

Contract renewals: when the agent calls

When it comes to renewing your contract, the success of your negotiations will depend on your sales skills and the strength of your bargaining position.

Some pointers to a strong bargaining position:

1. Client wants you to stay and cannot afford to lose you.
2. Market demand for your skills is high, and the market rate has increased.
3. You have another offer at a higher rate, and are prepared to take it.
4. Client can afford to pay you more.

Pointers to a weak position:

- o Client considers you being easily replaceable, without affecting their business.
- o Market demand for your skills is low, and rates are dropping.
- o You do not have any other offers.
- o The client has no extra budget for rate increases.

The strongest position for the contractor is "Pay me market rate of £X, or I will accept the other offer I already have."

The weakest bargaining position would be to give the client the impression you would love to stay for the same money, and have no other positions lined up. Asking for more money under these circumstances is the same as approaching them with a begging bowl ("Please Sir, can I have some more!") – you'll get nowhere.

The agency/client will try to establish how weak your position is by asking probing questions. You need to counter those with answers that position you in the strongest possible position.

With the above in mind, we provide a some example telephone transcripts of how to handle renewal conversations with an agent to maximise your chances of success.

Example 1: The Initial Phone Call From the Agent

Agent: Hi John, it's Pete, I'm phoning regarding your contract which is due to end shortly. Just wondered if you wanted to renew?
[It's much better for the contractor to know the client wants them to stay on first.]

Contractor: Hi Pete. Not sure. Does the client want me to stay on?
[Turns the question around to establish how keen the client is to keep the contractor.]

Agent: They say they are happy with your work. If they offered you another six months would you accept it?
[Tries again to find out if the contractor is interested.]

Contractor: That's great, I've certainly had excellent feedback. I'm not overly bothered if I stay or not - has the client offered a renewal then?
[Creates some indifference to staying, and turns the question around.]

Agent: I'm speaking to them later today and am pretty sure they will. Just wanted to know if you wanted to stay on?
[Tries for the third time to see if the contractor wants to stay!]

Contractor: I've not thought about it really. Let me know what they are offering and I'll think about it.
[Refuses again to answer question. Creates the impression of indifference to staying.]

Agent: Are you looking for more money then?
[Asks with a view to then convincing the contractor they cannot get more.]

Contractor: I'm currently doing some market research to find out what current rates are.
[Refuses to give numbers. Creates impression they expect to be paid market rate.]

Agent: You're being paid well at the moment and I think you will find it very hard to get more money elsewhere.

[Tries to weaken the contractors position, so they will just renew nice and quickly.]

Contractor: That's surprising you say that, because my initial research indicates the market demand is very high for my skills and rates have increased.

[Pays lip service to agents 'advice' and conveys expectation of an increased market rate.]

Agent: Really, what do you think you should be on then?

[Tries to establish a baseline figure from which then can then push down at a later date.]

Contractor: I've not come to that conclusion yet, I'm still researching the market.

[Just ignores the attempt to define a baseline figure at this stage. Better wait until position is stronger before talking numbers.]

Agent: Have you got any other offers yet, or interviews lined up?

[The agent is trying to establish strength of contractors bargaining position, and also trying to generate leads for himself]

Contractor: Things are progressing nicely. Shall we chat this afternoon when you know if they client wants me to stay or not?

[Contractor keeps things vague, giving away no details, but creates the impression there are better alternatives in the market. Then changes the subject to close the conversation with a view to waiting for the real offer from the client.]

Agent: Sure. I'll call you at 3pm.

[Agent is aware the contractor is not going to give anything away at this stage until they know the client wants to renew.]

And later in the day...

Agent: I've spoken to the client and the good news is they are offering another six months, but there are no rate rises at this stage.

[No surprises here. There is little financial motivation for the agent to force though a rise on your behalf and it makes them look better to the client if they can keep you at the same price.]

Contractor: Okay, let me think about it. I need to consider my options and then get back to you. I'll call you in a few days.

[Contractor doesn't commit at all.]

Agent: Okay. But the client will need to know soon if you are staying, otherwise we will have to advertise for a replacement.

[Some minor scare tactics from the agent to make you think that you risk losing the position if you do not commit early, with a view to closing the business as soon as possible.]

Contractor: No problem. That makes sense. Chat to you later in the week. Bye.

[Refuses to get concerned and creates an air of indifference.]

Example 2: The Subsequent Phone Call From The Agent

Later in the week the agent tries to close the business, and calls you to try and convince you to renew...

Agent: Hi John, It's Pete. Just wanted to catch up with you and see if you are ready to accept the renew offer?

[Trying a very basic sales close]

Contractor: Hi Pete. Not at this stage. I've done quite a bit of market research and it looks like I could earn much more elsewhere.

[Contractor explains intent to negotiate for more money.]

Agent: How much?

[Agent is after a baseline number to work with – from which they will then try to bat the contractor down on.]

Contractor: I've been chatting to other agents for positions for £X per hour.

[Contractor puts cards on table.]

Agent: That surprises me. Have you got any interviews or offers lined up yet?

[Agent tries to establish strength of contractors bargaining position.]

Contractor: No offers just yet, but looks like I'll have some interviews lined up first thing next week. I cannot see it being difficult to get an offer at that rate though – the market is on fire!

[Contractor creates a nice strong position of 'they need to pay more or I will go elsewhere.' This is the last thing the client or the agent wants.]

Agent: Oh really, who with?

[Trying to generate some leads for themselves.]

Contractor: The usual places: Banking, telecommunications etc. Are you 100% sure the Client is not prepared to pay more?

[Ignores attempt at lead generation, and pushes conversation back to negotiation.]

Agent: Well, that's what they told me. Maybe we can get some more, but probably not as much as you are being offered elsewhere.

[Accepts they might need to pay more, but tries to beat the price down to possibly create a nice margin for themselves.]

Contractor: That a shame. If they offered the market price of £X I'd sign on the spot – a sort of 'Buy Now' price.

[Contractor offers the easy route out for the agent. They can try and get some from the client, or lower their current margin.]

Agent: Well, I don't think they will pay that, but I'll try for you.
[Again, the agents creates a lower expectation to give them room for manoeuvre.]

Contractor: Sounds good. I'll have a chat with them also and explain the situation.
[Contractor states intent to keep all parties in the loop to ensure the client knows exactly the situation – one must be careful that agents don't make up stories.]

Agent: I'd rather you let me negotiate on your behalf.
[Of course they would!]

Contractor: Sure, I appreciate that, but as a matter of courtesy I will talk to my boss and explain what is going on regarding the difference with their offer and the current market rates.
[States again intention to negotiate with the client. They know this is in your interests so will eventually give in.]

Agent: Okay. I'll call you soon to let you know what happens. Chat soon.

Continuing Your Negotiations

At this stage it is now time for you to engage the client directly and remove the agent from the negotiations. You need to sell yourself to the client, which is best done by you, and certainly not your agent – who does not have your best interests at heart, and certainly has little idea of what value you have added to the business over the duration of your existing contract.

Make sure you speak to the decision maker and explain to them that you are not being paid market rate and have other interviews lined up that pay market rate. Tell them you would love to stay, but want to be paid what you are worth.

If the client is sensible they will accept they have to pay market rates for contractors and come back to you with an offer that either matches the market rate, or is close to it – they will probably know you want to stay where you are happy and avoid the hassle of moving on hence the lower offer. Rather than holding out for a few extra pounds your best bet is to accept it, unless of course they are way below what you expect to get elsewhere.

Published: Tuesday, June 12, 2007

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