NEGOTIATION TALK
Conditioning, Anchoring, Framing and Psychological Gains
Negotiation

- **A definition:**
  A process through which parties move from their initially divergent positions to a point where agreement may be reached
Preparation

- Facts and Figures
- Issues
- Musts and Wants List - MIL
- Aspirations, Targets, Deadlock
- Points
- Relative Values
- BATNA
- Opening and Key Argument
- Internal Pressures
- Authority Limits
- Deadlines
- Team Roles
- Questions
Syndicate exercise

The Overnight Stop
Question

• What do you think the population of Kazakhstan is?
Conditioning, Priming and Anchoring

• A process aimed at increasing interest while reducing expectations
• The principle of anchoring translates directly into the art of negotiation,
• Generally as it relates to price and can become a critical component in the process of how each party moves through a negotiation from start to finish.
Pre-Negotiation Conditioning

Biggest Selling Artist in the World 2011

Love Break Announcement?????????
Pricing Structure

“Go away” Rate

Standard Daily Rate

Special Customer Discount Rate

Super Special Customer Discount Rate
Quotations

• £279,000
• £119,000
• £117,000

• £279,000
• £268,000
• £117,000
Self Conditioning Market Place
What causes anchoring?

• What aspects of human psychology account for anchoring?
  1. Tendency of people to value the first offer in estimating the true value of an item or service
  2. To adjust insufficiently from this anchor.

  e.g.
  1. Seller makes the first offer
  2. The buyer knows it is too high and adjusts down for the counter offer
Why does it happen?

3. Buyer counter offer is still too high
• The buyer’s counter offer is still anchored by the value of the sellers first offer.

Why?

1. Insufficient adjustment
2. Selective accessibility – people tend to focus on information consistent with the value of the anchor and ignore attributes that are inconsistent.
Anchoring

Market Place

Current Salary

Offered Salary
When to make the first offer

(Galinsky, A and Ku, G)

• Is it true that you should never make the first offer?
• Not according to recent research
• We can become “anchored” by the first offer
• We then adjust insufficiently from this
Making the first offer

• With a well prepared negotiation the buyer can make the first offer with confidence
• Can anchor the negotiation in their favour.
Disastrous buyer openings

“We’ve considered all potential suppliers and we think you're quality is the best but we think your prices are too high.”

“We’ve looked at the market and you're price is the lowest but we think it’s still too high”

“Our budget for this is only £60k so we need a really competitive price from you”

“The most we could possibly pay is £25 per unit”

“We need this right away – how quickly can you deliver it?”
Video Camera

• You are looking at a video camera in a store which is priced at £399
• You have made the decision to buy and are looking for a sales assistant when a friend tells you that the same video camera is available from a store a mile away for £394
• Would you buy now at £399 or make the journey to the other store?
CD

• You are looking at a CD in a store which is priced at £15.99
• You have made the decision to buy and are looking for a sales assistant when a friend tells you that the same CD is available from a store a mile away for £10.99
• Would you buy now at £15.99 or make the journey to the other store?
Closing the Negotiation

• Always a matter of judgement – decide when near

• Slow pace down – SIGNAL

• Decide how to close, for example:
  – Concession and close
  – Summarise and close
  – Adjourn and close
  – Either/or close
  – Ask for it close

• If offer is final, tell them
Thank you for listening

Any questions?

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