

Improve your negotiation power Data consolidation (travel & card) and negotiation techniques

February 2010



PORTLAND
GROUP

Objectives

1. Understand the drivers behind the Financial, Procurement and Supplier approach to Corporate Travel
2. Prepare a data based spend analysis



Agenda

1. Introduction – The Executive view of the travel spend category
2. The procurement approach to managing travel spend
3. Negotiation techniques

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Portland provides comprehensive services in procurement, including understanding spend profiles, developing opportunity assessments and category management

Service Approach:

Consulting

Solutions

Managed Services

Client Need:

Developing procurement strategies to drive significant and sustainable results by solving challenging business problems

Developing and implementing best practice processes and systems to drive sustainable results

Managing procurement processes as an outsourced service; including systems, processes & people to deliver targeted outcomes for clients

Example Methodologies:

- Opportunity Assessment
- Strategic Sourcing
- Rapid Sourcing
- Low Cost Country Sourcing
- Category Management
- Demand Management
- Organisation Design
- Performance Management
- Business Process Outsourcing

- Procure to Pay System Optimisation
- Process Development
- Policy Design
- Skills Assessment
- Skills Development
- Benefits Tracking Systems
- eSourcing

- Spend Analysis, Market Analysis
- Category Management, including:
 - Facilities & Property
 - Travel
 - Contract Labour
 - Professional Services
 - IT & Office Equipment
 - Logistics, Mailroom/Couriers
 - Print and Office Supplies
- International Procurement Office

What does the CEO/CFO and Procurement think of Corporate Travel?

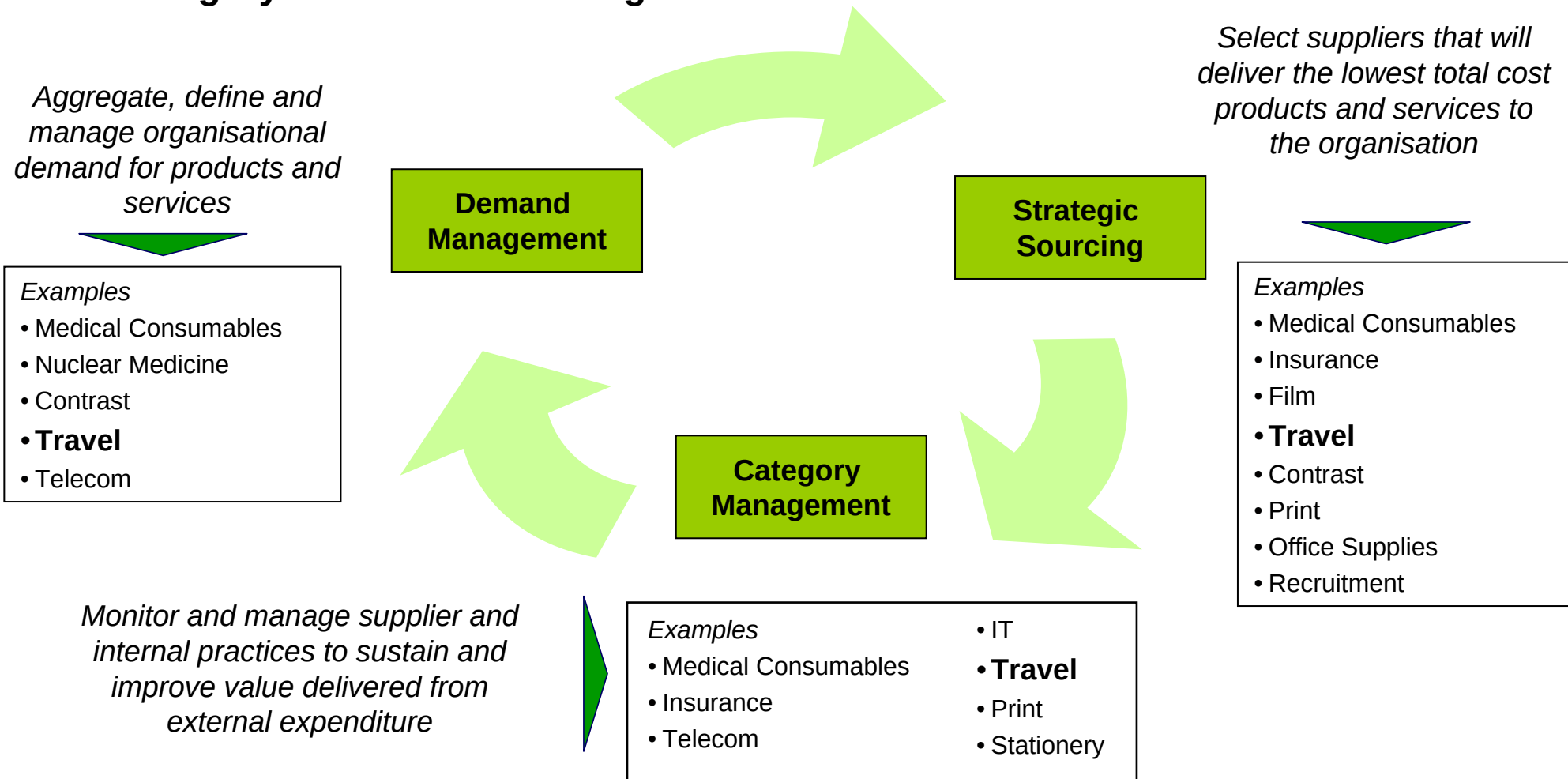
- “Corporate Travel is all about buying cheap and I can find the best deals on the internet”
- “They are nice people but what do they really do”
- “Why not let the TMC handle it all, why do we need corporate travel inside the company”
- “It’s all paper, we never see the actual savings”
- “My last trip was terrible, they can’t even get a simple reservation right”
- “My assistant does a better job then they do”
- “The benefits are there but they are not as big as they are claimed to be”
- “By the time we get the data the trips have been completed for months, it’s just too late”
- “It’s all reactive not proactive”
- “Travel spend is directly linked to volume, anybody can negotiate these contracts”



