

Soft Skills for Business Negotiations and Marketing Strategies
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Lecture – 43
Purpose off Negotiations

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Purpose of Negotiations

Personal Gain

- **Salary Fixation**
- **Asking for Salary Raise**
- **Buying Used Vehicles**
- **Buying Real estate property**
- **Buying Insurance**
- **Divorce Settlements**
- **With Children**
- **Buying Utility Products**

The slide also features a video of Prof. Uttam Kumar Banerjee, a man in a suit and glasses, speaking. At the bottom left, there are logos for IIT Kharagpur and NPTEL Online Certification Courses.

So, we have discussed that why people negotiate, I was just give some a little more elaboration on this purpose of negotiations personal gain in that its salary fixation, I have already said. In salary fixation during that time; what happens is one is suppose to judge or estimate that how much is the amount of responsibility one has to share of the year and then work out that what could be the equivalent salary expected as a compensation that is why I quite often the salary fixation is or something like you know; what is the compensation that you are expecting.

So, in such cases what happens is people work it out before hand and or else sometime during the interview they have to say that instantly, for some time, they write it down in the application ok, expected salary is this much. The expected salary when he say definitely is it has a correlation with the amount is a job profile what activity the person is respected to do once is recruited so salary fixation and asking for raise this asking for raise as I said it is a very sensitive issue. I can tell you practically 90 percent of the people who are working, they feel very shy or hesitant to asking for raise. Even a maybe

out of the 90 percent another 20 percent of the people really deserve the raise, and there out of the 10 percent who are asking for raise of which may be about 80 percent of the people they do not deserve the raise. It is just the mindset just the mindset that somebody who is working he or she thinks that if one sharing this responsibility then in such cases he or she deserves additional compensation, then gets ready to ask.

I have seen many people they could never ask for a raise in the lifetime. I talked to several people, I talked to my juniors, I talked to my contemporaries talk to my seniors, in fact, majority the people they feel hesitant asking for raise the reason is different. You know the moment one has to ask for a raise for personal gain immediate to the boss will ask the reason justify why should you ask for a raise and the person who is asking for a raise is not very well structured in justifying why one should get the raise. And immediately it will lead to a situation called negotiated in negotiation environment circumstances.

In that negotiation circumstances now who wins. Since boss is giving a privilege of appointment to somebody who is working with the organization. If boss says during negotiation, I cannot give you a raise that the person who will first justify that I am working extra hours I am working extra, I am taking extra responsibilities; I am making extra travel which is causing the extra cost. So, one is trying in several manners different points by which justifying why one is expecting the raise.

Boss, if we says in the form of in the process of negotiation, fine, you are doing everything I cannot give you one rupee extra beyond what we have promises salary. If it does not suit you, please leave, leave the job. Now the person who is negotiating he is in a fix because he or she cannot leave, he or she knows that he is going to he or she is going to spend extra. And at the same time here she is not ready with another alternative jobs in hand. This can be done very easily by somebody who has a alternative job; that means, somebody like say you.

If suppose you have you are working in a company in an organization, and you expect that there should be raise. And then you found that you know the boss is not really giving any hint of raise. There is a very typical small percentage of 3 to 5 percent increment which is annual which also does not take price index into consideration. So, you feel stressed, you feel financially stressed. But you think that the boss should give you the

raise or the company should give you the raise, then you write an application to the boss stating or requesting for a raise. Boss either turns it down straight summarily saying unaccepted, disapproved or he may say please come and tell me why you want to raise, the moment he says that why you want to raise, then negotiations starts, if suppose it is disapproved negotiation does not get created ok.

Then comes buying used vehicles, this is a very common thing. If suppose you are buying a use vehicle you have two or three different models of used vehicles in front of you; one is cheaper, another is costlier. Now, one is cheaper, but also at the same time it is engine capacity is not as good as the costlier one. One is cheaper, but is not very, it was not very well maintained or it is not very well maintained when you are buying it the other one is. So, what happens is in such cases what is your real fulcrum on that is the price, but the price I will tell you in this case you will not consider this is a fulcrum. You will not consider the price though both of these items came to your knowledge in terms of information that both are on sale and you know the price of this is lower and the price of this is higher. Now, you start comparing.

