

Negotiation scenarios and advice: what is your lowest rate?

Introduction

As seasoned contractors are aware, there are a common set of phrases and tactics that sales agents use to try and beat the contractor down on price (rate) in order to maximise their return (margin).

Unfortunately, first time contractors have little (if any) knowledge of sales and negotiation and often wrongly feel "hard done by" when they discover at a later stage that their agent is receiving a huge margin.

"Hard done by" is certainly the wrong set of words to describe the contractor who has entered the market and sold their goods (themselves) below market rate.

This series of articles about negotiation discusses those familiar sales tactics and attempts to provide some advice to first time contractors entering the market who inevitably will have to deal with agents.

This article deals with the classic question asked by agents: "What is the lowest rate you will accept?".

The Scenario

After sending a CV application off an initial telephone conversation with the client can often go like this:

Agent: "What rate are you looking for?"

Contractor: "£400 per day."

Agent: "What is the lowest rate you will accept?"

Contractor: "I'd probably go to £350".

And (surprise, surprise) the contractor gets £350 per day, or less!

Agent strategy

The agent is trying to beat you down on rate to increase their margin.

They are establishing the minimum you will go to and will either get you to commit to that rate, or even try and beat you down further below your maximum.

Contractor tips

Some contractors, particularly first timers fall for this basic of all sales strategies. Seasoned contractors don't.

Think of it a bit like buying a second hand car:

Owner: "What is the most you will pay for the car?"

You: "I think it is worth £3000, but I would pay £3,500 because I really like it and am having trouble finding one just like it!!".

Owner: "It's yours for £3,750. Interested?"

You can see how ridiculous this scenario is, but it is exactly the same as a contractor saying something like "I'm looking for £400 per day but will accept £350".

Agents get paid for the margin they make on selling their product, which is you the contractor.

You need to make sure you know what you are worth and negotiate well to ensure you maximise your return from the client, which means minimising the margin the agent receives.

Let's look at some alternative responses:

Alternative responses

Alternative response 1

Agent: "What rate are you looking for?"

Contractor: "£400 per day."

Agent: "What is the lowest rate you will accept?"

Contractor: "£400 is the market rate and I'm confident I will get it".

Possible follow ups:

Agent: "I don't think the client will pay that much?"

Contractor: "How much have they budgeted for?"

Agent: "£350."

Contractor: "That's a shame. Market rate is £400. You might find it hard to find someone willing to do the role for that amount. I'd be perfect for it and would shine in the interview. Give me a call if they change their mind."

Bear in mind that in this scenario you need to be sure that the market rate is £400.

The agent will continue their calls until they can find someone who they can earn high margin from. If they don't find anyone you will get called.

Alternative response 2

Agent: "What rate are you looking for?"

Contractor: "I'm new to this. How much are they willing to pay?"

Agent: "I could get you in for £350."

Contractor: "That seems low to what others have told me. I'll give it a miss."

Agent: "What have others told you."

Contractor: "£400 to £450".

Agent: "I doubt they will pay that much but I'll get back to you if they can"

The agent will continue their calls until they can find someone who they can earn high margin from. If they don't find anyone you will get called.

Alternative response 3

Agent: "What rate are you looking for?"

Contractor: "£400 per day."

Agent: "What is the lowest rate you will accept?"

Contractor: "I'm after £400 and I'm sure I'll get it, but if the client doesn't manage to find anyone in a four weeks and I'm still available then give me a call."

[Bear in mind that on £400 per day you earn as much in 40 weeks as you would in 44 weeks on £350 per day – hence the reason to wait a while and seek the higher rate.]

Summary

Sales negotiation is a game. You just need to portray yourself as the greatest candidate of all time, and know your rate and stick to it. The client pays the same rate regardless of how much you charge, the rest (the margin) goes into the agents pocket.

There will be some clients who pay less than the market rate, but this will be apparent in the quality of the contractors they attract. And if you play tennis with someone less able than you then your own game will eventually suffer. So aiming for higher rates which will not only result in increased income but also in much better experience.

As Alan Sugar said on The Apprentice "Any fool can stand on the street all day and sell £10 notes for £8."

Published: Wednesday, August 2, 2006

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