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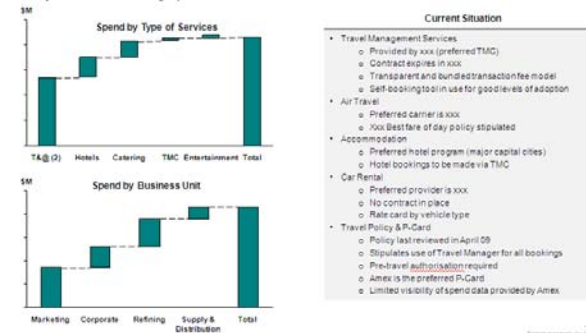
Procurement practices applied to travel are the same as those applied to the other spend categories, with benefits derived from a combination of strategic sourcing and category and demand management



Initially spend profiles are analysed, the market analysed and understood, and the opportunities assessed

Profiled spend By:

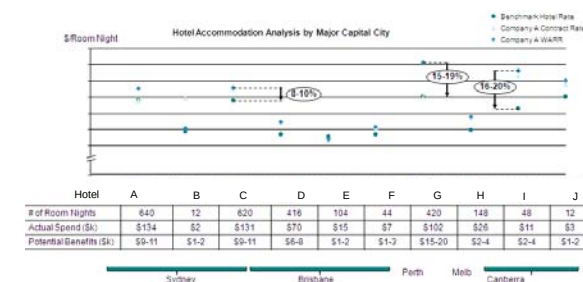
- Type of service
- Supplier
- Business unit
- Class of air travel or hotel accommodation
- Geography



Spend Profiles & Current Situation

Market Analysed

- Analysis of client rates versus market benchmarks for each travel category
- Size of spend and breakdown of potential benefits resulting from alignment with the market
- Peculiarities of local markets detailed