What you will do is you will try always to find out that if there would be a lesser price charged by the one which is now higher because you know the lower price one has some weakness is, but the other one has all strengths, but the price is also higher, then you will talk to that person not this group. You will talk to that person saying that this is your price, can you lower it down, can I pay lesser than this, because you know why negotiation has started because he wanted to gain a better car better used vehicle and now you are working out. So, that you have to pay lesser this is the real ball game of the entire negotiation.

Now, it starts; if he if he says yes, negotiation does not arise does not get created. If we if suppose somebody is saying that he is going to sell a old car at 150,000 rupees. And you think you should be able to part with it in terms of 130,000 rupees and you go to the seller and you say that this car I can take it, but provided you sell it to me at 130,000 rupees. And if he says 130,000 rupees are you ready to pay take it. The moment he said take it negotiation does not arise.

But if he says no I will not then you would say can you think of you know lowering a little less you know more that means, not 150,000 which you are asking can be 140,000,

he says no, can be 145,000 that means, you know now both of them both of you are really working out and come to a point basically you are negotiating and come to a common agreement. So, every negotiation will come to an agreement, if it becomes positive. And it will become a total disagreement if it becomes negative; that means, negotiation does not necessarily you know ensure that the deal is going to be struck rightfully no ok. So, buying used vehicle is a very common domain for purpose where negotiation takes place.

Another one buying real estate property, but only thing is this is a bit of difference between the buying used vehicle and the buying real estate property. Buying real estate property goes into multiple lacks of rupees. But in buy used vehicles it goes to a lesser lakhs of rupees that means, if I consider in terms of rupee value, then or even an dollar value whichever you say, the real estate property is costlier than used vehicles. Real estate property has a fresh real estate property, real estate property has a use real estate property which is on resale or resold real estate properties as you know can be can be compared with your used vehicle reselling, but the thing is the prices for these two are so very varied and you know the gap is so much that real estate property exchanges or say negotiation for real estate property is not very, very in a common every day.

It happens after some time; you know, you have shown interest in a property and the property has been advertised now you have seen it you have known the price you have requested for reduction of the price then it goes for a negotiation, negotiation goes in multiple faces. First time it is turned down has no, the second time ok, it can be maybe the next one is let us try to look at it how can the price be reduced. And the next stage one says fine then let us come to this particular price you take it that means, there are multi multiple such phases ok. So, the purpose of this is for buying real estate properties.

Buying insurance is another. This is a very tough thing for insurance agent if you know them or if you are one of them or if you asking somebody that what is this negotiation about. You know it is a very peculiar negotiation. The insurance agent is trying to sell an insurance to you for which you are committing a long term premium annually for what negotiating for what you are negotiating for replacement of your value when you are dead you are no more, very interesting.

Insurance agents try to show you that the day you will not remain in deserves your family we will get this much. Now, why you negotiate what you will try you will try to pay the least premium price for a highest return in case you are no more, as a very sad situation, but I will tell you the insurance I am talking about the life insurance not the car and other insurances, life insurances.

In such cases what happens is you are the insurance agents we will try to all is justify the premium that you are paying and in case you leave beyond that particular premium in a that policy period then also he is going to justify that if you do not die in between this policy period, then when you its matures you are still living you will get so much of money and the return and the benefits and etcetera, etcetera, etcetera. So, basically he is negotiating with your life and the amount of money that you are paying against this. This is a very very interesting thing in on negotiation.

And most often I will tell you nobody really wants to pay for something when he is no longer there. Though, it is a very important element that you ensure the safety financial security of your family members and descendants and you pay for it. So, people you know they try to work out how much least I will do pay quite often I have seen some of the insurance agents, they sell insurance is for a period where there is no return ; that means, it is a short term very low premium, and then it is about the person dies within that particular period, the money will go out of that insurance company; other thing is the probability of that particular person dying is so low the insurance company takes a risk of it, who takes the risk now, insurance agency that if this person is no more than I have to pay this money. And at the same time what is happening to the person who is taking the insurance.

