

PERSUASION

by [Steve Brown](#)

The scene is set. The Borrower comes into the Banker's office and is offered some Hershey Kisses. The Borrower politely refuses, mumbling something about watching his weight. The Banker offers again, this time saying "Hershey's have such a great mouth feel - it reminds me of my youth. Are you sure you don't want one?" The Borrower declines again. The Banker tries another tactic, saying, "Are you sure, it will give you energy to work through the terms?" At this point the Borrower acquiesces and accepts the chocolate. "I got 'em now" the Banker thinks to herself.

The innocent offer of something, the declination, the persuasion and then the acceptance is an age-old trick in negotiations. It is designed to test the will of the opposition, figure out their motivation and to get them saying "yes" from the start. This tactic is based on the assumption that if you can bend your opponent's will to your way of thinking from the start, the rest of the negotiations are yours. While most bankers aren't so Machiavellian in their negotiations, there are some subtle tactics that are often employed walking the thin line between persuasion and manipulation. Here are a couple of ideas that will either help you to be more persuasive or make you aware of their tactical use to guard against being manipulated yourself.

Argue Against Yourself - The surest way to be perceived as honest is to giveaway a point or show weakness up-front in your loan, deposit, service or situation. Put the ugly truth up-front to get it out of the way. It builds trust that can be used later.

Get Them Saying "Yes" - Ask questions that elicit a positive response. This gets your counterparty in the mode of agreeing to things and transfers the ownership of the sale. Asking "If we could prove that we offer superior service on your business account, would you bank with us?" Then wait for an affirmative response and you have boosted sales closing by 20%.

Offer Directed Choices, But Limit Them - Getting your counterparty to start making choices early on helps build negotiation momentum. It gets customers actively involved in the sales process. Choices should be kept to no more than 3 (otherwise you might lose forward progress), but should be moved to the front of the discussion. Having the borrower choose between fixed or floating rate interest options shifts the discussion away from rate and lets you better understand the borrower's business. It also gets the borrower to make an emotional investment in the negotiation process.

Highlight Loss - While everyone likes to gain something from a product and service, studies have found that the threat of a missed opportunity or the risk faced if someone don't use your product or service elicits better success than describing benefits. Make sure your customer understands the downside if they don't take your advice.

Highlight Your Progress - If you own your own business or are in executive management, most likely you are a Type A personality focused on achieving a goal. Reinforce this tendency, by highlighting progress. Using key phrases such as "We are really moving now," "You were tough, but fair on that point, I am glad it is behind us," or "We are almost done, just two more decisions" will serve to highlight progress and make the customer feel that they are achieving something. By the time you

build to a critical point in the negotiations, the counterparty will have so much invested they will be more likely to capitulate and agree.

Understanding the subtleties of negotiation and employing some of these tactics could help your chances of success. In the dog-eat-dog world of business, starting off by handing out some chocolates may put more food on your own table.

BANK NEWS

4Q Earnings

Wells Fargo reported a 4Q profit of \$3.41B, up 21% over the same period in the prior year and close to expectations. The bank released \$850mm from loan-loss reserves, which powered much of the increase. Goldman Sachs reported a \$2.39B 4Q profit, 52% less than expected, as trading suffered from weak volume. On the positive side, Goldman saw strength in investment banking. US Bancorp reported 4Q net income of \$974mm, a 62% increase over 2009 (driven by a 32% decrease in credit provisions from the same period last year, 2% loan growth and 5.2% deposit growth).

Compensation

The FDIC reported at its board meeting yesterday that regulators were "making good progress in building a consensus on a prudential framework for incentive-based compensation that aligns with an organization's long-term success" and that a joint policy statement is expected soon. It is expected that these standards for executive pay will likely go further than those previously announced by the Fed.

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