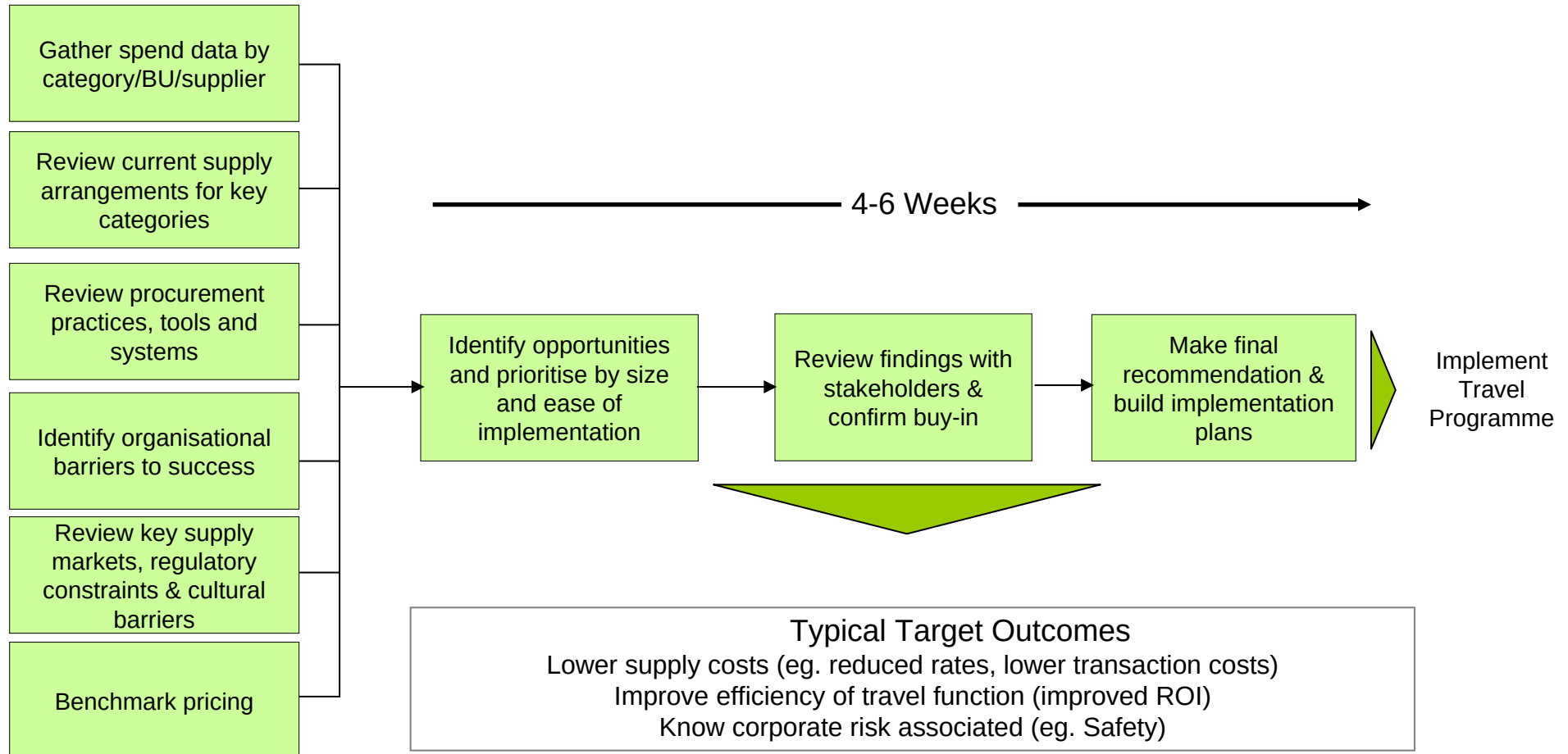
Rate Benchmarking

Opportunity Assessed by Travel Category

- Value drivers
- Opportunities
- Rationale
- Constraints & Risks
- Benefits estimate range

Value Drive	Opportunity	Rational	Constraints	Benefits - Low	Benefits - High
Sourcing	- Competitively source - Aggregate spend	Not sourced since 2005	Traveler push back	5%	7%
Category Mgt	Manage spend centrally	Fragmented management	BU support	3%	5%
Demand Management	Change policy	Open skies policy	Traveler push back	3%	5%

A procurement assessment framework is used to identify gaps to best practice and identify savings both short-term and long-term



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You negotiate everyday – anytime you want something from someone and anytime someone wants something from you, you are negotiating.

- Negotiation is not an event but a process – planning is therefore a must
- In a successful negotiation, everyone wins
- Negotiation is the process of using Power and Information within a Timeframe to affect behavior



When was the last time that you negotiated something?

House, Car, Taxi fare on a holiday...?



Each one of us has a natural preference towards one of 5 negotiation styles

- **Emotion** (feelings, a subconscious mental state)
 - What emotive arguments can you use to persuade the other party to see it your way?
 - Costs nothing - and can be very effective
 - Warm and friendly but firm
 - People like to make concessions to friendly people
- **Logic** (Rational construction, guided reasoning using principles)
 - Is often the mainstay of negotiators
 - If it is to be logical reasoning - get your logic in first!
 - Be careful what questions you ask - it may just let them outline their logical argument for you!
- **Threats and Coercion** (Warning that something unpleasant is imminent)
 - Using the fear of consequence to compel someone to act against their will
 - Overt threats tend to sour the relationship - be sensitive how it is framed
 - Don't make a threat you are not prepared to carry out
 - Threats can often be framed as logic or emotion



Each one of us has a natural preference towards one of 5 negotiation styles

- **Positional Bargaining** (Exchange, or trading in variables)
 - Give them something of low cost to you but of high value to them to get what you need
 - Make the steps small - this is costing you - the first 3 have little or no cost use them FIRST!!
- **Compromise** (Tempering extreme demands by working toward the middle ground)
 - Classical answer is let's split the difference - 50 / 50
 - Is only fair if the initial price was fairly positioned
 - Does not have to be equal (if you keep splitting, someone has an advantage)
 - Let the other party suggest it



Power is broken up into two areas “Real” and “Perceived”. Sometimes it is difficult to determine the difference between them.

