiator?

The Odds Are Stacked Against Sales Teams

At SellingBrew, we recently conducted research to better understand the matchup between buyers and sellers engaged in negotiations. As training tends to be a reasonable proxy for skill (on average), we sought to compare the extent to which buyers and sellers were receiving training specific to negotiation. And the picture that emerged was not pretty:



As you review the chart above, keep in mind that due to the nature of our publications, the "seller" component of our audience is skewed toward the leading edge of the best-practice spectrum. So these findings are likely to be somewhat *optimistic* relative to the broader reality.

And while these findings are concerning enough, when you consider that a typical procurement person will negotiate many more deals in a given time period than a typical salesperson, you quickly realize that sellers are also likely to be at a disadvantage when it comes to *negotiating experience*.

Put it all together and you've got buyers with lots of training and experience in *extracting* revenue and margin squaring off against sellers with little or no training and experience in *protecting* that revenue and margin.

You don't have to be a Las Vegas handicapper to see that the odds of sellers getting the best deal possible are somewhere between slim and none.

The Negotiation Skills Gap Is Worth Millions

Our research clearly shows that there is a huge disparity between buyers and sellers when it comes to negotiation training and skill. But so what? As long as salespeople are still closing sales and winning business, does it matter that they're leaving a little money on the table in the process? Aren't all those little concessions just a necessary cost of sales?

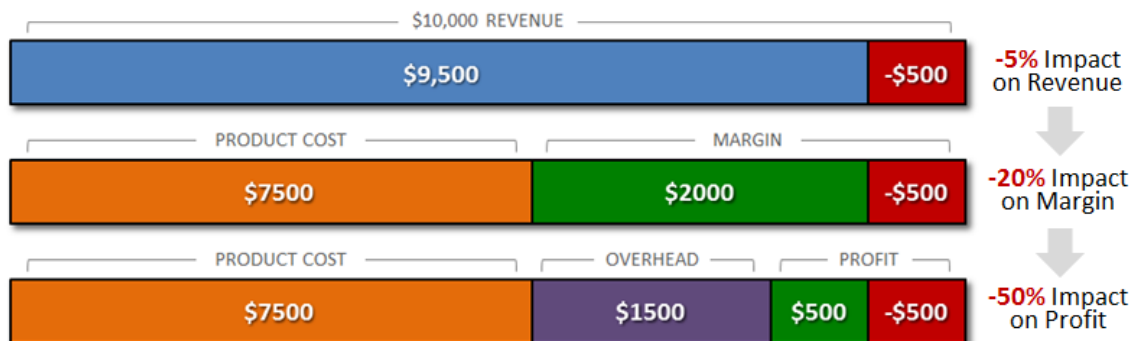
The simple truth is that a trained negotiator will extract *any* concession they can get. Purchasing people have "savings" quotas they have to meet, so why wouldn't they bank whatever they can? It's just not realistic to characterize all of those little concessions as being truly "necessary"---particularly when the gap in negotiation skills is so significant.

Conservative estimates place the typical range of unnecessary concessions and unearned discounts at 3-5% of revenue.

Considering the relatively modest 10-15% annual revenue growth targets many sales teams are shooting for, that 3-5% coming right off the top makes the job a lot harder than it really needs to be. In fact, all those unwarranted concessions could mean the difference between putting up the numbers with ease and struggling to eke out a one-point win in double overtime.

That said, the revenue impacts of the "negotiation skills deficit" actually pale in comparison to the effects on margin and profit.

At 25% gross margin, a 5% revenue concession will gobble up a whopping 20% of the margin contribution. And further down the income statement, depending on the company's overall cost structure, that seemingly "small" 5% discount could represent 50% of the ultimate profit!



The Answer Is Obvious, But There's a Catch

The obvious solution to this costly disparity is to train your sales team in the art and science of negotiation. Like anything else, effective negotiation is a skill that can be learned. From being able to recognize certain buy-side "tells" and "bluffs" to leveraging market-based strategies and deal-specific tactics, it's all fairly straightforward stuff.

The catch, however, is finding a negotiation training solution or program that aligns well with the needs, preferences, work habits, and operational realities of a typical sales team in the modern age.

Given the dynamics our research has surfaced, it should come as no surprise that most negotiation training programs are designed for procurement and purchasing people. As a result, the content is typically presented from the buyer's perspective and delivered in a very traditional way---i.e. everyone gathers together in a classroom to sit through hours-long lectures.

In our view, while virtually any sort of negotiation training would likely be better than no training whatsoever, the traditional classroom-style delivery methods just don't align very well to a typical sales team's situation.

