



UNIT-6

Negotiation Skills

Learning Outcomes

By the end of this unit the learner will be able to:

- ✓ Confidently negotiate room rates and other costs with customers
- ✓ Determine where to draw the line when negotiating with guests
- ✓ Draw a line between the 'needs' and the 'wants' of the hotel guest

Unit 6

Negotiation Skills

Negotiation is about reaching a compromise. The Oxford English Dictionary defines negotiation as:

'Discussion aimed at reaching an agreement'

And compromise is defined as:

'An agreement or settlement of a dispute that is reached by each side making concessions'

It is worthwhile noting that neither definition states that either party 'wins' or 'loses', so if you think that negotiation or compromise is about winning or losing, this unit will challenge that thinking.

Think about a common scenario that is faced by most of us at some point.

Mr Smith calls to reserve a room for the evening. He has been quoted £99 for the room on a bed and breakfast basis, but his budget will not stretch to this. Write down what you would do in this situation:

You will probably have put one of 2 options (something similar to these):

- Stick to your guns. The rate is non-negotiable and if he wants to stay he will have to pay £99.
- Or
- See if there is another lower rate we could offer him

These generally are the only 2 options available to most reception staff.

Let's turn the situation around and look at it from Mr Smith's perspective. He is presented with 2 options:

- Pay more than I can afford

Or

- Negotiate for something more in line with my budget

From either perspective, option 2 would be better – for Mr Smith it would be better to get the hotel he wants at a price he can afford, and from the hotel’s perspective we have 2 different views. The hotel can get the room sold and gets revenue, or can hold out and hope that someone pays the £99 (although this is not guaranteed).

The preferable choice for both parties is to negotiate and reach a suitable compromise. You may have already noticed that the hotel has 2 views, and may have wondered why this is the case. The view of selling the room for what you can is most commonly held by people who are ‘risk adverse’ and the opposing view of holding out hope for selling at the standard rate is normally held by those who are ‘risk favourable’.

The risk to the hotel is that they could sell the room at a lower rate and potentially miss out on a booking at the higher rate, or they could not sell at a lower rate and hope that someone books at the higher rate. So before beginning any negotiation, we need to think about the risk something presents. Can you think of another risk to the hotel that has not yet been stated?

If you thought of the risk of losing a potential guest for good (after all, if you will not negotiate rates, why would Mr Smith stay with you in the future), then well done!

So let’s summarise the risks for both sides:

If we don’t negotiate	If we do negotiate
Mr Smith may not book Mr Smith may never try to book with us in future The hotel could lose revenue from a lost booking	Mr Smith will probably book Mr Smith is more likely to book in the future (or at least enquire) The hotel is guaranteed revenue (albeit less than the rack rate)

One statement stands out here – the hotel is guaranteed revenue. This gives us more than enough reason to begin negotiating as on one side of the argument we have no guarantees, and on the other, we have at least one guarantee!

So how do we negotiate? In just a few simple steps you can negotiate effectively and reach the best possible outcome for both parties involved (an effective compromise). The guidelines covered here do not just relate to the situation outlined previously, they can actually be applied to any negotiation situation.

Stages of negotiation

There are three key stages to negotiating, the first 2 of which ‘set the stage’ and the final one comes naturally if stages 1 and 2 are followed correctly.

Stage 1 is to ‘assess expectations’. This is where you find out what the other party is expecting.

Before going any further on this, we refer to ‘Needs and Wants’ which is covered in more depth in the complaint handling section of this course, however we have put a brief explanation in here for you.

The prime difference is that a ‘Need’ is something that is non-negotiable. It is something that is unchanged (e.g. requiring a bedroom is a need for the guest at the moment of booking). A ‘Want’ is something that someone would like, but is not necessary to complete the transaction (e.g. a guest may like to have an upgrade, but this can be eliminated from their requirements as long as their ‘Need’ is met). So a ‘Need’ is something necessary and cannot be negotiated, a ‘Want’ can be negotiated as it is in addition to someone’s needs.

So back to assessing expectations. Negotiation usually begins with one party telling the other what they need, and what they desire (most commonly in this order. E.g. a guest states they would ‘like to book a room, one of the upgrades if possible’). Can you identify Mr Smith’s needs in this scenario? (Hint: there are at least 2 needs he has!).

