



SECRETS OF NEGOTIATION

Customers rely on mortgage brokers to negotiate a better deal with the lender than they could on their own. But how effective are your bartering skills?

Judging one's ability as a negotiator is a difficult task, according to Matt Lohmeyer, who teaches the Advanced Negotiating Skills Program for trainer Scotwork Australia.

"In that regard, negotiating skill is a little like driving skill," he explains. "You ask anyone if they are an above average driver and 80% would say yes. You get the same result when asking about negotiating. Clearly, that just doesn't add up. We all negotiate all the time, but we don't actually have a benchmark as to how well we're doing."

For mortgage brokers, negotiation is a key part of the job. Customers rely on mortgage brokers to not only help them secure a loan, but to get the best possible deal on their behalf. People often confuse persuasion and haggling with negotiation, but according to Lohmeyer, there is a difference.

“Persuasion is about debating, challenging and working to get the other side to accept your point of view,” he offers. “With persuasion, the other side is really not getting anything back in return.” Haggling, on the other hand, is a contest over one thing. “What do we haggle about most? Usually price. It’s not a trade or an exchange. And the more I have, the less you get, it’s very competitive.”

Negotiation differs from both persuasion and haggling in that it is a trading game. “So in order to negotiate effectively you need to understand what’s important to the other side, what their internal constraints are – and what their drivers are. The secret then is to work out how best to address those drivers and meet those needs, to make sure you really hit the spot with your proposal. If you can do that without being greedy, you will get a deal that both sides are happy with.”

According to Lohmeyer, negotiating is both an art and a science. While there’s an art to engaging with the other side and presenting your proposal effectively, he argues that there is also a strong structure to the way that negotiations work. “Like anything, negotiation can be learned. Some people are naturals, but that could be because they learned their craft in an environment where that’s the way things were done.”

Scotwork’s course on negotiating identifies eight crucial steps to a negotiation process: prepare, argue,



Brad Oliver



Matt Lohmeyer

signal, propose, package, bargain, close and agree. And within each step, there are several core principles and rules that make up the key aspects of any successful negotiation.

The intensive course is being taught internationally, and the skills have been adopted by organisations such as BHP, Macquarie Bank, ANZ, Merck, Qantas, Chevron and Railcorp among others.

While applicable to large organisations, the skills are equally valuable to small businesses. Lohmeyer notes that despite a power shift towards the major lenders post-GFC, mortgage brokers can still negotiate effectively with the big guys.

“One of the tenets is that most people underestimate the power they have in a negotiation. Whilst it may appear that the banks have all the power and the brokers are really struggling, there is something that lenders really need and want – access to clients. Don’t underestimate the power that you have in negotiations and it should be part of your preparation to work out with whom you have the most leverage. You have to find your power at the table.”

Whether you are dealing with a major institution or trying to get your kids to bed, the rules of negotiation are the same.

“Like the rules of polite conversation, the rules of negotiation don’t change. Some of the surface veneer changes, particularly if you’re negotiating in a different culture, but the actual rules are the same. They are universal skills.”

COMMON MISTAKES

- Failing to prioritise your objectives – prior to entering a negotiation, you should define what outcomes you would like to achieve, what you must achieve and what you wish to achieve.
- Arguing to win – avoid interrupting, point scoring and sarcasm, and above all be constructive in your arguments.
- Missing signals – be cognisant of signals from the other side such as qualifying words, which are characterised by a change in language from absolute statements to qualified statements. Signals are welcome, as they indicate flexibility.
- Being unrealistic – A realistic proposal should be credible, address the key issues, and meet the other party’s limit of what they must achieve.
- Giving not trading – the fundamental rule in negotiating is to trade. You should always have an answer to the question – what did you get in return? **MPA**

*Source: Scotwork Negotiating Skills Australia

Case study: Brad Oliver, Custom Wealth

Custom Wealth director Brad Oliver says he will employ his negotiating skills on certain deals.

“If it’s a high loan amount and represents good business then we will push hard. You’ve got to remember though that negotiating is a two-way street – there’s got to be something in it for both sides.”

According to Oliver, one the keys to successful negotiation is to recognise what the lender wants and needs from the deal.

“You have to prove to the lender that the client can get a better outcome elsewhere, but also

realise that the lender must also see a potential benefit to them. It’s still got to pass their profitability model.”

Oliver adds that the current competitive environment combined with lower borrowing activity is creating more opportunities for negotiation.

“Lenders are really fighting for new business,” he says. “The paradox, though, is that due to NCCP, credit is a little tighter, so it’s not all that easy to get an approval.”