He is deciding I am paying so less and in case I do not exist anymore, my family will be given so much of money which I could not have otherwise left back did my lifetime. So, this is how the whole work goes on. And there the whole negotiation mind works ok.

Divorce settlements is a very strong negotiation point the purpose of negotiation is divorce. In that what happens is there will be a lawyer will work as an agent. The lawyer is going to work out you know in fact there can be a single lawyer working for both; there can be two lawyers fighting against each other. Whether lawyers it is a fight between the lawyers and lawyers basically it is not fight. We say it is fight because it

sounds like fighting. When somebody is putting an argument and there is a counter argument, and there is an argument, then naturally there will be a heat generation and we say they are fighting, actually they are not fighting, they are negotiating.

This is what is a negotiation in which the negotiations for divorce settlement. What is that negotiation? The first is the negotiated everyone should be that let us there the couple is being divorced number one. Number two is that there has to be an alimony given to the lady by the person who is seeking the divorce or the person you know who is you know either not seeking being forced to the divorce whatever, there will be a negotiation on alimony, there is alimony is that if the persons who were living together then this much of privileges and benefits and the lifestyle in the quality that they were enjoying. And now if they are divorce, they have been deprived of that so for which a compensation has to be given by whichever party that the you know the court decides that the thing is it results from negotiation ok.

Then comes with children, I explain already then which children you negotiate every time, you love a children, and then you ask him to do something he will do it instantly. You hate the children and you ask for asking to do something, he will not do it, he will refuse, he will reject your request ok. So, then what happens is you build the child again on your lab and you love him, show love give some you know something which you like a toy or a chocolate or something basically what you are doing your negotiating. What is that exchange for which the child is going to follow your instruction is the exchange of a toy or a chocolate, you are negotiating this.

So, when your negotiating you must know that with what commodity or what item the negotiation has to take place, this is a very interesting game my friend. If you really get into it then you understand it is so nice and also very stressful emotionally stressful ok. Buying utility products every standard one ok; the purpose of negotiation for personal gain is that when you are trying to buy a product.

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Purpose of Negotiations

Product Marketing

- Products Sales
- Real Estate Buying / Sales
- Ideas Sharing
- Patents Rights Sharing

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Then comes our another set that is product marketing that means, the negotiation the purpose and negotiation is for product marketing in which the products sales I have already said something about it, I am just going to say a little more that a product is being produced by somebody for nothing it never happens. Manufacturing companies producing something based on the market demand that means, he knows that if he produces this particular commodity, there will be people who will be interested to procure it, buy it, possess it, own it.

So, that means, now is a question of the sales. In that sales for something like the fixed item what happens is say car manufacturing company, they know the quality of their product, now they know there also under tough competition against the other product producers of the or manufacturer of the cars. And then one has to first through you know through publicity a mechanisms would try to push the features good features of their product to the market and so that it comes you know the notice of the by potential buyers.

So, they do it through the TV advertisements, they do it through door to door pamphlets, they do it through newspapers. So, when they do it, now they have a price fixed because that is the price which they work it out at which they are ready to part with it, but have you know this one thing in the newspapers that they are also the prices fixed, but if there is a person who bought another product another car of the same company then they give a loyalty bonus that is a negotiation, they negotiating it.

They are saying that you have you have purchased the product of our company earlier. So, fine you own this I will take 40,000 less that is the negotiated item, but that negotiation interesting what happens is in which there is no twelve negotiation going on. They already treated as a negotiated value and then put it in the advertisement, so that the purchase accounts and give the reward that is how the whole thing goes on in product sales.

In real estate buying and selling it is always the negotiation will go on that means, nobody is ready to pay the price which is being asked. Every times anybody is a buyer of a real estate; we will always consider or think at the back of his mind that the person who is selling the property is always over charging. Discharging, overcharging, taking benefits or exploiting the market scenario all these will keep on playing at the mind of both, but at the same time I will tell you that it is true that the person who is buying, he takes the situation he understands that this particular item is about this much worth. This person is asking about 10 percent more, and now the buyer if things about this 10 percent more I have one option is I negotiate and reduce it by 10 percent. This is one way.