- Real Power
 - The other party have the ability to help, hurt, or harm your business
- Perceived Power
 - If you think you have it, you have it. If not, you don't.
- An Example:
 - I am going to take my business elsewhere (Real or Perceived?)
- Delegation of Power
 - Are you negotiating with someone who can make the decision? If not, don't negotiate



Is Obama's power real or perceived?

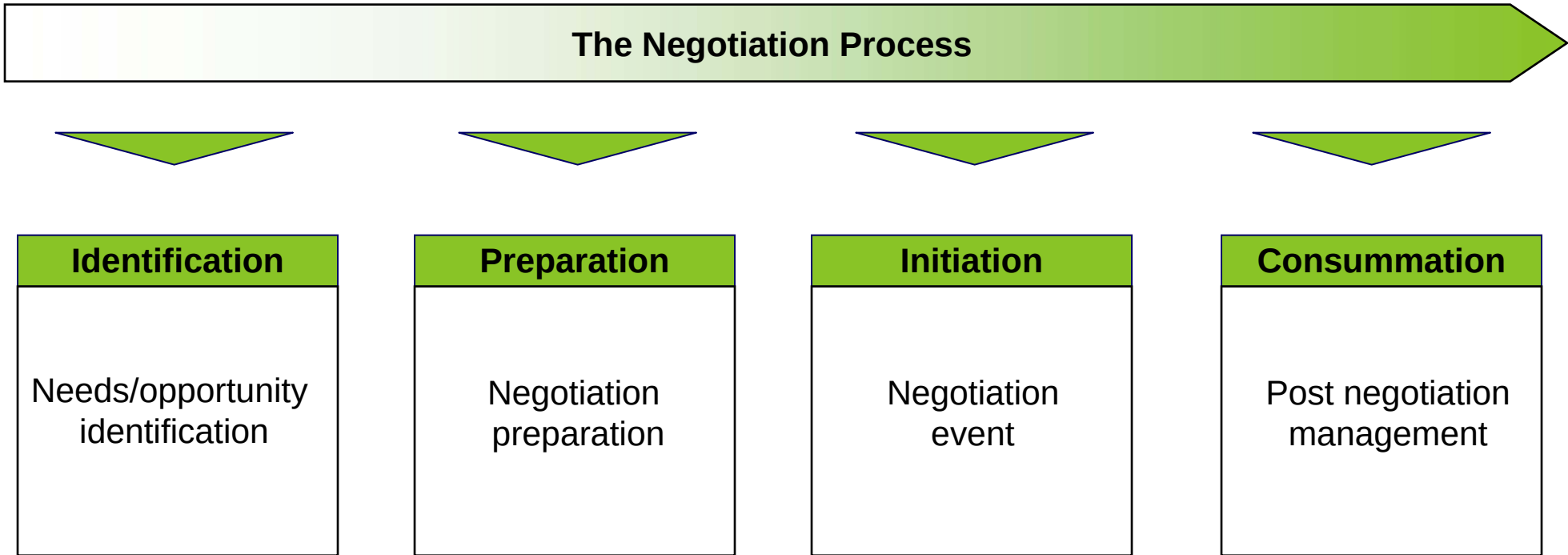


In summary, let us quickly review an example of getting a taxi from the airport in China

- The Scenario:
 - You arrive late and want to get to hotel / hostel as soon as possible.
 - You are backpacking and therefore don't have much money.
- Time
 - Who has more? What are your limits?
- Information
 - What do you know about the costs?
- Power
 - Do you have any?