Many sales teams today are geographically distributed, with salespeople working remotely from home. So getting everyone together in a classroom on a regular basis can be a non-starter. And most salespeople are working multiple deals and juggling a hundred other things all at once. So expecting them to focus on a rather dry lecture for hours at a time is unrealistic at best and maybe even counterproductive at worst.

For months, we searched for a negotiation training solution that would be more effective and efficient for modern sales teams. At one point, we became so frustrated in our search that we actually contemplated developing our own negotiation training program to fill the void!

Thankfully, before stepping off that ledge, we found a virtual negotiation training offering from SPASIGMA. At first blush, it appeared to be a promising and innovative solution for delivering negotiation training to sales teams. So we decided to go through the training ourselves and share our impressions with the SellingBrew audience via this review.

Negotiation Training from SPASIGMA

SPASIGMA is the training division of Strategic Pricing Associates (SPA). Since 1993, SPA has leveraged pricing analytics and optimization to help hundreds of companies improve their revenues, fatten their margins, and drive more profitable growth. And a few years ago, through SPASIGMA, the company began to focus on closing the negotiation skills gap.

Since we can't do justice to their background and wide range of offerings in this report, we'd encourage readers to visit their website to learn more:

<https://spasigma.com/>

For all of the reasons highlighted earlier in this document, we feel strongly that the most effective training solutions for a modern, distributed sales team are digital and on-demand. So, while SPASIGMA does offer in-person training seminars in cities all over the country, our primary interest was in reviewing their *virtual negotiation training options*.

NOT the Typical Classroom Lectures

In conducting our research, the MindBrew team consumes a lot of online information and virtual training content as a matter of course. And in our experience, it's not uncommon for "virtual training" offerings to be little more than in-person, classroom-style training sessions, as captured by a video camera in the back of the room. And frankly, that's what our team expected to find with SPASIGMA's virtual offerings.

But in this case, our assumptions were wrong...*very wrong*.

One of the first things you'll notice about SPASIGMA's video content is the production value. The program's creators clearly went all out with multi-camera shoots, professional actors, and thoughtful scripting and editing to produce materials that are very polished and sophisticated.

And while negotiation would seem to be an extremely dry and boring topic, they've managed to make the content interesting, entertaining, insightful, and highly instructive, all at the same time. That's a very difficult balance to achieve, but we think they've done a great job of it.

The content is presented in a variety of settings and scenarios...

- There are videos where certain concepts, strategies, and tactics are being workshopped on a blackboard, with a small group of salespeople in an informal setting.
- There are videos where you get to watch over their shoulders as salespeople take turns role-playing opposite sides of the negotiation table in a selling situation.
- And still other videos are what you might call "educational sitcoms". These videos weave the core concepts into humorous little vignettes that illustrate---to an entertaining degree of absurdity---how, where, and why negotiations tend to go off the rails in the real world. They're a funny and relatable way to demonstrate the core concepts.

It's important to note that everything in the virtual training program is designed to be *bite-sized and rapidly consumed*.

Recognizing that salespeople typically have a lot of things competing for their attention, the program's creators have deliberately kept each lesson and video very short---usually 5-6 minutes, tops. In combination with the highly-engaging style of content delivery, this makes it very easy to squeeze the training lessons into the busiest of schedules.

Sprinkled around SPASIGMA's public website, you can view a number of videos that are representative of the production values and content types you'll find in the virtual training programs. Here are some examples:

<https://spasigma.com/academy>

<https://spasigma.com/seminars/virtual>

<https://spasigma.com/blog/10-popular-negotiation-tactics-buyers-and-sellers-use-to-gain-leverage/>

Or if you prefer, you can also sample some of SPASIGMA's video-based content on their YouTube channel:

https://www.youtube.com/channel/UCpLJaKo1-0IXC9_Jz1_ocgQ/videos

Backed by a Learning Management System

Now, our team would have been very pleased to have simply gained access to an online library of highly-informative and well-produced videos. But there's much more to SPASIGMA's virtual training offering than that.

Their virtual training offering is actually delivered through a robust learning management system (LMS). If you're not familiar with this type of system, it's a specialized technology for delivering online training, monitoring progress, assessing comprehension, and promoting retention over time.

Through the learning management system:

- The negotiation lessons are delivered to salespeople in a structured and sequential manner, over time. Rather than being a "fire hose" of information, this is more of an information "drip"---which has proven to be a much more effective way to learn new information.
- Salespeople are presented with quizzes and tests along the way to gauge their understanding of the materials. And like everything else in the training program, these only take a few minutes to complete.
- Participants can go through the lessons as many times as necessary to internalize the information. And, they can refer back to the materials when they're running into similar situations in the field.
- You can see what's happening as the team makes its way through the training regime. This allows you to monitor and report on progress, while also addressing any issues with specific participants who may not be keeping up or engaging the way they should.
- Trainees receive periodic reinforcement after their coursework is complete. While the course is designed to maximize comprehension and retention from the get-go, this program goes even further by delivering "refreshers" over the following weeks and months.

