



Research Hacks to Help You Negotiate Anything

Even zero-sum negotiations can turn into a win-win.

Negotiators are often told they should eschew competitive negotiations, where parties fight for what's on the table. They should instead increase the size of the pie and seek win-win scenarios. But in reality, competitive negotiations are often unavoidable. Sometimes, there doesn't seem to be any room for tradeoffs. And when we are unlikely to see our counterparties again, it can remove reputational concerns on both sides.

For example, if you purchase a used car from a private seller, all you really care about is how much you pay for it (once you find the model you want). There's hardly a pie to expand in this case, and, if you live in a big enough city, you're unlikely to deal with the same seller again. It comes down to haggling over price, i.e. a competitive negotiation.

However, what if there was still a way to use the win-win framework to improve competitive negotiations? That framework generally requires negotiators to manage three aspects, which you may think of as **three negotiations conducted in parallel**:

- Substance negotiation (price, product, service, contract duration, etc.)
- Communication negotiation (the way we convey interest)
- Relationship negotiation (general satisfaction of both parties)

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Improving communication negotiation

When we think of competitive negotiations, we generally think of people negotiating substance, for example, price. But it doesn't need to be this way. In fact, we can try to include the communication and relationship aspects to strive for a win-win in competitive bargaining as well.

Recent **research** suggests that it is possible for a buyer to frame an offer such as to obtain the best price while also maximising the satisfaction of the seller. In one experiment, sellers were given a target price of S\$520,000 for a condo and told that, in the worst case, there was a buyer ready to pay S\$380,000 for it. This provided them with a reservation price, or BATNA (best alternative to a negotiated agreement).

Meanwhile, buyers were instructed to offer S\$450,000. Some buyers asked the sellers to compare their offer to the minimum price they were willing to accept. In other words, they framed their offer in terms of the sellers' reservation price. Another group asked the sellers to compare their offer to their target price. The rest simply made their offer without adding further information (no framing).

Even though the reservation price framing resulted in the lowest average selling price, the satisfaction

of the sellers in this group turned out to be the highest. Asking the sellers to compare the offer to their (lower) reservation price made the offer seem more advantageous.

The idea of framing your offers rests on a very powerful bias, namely the anchoring bias, which refers to people's tendency to focus on a specific reference point, usually price, that is presented early in a negotiation process. **Research** shows that once an anchor is successfully introduced, counterparties find it hard to adjust away from it.

In the experiment just described, buyers were the ones making the first offer, which allowed them to set the anchor. But what about situations where it does not make sense to be the first to state a price? This could be the case when you are unprepared or when you're dealing with a very experienced counterpart.

Take a business traveller arriving for the first time in Namibia. She is running late for her meeting and needs a taxi urgently. Her mobile phone is out of charge and the information desk at the airport is empty. When negotiating a fare with a taxi driver, she should wait for the driver to make the first offer. An **experiment** based on this very situation revealed that novice bargainers offered US\$25 dollars for a ride, while those who waited for the taxi driver to make an offer paid US\$5 on average.

Even if you go second, framing your offer may still work. **Research** shows that when you frame or reframe your offer by saying: "I will give you X for your Y" instead of "Give me your Y for my X", it can shift the saliency to your resource X. This "trick" can reduce your counterpart's aversion to concessions. So, if going first is ruled out and your chance of successfully introducing an anchor is low, you should emphasise what you're offering instead of what you're asking.

Improving relationship negotiation

When managing the relationship, the goal is to ensure your counterpart is satisfied with the deal and **does not renege on it**. One way to keep your counterparts satisfied is to deliberate before accepting their offer, even if you are absolutely thrilled by it. **Research** shows that negotiators whose offers were accepted after a delay were more satisfied than those whose offers were accepted straight away, even if the latter actually obtained a better economic outcome. When you accept an offer (too) quickly, it plants the seed of doubt – your counterpart may wonder if they should have waited for a better deal.

You must however watch out for one common misconception in negotiation: **It is not true** that if

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you are nice to your counterpart, they will like you more and give you a "nice guy/gal" discount. On the contrary, in competitive negotiations, tough and firm negotiators fare better economically without harming the relationship.

Another way to manage the relation with your counterpart is to give them a voice in the decision-making process, even if you have more power in the negotiation. Research on **procedural justice** shows that we attach considerable importance to fair process. Specifically, negotiators that perceive their negotiation process as fair are more satisfied with negotiation outcomes, even if they were unfavourable to them.

Improving substance negotiation

When using framing strategies, you should keep in mind that counterparties with high power (e.g. a strong BATNA) are harder to influence. To ensure that your overall negotiation efforts are not futile, you must study the market and your counterpart and even run **data analyses** if necessary. If the preparation reveals that your last offer can't match their BATNA, you are probably better off focusing your negotiation energy elsewhere, since your only hope is that their BATNA falls through.

Interestingly, negotiators often like to compare a deal with what a neighbour, family member or another person in their social circle has achieved in a similar situation. For instance, if you paid US\$10,000 for a car similar to the one your coworker purchased for US\$11,000, you will feel good about the negotiation outcome. Thus, it is worth exploring the social circle of your counterparts to look for **social comparisons** that could make them happy.

Competitive bargaining does not have to follow a scenario of "my way or the highway". Keeping in mind the three aspects of win-win negotiations – substance, communication and relationship – is bound to lead to better deals and more satisfied negotiation parties.

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