

How to Negotiate Better Rates

Many Australian transport and associated operators believe customers just want the cheapest price, and that many do just seek the cheapest rates or those which appear to be the cheapest.

Business savvy customers know they really want value for money. The challenge is to show they are getting value for money.

There is a need to understand all the parties involved, not just the buyer and seller. For example, not just the department purchasing the services.

Hughes and Ertel in the July-August 2020 Harvard Business Review say negotiators should answer:

1. What business outcomes do we seek through this negotiation?
2. Who cares about the outcomes?
3. Who can do something to bring about those outcomes?
4. How can we engage, directly or indirectly, with parties that share some of our interest in achieving those outcomes?

With an existing contract, a supplier developed a third approach. Instead of just sending an initial term sheet, it invited the supplier to a pre-negotiation summit. There was a joint discussion of what worked well and what had not for both sides under the prior contract and of how the market and each side's business objectives had changed.

Operators should ask and identify what their customer's customers value. For example, different receivers may value the same product or service differently. Some receivers and locations at the same customers may have divergent views on what they value most, or where they are being let down and are prepared to pay more.

Operators need to ask probing questions of freight senders to learn what the sender values, what they themselves value but may not be presently receiving,

Some clients tolerate damages, incomplete consignments, pallet problems or less suitable delivery times from cheaper operators. Receivers and senders are distracted from productive work. The one cost that cannot be quantified is the cost of distraction. Insightful questioning can identify how the cost of distraction may cost a buyer of freight services more than they think. Money is saved through cheap rates but more than lost elsewhere in their business. Smart freight senders understand true business costs, and do not just look at freight rates.

When assisting a transport client, a stock exchange listed customer sales director was dismayed to find a cheaper transport operator would deliver freight later than the existing operator and would not be customised. Our facilitation uncovered the risk of losing sales, so our client retained the work. More people at the customer, not just the transport buyer was involved in the buying process and decision.

Including people other than purchasing at a freight sender can elicit valuable insights. It may be possible to significantly alter the scope of the contract.

Idea:

Transport operators should set up a team to analyse a negotiation from the point of view of their customer, the freight sender. They should then be able offer buyers' new opportunities, not just those that are self-evident and sell at higher rates.

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Reference "What's Your Negotiating Strategy?" in Harvard Business Review July-August 2020