
Negotiators Should Decrease Concessions Across Rounds



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Signalling your bottom line reduces your counterparty's ambitions.

Zero-sum negotiations, such as bargaining over the price of a product, are ubiquitous. Salary discussions are, of course, an example of consequence as well. In all cases, one of the biggest issues on both sides is figuring out just how much room there is for negotiation. And since no one can read minds, every small cue counts.

Among the cues negotiators seize upon are concessions, or how an initial offer changes over time. Concessions can signal that negotiators want to settle quickly, that they lack ambition, or maybe that they want to encourage reciprocity. We sought to shed light on how negotiators view – and react to – changes in the magnitude of concessions over time.

This is important because there are different ways of making concessions. We asked 150 experienced professionals to put themselves in a seller's shoes and tell us the sequence of offers they would make to a buyer over four rounds of negotiation. The most common strategy, used by 40 percent

of participants, consisted in reducing their price by the exact same amount across rounds.

Only 6 percent of participants thought it best to decrease the size of their concessions over rounds. To illustrate, this could mean the following: If they intend to reduce their price by US\$200, they might first reduce it by \$100, then \$60, \$30 and \$10 successively, as opposed to consistently reducing it by \$50 four times.

When we asked participants why they wouldn't taper their concessions, the biggest reason (mentioned by 31 percent of respondents) was that, in their opinion, this strategy was ineffective, or at least less effective than other patterns of concessions. The second most noted reason (23 percent) was that they had simply not thought about that option.

Yet, as we show in our recent [paper](#), when concessions are made over a series of rounds, tapering down the size of each concession is your best bet in a zero-sum negotiation. The ever-shrinking size of each successive concession signals that you are reaching your bottom line (whether this is real or not). Counterparts are attuned to such cues and when they recognise the pattern, it compels them to lower their ambitions in order to prevent an impasse.

Negotiating the rent for an apartment

In one study, we told participants – MBA students of diverse nationalities – that they were looking to rent a one-bedroom flat in the city centre and that the monthly rent for such flats in nearby suburban areas was between \$700-\$1,000. We asked them to negotiate with a simulated landlord (a bot named “Casey”) the rent of a suitable apartment that was advertised at \$1,500.

Casey was programmed to make either constant or decreasing concessions over three rounds of negotiation. Thus, some participants received counteroffers that were \$100 cheaper every time (\$1,400, \$1,300, \$1,200). Others received counteroffers in a tapering pattern that suggested Casey's bottom line was near (\$1,300, \$1,225 and \$1,200). The negotiation ended automatically if the participant made an offer higher than the next programmed counteroffer.

What was of interest to us was the fourth and final offer the remaining participants would make in response to Casey's \$1,200 counteroffer (the

same in both scenarios). Those who obtained repeated \$100 concessions offered \$811 on average for the flat, while those who had seen Casey's concessions taper off didn't dare to go too low and offered \$879 on average.

Make the decrease salient

In another study, we asked executive MBA students, also of diverse nationalities, to negotiate over email the signing bonus of an otherwise agreed-upon job offer. Participants either took the role of the recruiter or the candidate. They were told that the average bonus in the field was \$23,000. The first offer of all recruiters was \$20,000. Some recruiters were told to increase that offer by \$2,000, then \$750, then \$250 over subsequent rounds. The rest were instructed to make a one-time concession, immediately increasing the offer to \$23,000.

Here again, of interest to us was the final counteroffer candidates made once in possession of the \$23,000 offer. Candidates who had received tapering concessions suggestive of a near bottom line proposed to settle at \$23,650 on average, while candidates who had received no such cues were a lot more ambitious with a final counteroffer of \$28,161.

In yet another study, we found that the tapering effect worked best when applied at a moderate pace. Participants negotiated the purchase of a \$1,500 second-hand laptop with seller "Alex" (also a bot). A group received three concessions of the same amount from Alex. Others received three concessions, but at various paces.

Alex received the highest average counteroffer (\$975) after decreasing concessions at a moderate pace, as opposed to tapering concessions slowly (\$957) or going with a huge first concession followed by mini-ones (\$937). Keeping concessions constant led to the worst outcome for Alex, as the buyers' final offer only amounted to \$909 on average.

The tapering of the concessions needs to be salient enough for the counterparty to notice it, but not so steep so as to make your original price seem like a fluke followed by manipulative tiny concessions.

The cues you send influence your counterpart

Decreasing concessions over several rounds of negotiation is a strategy taught in business schools, but our paper is the first to back it up with data. When applied to zero-sum negotiations, this strategy allows you to secure a

bigger slice of the pie as it signals your bottom line and makes your counterparty worry about a possible impasse. In a supplementary study, we showed that clearly labelling your final offer as your “bottom line” strengthened the effect.

While your counterparty may have started out with a certain sense of what your bottom line might be, they can’t know for sure. As a result, the cues you send can influence them. The downside of this strategy is that it does require some planning. Most negotiators expect to make concessions, but they don’t like to plan them. Yet, they would do well to chart the path from their first to their last offer.

If you find that your counterpart is using this strategy on you, your best defence is to never lose sight of the target you set for yourself at the start of the negotiation. In our research, this counterstrategy was effective at keeping a negotiator’s ambitions intact.

This is an adaptation of an [article](#) published in Harvard Business Review.

Find article at

<https://knowledge.insead.edu/strategy/negotiators-should-decrease-concessions-across-rounds>

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