There is an observable process for all negotiations

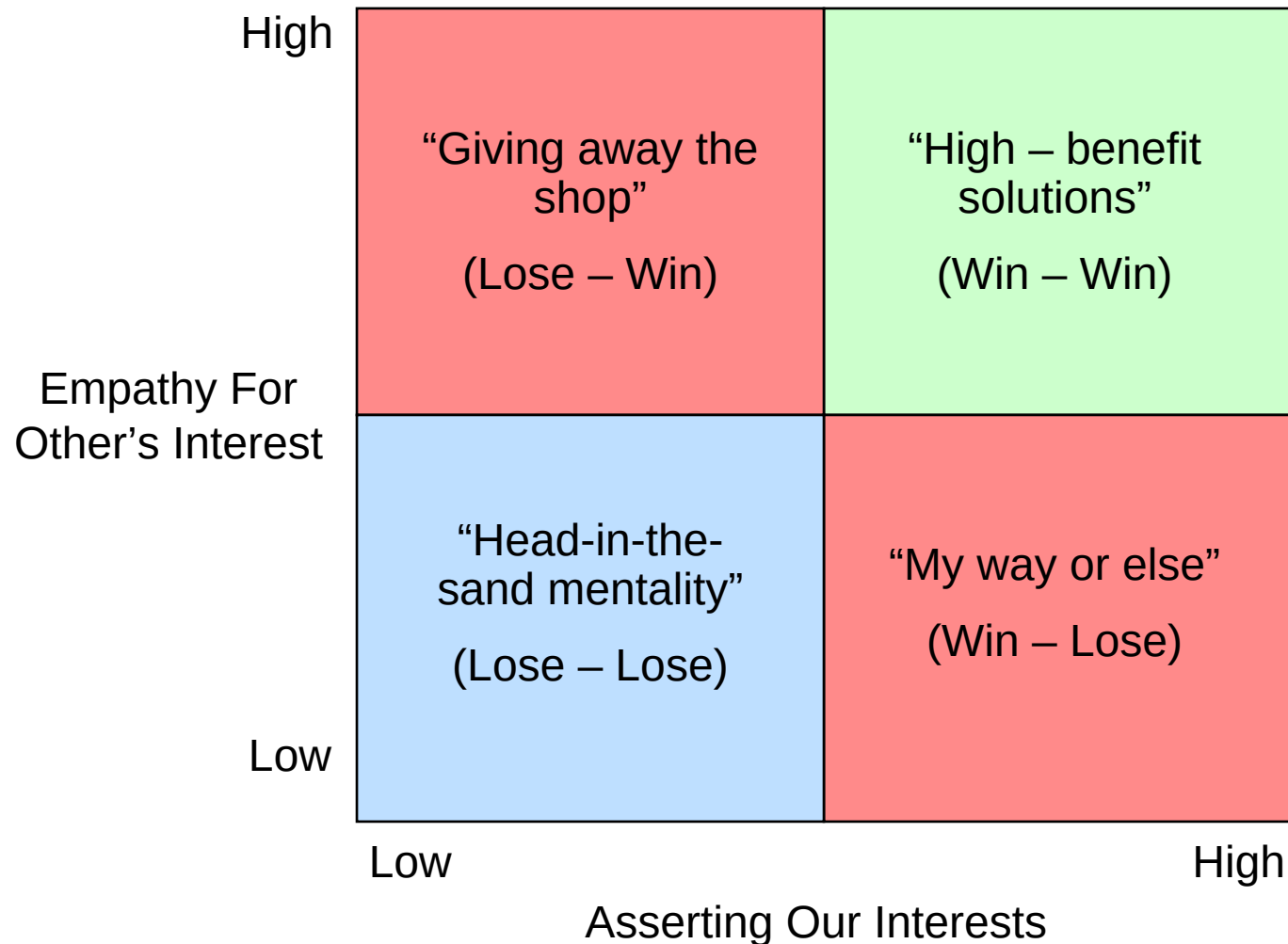


Develop your options and alternatives (BATNA)

- A BATNA is the **B**est **A**lternative **T**o **A** Negotiated **A**greement
 - BATNAs (or walk-away points) drive power in your negotiations
 - BATNAs offer creative thinking opportunities... searching for acceptable alternatives to a negotiated agreement
- Benefits
 - Enhances power base
 - Negotiators with valid BATNAs have greater success
 - Avoids excessive commitment to negotiating a deal at all costs
 - BATNA creation forces a “what if” dimension to the preparation
 - A concrete BATNA provides a reference point for evaluating the OP’s offers
 - The BATNA should help negotiators realistically evaluate their own proposals and aspirations



When negotiating keep in mind the different styles available



Contact details

Andreas J. G. Wellauer

**Category Manager – Travel
Portland Procurement Services**

Level 8, 68 Pitt Street
Sydney, NSW 2000
Australia

P: +61 2 9210-4325

F: +61 2 0210-4398

M: +61 411 826 780

E: awellauer@portlandgroup.com

www.portlandgroup.com