The LMS is a great feature for distributed sales teams. Beyond just giving the training regime a logical flow over time, the LMS also drives accountability among participants and provides visibility into overall progress and uptake.

Yeah, But Will the Sales Team Learn Valuable Stuff?

While stellar production values, a great "bite-sized" development philosophy, and a robust learning management system are all fantastic elements of the offering, they're just the frosting. The cake is the content itself, right? After all, if salespeople aren't learning skills, concepts, strategies, and tactics that are relevant and actionable, none of the other elements will matter much.

Well, we can report that even in the entry-level program---the "white belt" level program, as SPASIGMA refers to it---a typical salesperson will learn a lot of very valuable lessons they can start putting into practice right away.

By "typical" we're referring to the middle-of-the-road salespeople that make up the majority of most sales teams---i.e. the heart of the Bell Curve. For the sales superstars, the entry-level education *might* be a bit of a review. But as we've discussed at length in the Playbook, the sales superstars shouldn't be your primary focus anyway, as the most significant performance gains will come from moving the "meaty middle".

While the virtual training program covers a variety of specific negotiation strategies and tactics in detail...when to use them, how to use them, what to expect, why they work, and so on...it does so in a way that produces what we believe to be even more valuable by-products.

By virtue of how the specifics are taught, the program exposes and explains a lot of the *psychology behind the negotiation process itself*. And in our view, this is extremely important and valuable---because when salespeople understand the underlying psychology involved, they can adapt any of the specifics they learn to all of the unique situations they'll encounter in the field.

Another very valuable aspect of the training content is the insight it provides into what's likely happening on the other side of the table in a negotiation.

Fear of the unknown often causes salespeople to fall for every trick in the book. A salesperson who doesn't know what might be going on when a buyer suddenly goes silent will fear the worst and start offering discounts and add-ons in an attempt to "save the sale". A salesperson who is clueless about why a buyer may appear to get really agitated or even angry will fear they've really messed up and waffle on the prices they've quoted.

And a salesperson who doesn't recognize what might actually be happening when a buyer keeps hammering on all of the flaws in their offering will fear that their offerings just aren't up to par and discount the deal in an attempt to compensate for those supposed shortcomings.

By pulling back the curtain and letting salespeople see *both* sides of the table, the training program helps eliminate a lot of the unknowns and the fears that go with them. Simply put, when people know how the magic trick works, that trick loses all of its magic.

The Seven Step Game Plan We Recommend

There is little doubt that the "negotiation skills gap" that exists between buyers and sellers is costing companies millions in unnecessary concessions and unearned discounts. Having gone through the program ourselves, we've concluded that the virtual negotiation training offerings from SPASIGMA are an effective way for sales operations to close this costly leak.

However, we recognize that most sales operations can't simply wave a magic wand and add this type of training to their existing sales training regime. So we encourage readers to consider the following game plan:

1. Assess the extent to which your salespeople are receiving...or have received...formal, specialized training in effective negotiations.
2. Quantify what a 3-5% reduction in discounts would be worth to your business in terms of revenue, margin contribution, and profit.
3. Leverage those quantifications to secure the necessary funding to execute a pilot program around negotiation training.
4. Create a pilot group of middle-of-the-road salespeople and run them through SPASIGMA's negotiation training programs.
5. Compare the pilot group's pre- and post-training performance in terms of discounting behavior, revenues, margins, etc.
6. Capture any war stories or anecdotes about the pilot team's use of what they've learned in active deals and current negotiations.
7. Leverage the quantitative and qualitative results of the pilot program to expand the training regime to the rest of the team.

Beyond these seven steps, we also recommend that all bid desk personnel receive negotiation training, so that they can provide an effective "backstop" for individual salespeople. Not only does this ensure a certain amount of redundancy to prevent something from falling through the cracks, it can also help build more camaraderie between the bid desk and the sales team.

On a final note, whether you decide to follow our specific recommendations or not, we implore you to *do something* about the negotiation skills gap that most likely exists in your business. The longer you wait, the bigger the gap will get--and odds are pretty high that it's already costing you a fortune.

About the SellingBrew Playbook

The SellingBrew Playbook is an interactive, online portal filled with concise training materials and timely research, all squarely focused on effective sales operations. As the only resource of its kind, the Playbook can give your entire team on-demand access to an ever-expanding arsenal of proven practices, relevant research, real-world strategies, and expert insights for building a more effective and efficient sales operation.

To learn more and download a free catalog showing the variety of content and tools available in the SellingBrew Playbook, please visit:

<https://www.sellingbrew.com/subscribe-to-the-playbook/>

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