Another is he decides know this is 10 percent is 10 percent higher, but I also do not have an option I do not get another plot or other property like this anywhere else at the same time why should I given 10 percent which is asking extra, then he seeks for the negotiation and reduces to 5 percent extra. And the seller now starts thinking; this is I am taking the advantage of the market demand. So, I have escalated the price to 10 percent. and if he can identify that this buyer is also as in a person who is very knowledgeable and informed about the real estate market.

Then what is going to do is he is he will be ready for the negotiation, but he will never accept it, he will never show it on his face he will keep on insisting on 10 percent extra. He will keep on insisting till the point when he finds that the buyer is now going to run away and he is going to lose that not only 10 percent extra, but the original price too then he says in that case let us go down by this. And there he will do one thing the buyer will have a value fix a five percent extra and the seller is reducing by 5 percent when it goes going to match immediately there will be a shake hand and agreement will be signed, this is how the whole negotiation process will go on.

So, it is dear friend negotiation process is a very strong mental exercise that is where the soft skill is very, very, very essential because during negotiation it cannot be a blind is negotiating with another blind, it cannot be a dump is negotiating with another dump, because they has to be a communication of the intense. And during that communication it has to reach. Somebody has to express something to the other party and the other party has to get that signal and then there has been an exchanged. So, it is a very very strong soft skill which is very much required for negotiations. All the more important for business negotiations in other negotiations personal gains and all that you can still do a bit of you know it you can be slightly casual , but in business negotiation if you make a mistake once, you have to carry on till the particular agreement is valid ok.

Then ideas sharing; this is a very, very important and you are very sensitive area of negotiation in product marketing, is idea product, yes, the idea is product. It is idea is product that is why you know a intellectual property rights a new domain of a study has come out in the market, new domain of ex you know new newest of experts and now working on this they are trying to find out the IPR issues. Basically in IPR issues what they are trying to find out is or they are trying to establishes the idea that has been generated by this person you cannot really measure with measure the value of it. So, it has been measured with the money value or exchange value.

So, when you share an idea with somebody negotiate it, it just like I will give a very very down to earth level of idea sharing. If suppose a friend comes and tells you that I am in this problem, do you have any suggestion that this means he seeking your idea for resolving his problem, Am I correct? If it is so at that point if you say fine I will do it for you what is your problem tell me I will give you the solution. The moment he told your problem you told in the solution no negotiation at this, but I can tell your friendly negotiation is you can always tell your friend ok, this is your problem I will resolve your idea, I will give you an idea how are going for a cup of coffee and sitting over there, then you say who is going to pay for it your friend is going to say I am going to pay for it, you why because he is going to get that ideas solution from you.

So, what is the negotiated exchange item a cup of coffee that is how is starts you know anywhere at any situation, negotiation will go on you are not aware. In fact, you are doing at every time you are sometime doing it very jokingly, very sarcastically, very strongly, very roughly, very toughly, very exploited whichever we do it negotiation is

happening every time. You may do the negotiations very lovingly. In fact, I will tell you in the whole process and negotiation I will discuss in later in the whole process.

And negotiation the most sweet talker are the most dangerous element in the negotiation, most sweet talker with their sweet talking, they will just take the whole scenario of the or whole you know environment and the negotiation in their own benefit. And then if you are not alert if you are not aware or if you are not counter you know contesting it, then you are likely to lose ok, so idea sharing.

And then the patent rights sharing which I was talking about the IPR intellectual patent rights this intellectual patent right is another. So, in this intellectual patents basically you have a design. In the first one the idea you are sharing you can do it anytime with anybody. And you do not expect that somebody is going to pay for it, it happens. Amongst your college you are sharing an idea; amongst your students you are sharing an idea, at that time you do not expect that they are good I pay you something extra. What you expect is that they will be respect you more because you are given an idea and that is a negotiation.

If suppose you keep on giving good ideas and students do not respond or reciprocate; that means, in the negotiation you are losing ok, but in patent right what happens is you want that this product idea or the technology or the design which you have developed which needs to be compensated for because it is something which is great, but somebody has to pay for it if they want to own it. In such cases patent rights sharing goes for product marketing negotiations.

