strategic negotiation overview

blueprinting your joint value
1. Should we pursue?
2. Your strategy?
process
common mistakes

- failure to consider all aspects of both sides alternatives
- defining the negotiation too narrowly
- tactical vs. strategic thinking
“We teach really simple things to really smart people and these people get these things wrong on a regular basis.”

Max Bazerman, Ph.d
Harvard Business School
create joint value and then divide it given concerns for the ongoing relationship
redefining negotiation

three things required to create and divide joint value

- anchors
- trades
- consequences of no agreement
redefining negotiation #1

three things required to create and divide joint value
negotiation blueprint: step one
CNA:
- sell elsewhere

analysis/impact of that CNA:
- culture
- long term plans
- integration strategy
- financial health

buyer CNA:
- buy another

analysis/impact of that CNA:
- time
- lost opportunities
- funding a competitor
- 2nd to market
• current demand
• current pricing
• future relationships
• fund a competitor
• bonus
• goals
• performance appraisal
• transient contract
• lose the revenue
• owner impact
• impact on other hotels

• air access
• air pricing
• distance from AP
• outside activities
• location to activities
• quality of convention service
• quality of meeting space
• quality of guest rooms
• Perception of area/hotel
• union related issues
first step in creating joint value is to understand and exceed both sides alternatives
redefining negotiation #2

three things required to create and divide joint value
negotiation blueprint: step two
trade: priority and range
- price ($)
- timing of payments (months)
- cash vs equity (%)
- executive gte’s (positions/time)
- pensions (y/n)

trade: priority and range
- price ($)
- timing of payments (months)
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- executive gte’s (positions/time)
- pensions (y/n)
- Rate ($/room)
- Rental ($-sliding scale)
- f&b pricing ($ per person)
- attrition (% and fees)
- cxl (days and fees and application)
- guest rooms (ocean-parking lot view)
- comp policy (1/50)
- Upgrades (suite-concierge)
- payment terms (up front – 45 days)
- references (1-3)
- arr/dep pattern (mon-wed / fri-sun)
- month (high-shoulder-peak)
- executive airport pick up (1-3)
- fruit baskets/flowers (1-3)
redefining negotiation #3

three things required to create and divide joint value

- anchors
- trades
- consequences of no agreement
negotiation blueprint: step 3
what was the opening offer and the final outcome?
anchors over time: price only

- $125 from deal from two years ago
- $130 competitor offer
- $135 budget
- $145 supplier #1 opening offer

current deal cycle
multiple equal offers
## MEO example

<table>
<thead>
<tr>
<th>Rate: $125</th>
<th>Rate: $135</th>
<th>Rate: $145</th>
</tr>
</thead>
<tbody>
<tr>
<td>View: Garden</td>
<td>View: random</td>
<td>View: ocean</td>
</tr>
<tr>
<td>Pay up front for rooms</td>
<td>14 days</td>
<td>45 days</td>
</tr>
<tr>
<td>Room Rental: $1000</td>
<td>Room Rental: $500</td>
<td>Room Rental: Zero</td>
</tr>
<tr>
<td>WED-FRI AUGUST</td>
<td>WED-FRI SEPTEMBER</td>
<td>FRI-SUN OCTOBER</td>
</tr>
<tr>
<td>Preferred business travel hotel list</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
creating and dividing joint value
97% of verbal tactics globally followed a very, very predictable pattern.
<table>
<thead>
<tr>
<th>planner</th>
<th>supplier</th>
</tr>
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<tbody>
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<td>“I can command higher rates now”</td>
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<td>“One per 50 comps is the bet we can do”</td>
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tactics

CNA/trade

• “I can command higher rates now”
• “your competitor offers better rates”
• “everyone else agrees to that”
• “other customers sign attrition clauses”

trade

• “we have to get meeting room rental”
• “that cancel clause is too restrictive”
• “you should throw that in for free”
• “I need all ocean view rooms”
• “I need one per 40 comps”
• “one per 50 comps is the bet we can do”
• “we need 50% payment up front”
• “that space is at a premium”
negotiating rationally

- negotiation tactics
- one or both
  - alternative
  - concession

anticipate, categorize, then respond
rationally:
apples to apples and trade
these parts are interdependent not independent
Think

1. to have a conscious mind, to some extent of reasoning, remembering experiences, making rational decisions

2. to employ one's mind rationally and objectively in evaluating or dealing with a given situation

Think carefully before you begin