Need 1: He needs to have a bedroom for the night

Need 2: He needs this to be within his budget.

It can safely be assumed that both are non-negotiable as he can only spend what he has available, making there the 2 needs identified above.

So the first step of any negotiation is to assess what the other person requires. This could be a mixture of needs and wants but unless you know this, you cannot begin to negotiate.

Stage 2 is to 'state your requirements and capabilities'. This sounds a bit ominous but does not mean you have to be blunt, aggressive or agitated. It is simply about stating what you can and cannot do.

Let's take Mr Smith's call again. You would need to tell him what you can and cannot do for his situation. We know he needs a room that fits his budget, and also that you are selling rooms outside of his budget. In this scenario we will assume that Mr Smith has already been advised of the room rate, and you have already discovered that his budget is £75 (because you assessed his expectations). Now we state what we can and cannot do and cover the options available.

Key Note:

As a general rule in hotels, you should never refuse a booking because the rate is too high for a guest. You should always refer to your sales/revenue/reservations/management team if you do not have the authority to amend rates.

So we would tell him that we have the rooms, but our standard rate is £99 for bed and breakfast. But, most importantly, we advise that we will see what we can do to reach a compromise.

Simply by stating that you are willing to compromise is suggesting that you *can* do something for him, which engages him into negotiation without necessarily realising that this is taking place. Instead he is inclined to wait and see *what* you can do for him.

So we have started negotiating already, Mr Smith has told us what he wants, and we have told him what we can do. This is the point where many people end the negotiation, at no more than a stalemate with refusal of either party to relent.

We actually need to move to stage 3 now, and do so quickly!

Stage 3 is 'suggest, offer, and conclude' (making this into 3 separate stages would make it too complicated!).

You need to suggest a solution, firmly offer it, and then 'seal the deal'. To suggest a solution you need to know what you can and cannot offer. In some cases you can simply match what he wants to pay, but is this really beneficial?

In this scenario, it would be more financially feasible to remove breakfast and charge £75 room only, than to drop the bed and breakfast rate to £75 (as there is more profit from it being room only than having to allocate a portion of the rate for the breakfast).

So we have a potential solution, which is suggested (e.g. 'I may be able to do £75 for room only'). Note the wording – the word 'may' is used. This is because it is not making a firm offer, but is stating that it is a potential solution. If the guest agrees, you can then firmly offer it to them and confirm the booking at that rate.

Alternatively you might have to speak to your manager, in which case you would suggest that you may be able to do a special rate after speaking to your manager, and then return to the guest with a firm offer.

This stage can be complicated, it is mainly about suggesting a solution and assessing whether the guest will accept it. If they accept, make it a firm offer, get their agreement and confirm everything.

If they do not accept (e.g. he wants breakfast included), you will need to re-affirm your original suggestion to the guest to demonstrate that you are 'standing your ground'; this then becomes up to the guest to decide whether they will accept the compromise or push further to achieve what they want. Only re-affirm your original offer once – failing to back down or try another solution will only cause negotiations to cease and cause friction between both parties! If the guest 'stands their ground', try another solution (e.g. if they pay the £99 you will upgrade them).

Key Note:

Your offer should always start with only providing what is needed as you can then 'up-sell' the additional wants of the guest. If someone needs a room and has £50 to spend, offering a room for £50 is financially more feasible than offering dinner bed and breakfast for £50 – remember that by offering everything in the first offer is counterproductive; it can lead to guests demanding more for cheaper and leaves you little to actually negotiate with!

When negotiation fails

The previous steps are not the 'be all and end all' of negotiation. There are many intricacies of human nature that are not taken into account here. This is just a brief outline of very basic negotiation and a lot of it comes naturally. The main concept is that you realise that negotiation is not about someone winning or losing, it is about both parties being happy with the outcome of a situation.

Negotiations will fail, but many more will succeed! If a negotiation fails, think about why it failed – were you too stubborn? Was the guest too stubborn? The answer is usually one or the other! If you were too stubborn, think about what you could change for future scenarios; if the guest was too stubborn, think about how you might have otherwise have fulfilled their needs.

Further Reading:

- ✓ *Deepak Malhotra, (2007), Negotiation Genius.*