See I will really do not want to cite examples where patent right has been sold and then the benefits were shared I do not want to take those examples. But I can take at least one example you know the genius who has invented this World Wide Web www which has become our lifeline now, he never patented his design that was his idea, but he never patented it. Had he patented it; he is no more; I have heard that he is no more , but if suppose he will a patented it, his 10, 15 generations would have got the benefit of it because nowadays every human being who is knowledgeable and has a computer and access to net is totally dependent on this www.

But that gentleman never negotiated the price for it. He simply said I have designed use it. Since, he said use it there was no negotiation involved in it. If you just said that

whoever once to now take this forward and sell it as a market product in such case I would be requiring this much as a royalty. So, in such cases what happens is the negotiation is for royalty that means, it is the first prize somebody pays then a portion of it comes to the originator, then the next one buys again a fortune comes. So, in come it comes in terms of royalty gain, but www inventor has never negotiated for this ok.

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The slide is titled "Purpose of Negotiations" in a blue header. Below the header, the text "Professional Services" is displayed. A list of services follows, each preceded by a yellow square bullet point: "Techno-Legal Advice", "Financial Advice", "Technical Solutions", "Legal Advice", "Medical Advice", "Other Professional Services", "Annual Maintenance (AMC)", and "Securing Service Contracts". On the right side of the slide, there is a video inset of a man with a beard and glasses, wearing a suit and tie, speaking. At the bottom left, there are logos for "IIT KHARAGPUR" and "NPTEL ONLINE CERTIFICATION COURSE".

Then comes other purposes professional services, in this techno-legal advices, now this is very very important all we know since, the whole glow has Franken to one connected eighth element, in which you can do business, technical you can do technical, you know exchanges in any part of the world sitting wherever you are, you do not have to even move, because if this www I have said the world wide web that has been created, by which the whole world got connected ok..

In such cases that more it has been connected, more technical or technological exchanges have started, the moment is started it also called for I will very strong legal mechanism to protect the rights of different groups, so the technical advice is one. Then comes of financial advice, then comes the technical solutions, I am not elaborate in this, because this is very self explanatory and you already know about it ok.

Then comes the legal advice, then comes in the medical advice, and then comes other professional services, any professional services which I am now testing and I have not listed in this. I have especially listed this techno techno-legal advice for a reason, that

most often it has been found the person who are developing the technology, and who are more focused to a design or development of the technology, they really not aware of what might go wrong, if the technology is being taken from you then sold again, that means you lose, you lose wall, you lose a royalty, you lose the patent rights ok.

So, the legal advisors are now coming in. So, there is a difference between the technical solutions provider, and the legal advice that have listed over here. Now in this you will find that people, who are now in a different breed of professionals have come up, who are tech, who are who know that how to blend this technical items of technology with a legal aspects together, to get the benefit of it or protect the you know interest of the customers ok.

But there are other professional services, any kind any kind like say if suppose a music teacher is teaching, on the music teacher says that I can come once in a week, I can teach this particular style or type of music, but I should be expecting say about, so much rupees per month. And then the person, who wants his son or daughter to learn this particular music, says I cannot afford it, can you lower it down, the moment he says I cannot afford it that means the answer is no; and if the answer is no then the negotiation starts.

So, always I always say that the negotiation starts, when there is a refusal, very simply thinking the negotiations starts once there is a refusal, if at the first shot, one requests and then there is a price offered, or say exchange in a mechanism offered, and there is no argument on it, there is no refusal immediately things get closed, but the negotiation starts when they are says no ok, so refusal brings negotiation.

There is a another kind like professional services annual maintenance which is a very standard born in which will find that quite often I have seen, that the annual maintenance people you know end of the almost near the end of the contract, they become very very active. Because they know that now again they have to go to the negotiation process, in the negotiation process they will find that in a there will be analyze or there will be scrutinized, or there will be valid it based on how the service was given, in the last three years of AMC contract in the AMCs annual maintenance contract ok, that in during that AMC how was your performance, how much how many calls they have attended all this things will be now calculated, evaluated.

And now this particular person who is looking for a AMC renewal, he is now stressed a tends to one, because he wants to also justify how many calls he responded; why he could not respond to some calls, what was the advantage that they have given additional to the agreement, you know all these things we will now start saying coming. And once they sit together across the table for negotiation, that what should be the AMC charge.

Now, in such cases you will find that this in person who is seeking for AMC contract, you know they will be trying to justify what they have quoted is right, and that the opponent group the who is going to get the AMC contract, they are going to justify that what they have quoted is not deserving, they should be trying to deduced, then the negotiation will go on ok. So, it may go on once, twice, thrice so there can be a multi phase one.

And secure as securing the service contract, this service contract see AMC is one, the service contact is for many others, annual maintenance is for some equipments, some specialized equipments in which some groups are you know specialized in it, they can do it annually. But the service contract, so something like you know the facility management, the maintenance of the garden, or you know development of the garden and maintenance of it or they maybe say clearing of the entire you know glass windows and doors of the house. So, the point is securing the service contract means when they are trying to get it, for any kind of service, so these are the different kind of things which are coming on the professional services.

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Purpose of Negotiations

Business Negotiation

- Collaboration / Joint Venture
- Execution Contracts
- Consultancy
- Trading
- Finance Investment
- Venture Capital Investment
- Securing Business Contracts

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And then comes our business negotiation here, comes the real cracks of it. In which why you do negotiation for collaboration or joint venture, this is one where two parties are trying to negotiate with each other with how should they go forward together. It is not on the opposite side, see in the buyer seller situation is on the opposite side; that means, one is trying to buy another is trying to sell, so it is bipolar in this direction. But in the collaboration a joint venture both of them are trying to be together, to get a project, work together, learn from each other, take the shares accordingly and then ultimately both benefit ok. I will elaborate this when I will come to a theoretical discussion on this.

When this execution of contracts, the business negotiation will rise, consultancy that means, you want to give your consultancy why I did not put it as technical consultancy, it can be any kind of consultancy; even the lawyers are giving consultancies, the medical doctors are giving consultancies. So, I did not want to make many specific you know in this, so consultancies.

Trading during trading, finance investment, venture capital investment; the finance investment is different kind, a venture capital is different kind. Let me just clarify these two update for your convenience. Finance investment is a real estate developer, he wants to develop a large partial of land, he wants to make say about 500 units of resolution units which is going to sell, he has got the piece of land with this own money, but he does not have money to build. If we does not get the things build, then his money on invested on that particular piece of land is also remaining, I will give no return. So, what you then tries is, you tries to find out financial inventor, who will be offered share of it,

share in terms of many things, share is in terms of life say if we invest so much, then you might get two flats free, actually nothing is free, he is inventing this money, so only thing is he is getting the money, before hand with a products of two flats free this involve.

Another is somebody who has extra money, he does not want to invest in the bank, because the bank is going to give lesser interest, and this developer is giving a higher interest of promising a higher interest, then he says ok, I give you this much of money, but I require a return which is higher than the bank ok. So, in such cases what happens is, you know they come to an agreement and while deciding how much will be a return, capital income as it is, but how much will be the return, in such cases negotiation will take place.

Take note of one thing, see you invested today, 5 years after you get the capital back, you must also considered in negotiation that you the money got devalued, so money got devalued, so you do not think that he got the same amount of capital value back no, it is a figure same. Suppose you have invested 1,000,000s, let us say let us take a bigger amount, suppose you have invested 5,000,000s, and 5 years after you get the 5,000,000s back and the interest profit. You do you think that the 5,000,000s, 5 years after remind us of the same value no, it not devalued, so you have to then expect more in the profit ok. So, that finally you should see that; what is the present value of that, or say what is the value of this 5,000,000s at that point of time. And then how much is a interest or the profit that you expected at that point of time, how much the bank in the trend is indicating that, how much of the bank is going to offer you in terms of interest 5 years after.

And then we will see how much this builder is going to give me the profit, now if you complete everything, and then decide I will give 5,000,000s now, but I will be expecting this much of profit value, profit share ok, do not think the builder will be so happily giving you everything, no, he also will think in the similar manner only in the reverse order that how much least he has to pay back to you, so that is how the whole thing goes ok. The securing business contracts again for this, and then comes the types of negotiation. So, I will discuss about the types of negotiation in my next lecture.