

Worksheets - Negotiations (4): Bargaining

1. Lead-in: Discussion

Discuss these questions in small groups.

1. What exactly does bargaining mean? What does it involve?
2. Why is bargaining so stressful?
3. Does bargaining always involve an element of deception?
4. What exactly is a trade-off?
5. What is the key to successful bargaining?
6. What is the most important word during the bargaining stage?
7. How can you avoid misunderstandings during the bargaining stage?

2. Reading

Read the article to answer the questions from exercise 1. What does the diagram show?

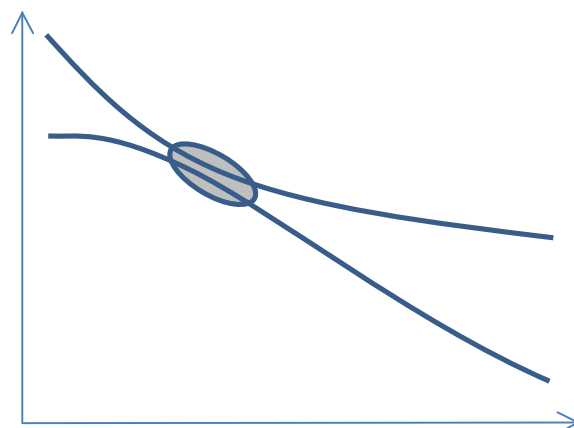
The Bargaining Stage

Horse-trading ...concession-trading ... give-and-take ...haggling ... bartering ... bargaining ...negotiating. Call it what you like, but this is where the real action in a negotiation happens. We all know that negotiations aren't all about winning and losing, but try telling that to the executive who has to return home to explain to her board of Directors why she just accepted a price 10% over her budget. That's why bargaining is so stressful: the risks of failure are high.

You'll almost never get everything you want out of a negotiation, so sooner or later that means you're going to have to give something up. But the problem here is that if you agree to a lower price, you're effectively admitting that your original price was exaggerated. It's like admitting that you tried to trick your counterpart into paying over the odds, and you got caught and had to admit defeat.

But does it have to be like this? The truth is, price is rarely the only factor in a negotiation. It's usually one of many factors, but let's assume for a moment that there are only two variables in a negotiation between a manufacturer and a potential distributor – let's call them price and exclusivity. As the manufacturer, of course I want as high a price as possible, but I also want the distributor to sell my product exclusively, and not my competitors'. So there's a trade-off here: I'm prepared to accept a high price and no exclusivity, or a low price and total exclusivity, or any combination in between.

The point is: there's no single point where I 'win' or 'lose' the negotiation; there are an infinite number of winning points for me along that line, where I'd be equally satisfied. And it's the same for the distributor, who wants a low price and low exclusivity, but is prepared to make a trade-off between them. The trick is to find a point where our two lines cross, or at least come



close enough for both sides to be happy.

As we start adding in more and more variables, the number of potential ‘wins’ multiplies dramatically. In other words, it really is possible to change your demands during a negotiation, without any hint of deception or failure. All you need to know is the relative value of each variable to you.

The golden rule of negotiations is this: never make concessions; always trade concessions. If you give something away, make sure you always get something in return. That way, you’ll never go far from the line of your preferences. Of course, it’s fine to accept a concession from the other party without making one of your own, but chances are, your counterpart will be playing by the same rules. So if you want to get something from them, you’ve got to be ready to give something in return.

The best language technique in this stage is to make every sentence an ‘if’ sentence: “we might be able to bring the price down by 5%, but only if you can increase your order by at least 10%”. That way, any concessions you appear to be making are tied to something you want from the other party. Make the link between the two as explicit as possible, in order to avoid misunderstandings and messy situations later. Look at this example of the wrong way to trade concessions:

- A: We’d really like you to increase your order by 10%. So we’re prepared to cut our prices by 5%.
- B: OK, I think we can accept that. Thanks a lot.

What exactly has B accepted here? The price cut, certainly, but what about the increased order? What A needs to do at this point is get confirmation that the order really will be increased, and write it down – ideally on a flipchart that is visible to both parties. Of course, you may still come back to these two variables later. The final price reduction may end up as more or less than the current 5% on offer, but by writing down the intermediate agreements, it means you don’t have to keep going back to square 1.

3. If-sentences

Sort these sentences from the most direct offer of a 5% discount to the most hypothetical. Some sentences may be roughly the same as each other.

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|----|--|
| a. | If you increase your order by 10%, we'll give you a discount of 5%. |
| b. | If you increased your order by 10%, we'd give you a discount of 5%. |
| c. | If we give you a discount of 5%, will you increase your order by 10%? |
| d. | If we gave you a discount of 5%, would you increase your order by 10%? |
| e. | If we were to give you a discount of 5%, would you consider increasing your order by 10%? |
| f. | If you'll increase your order by 10%, we might consider giving you a discount of 5%. |
| g. | If you increased your order by 10%, we might be able to give you a discount of 5%. |
| h. | We could give you a discount of 5%, but only if you increase your order by 10%. |
| i. | Supposing you increased your order by 10%, we'd be able to give you a discount of 5%. |
| j. | Provided you increase your order by 10%, we'll give you a discount of 5%. |
| k. | As long as you increase your order by 10%, we can give you a discount of 5%. |
| l. | We can't give you a discount of 5% unless you increase your order by 10%. |
| m. | Unless you increase your order by 10%, we can't give you a discount of 5%. |
| n. | What if we were to give you a discount of 5%? Would you be able to increase your order by 10%? |

4. **If-sentences: Analysis**

Work in pairs. Discuss these questions about the sentences in exercise 3.

1. All the sentences contain a condition clause (e.g. an *if*-clause) and a main clause. In which sentences is the *if*-clause first?
2. Does the order of the clauses make a difference to the meaning? Does it make a difference in terms of attitude?
3. Look at sentences **a** and **c**. What is the difference between them? Which version is safer?
4. Look at sentences **a** and **b**. What is the difference in meaning between them? Is this difference likely to be important in the negotiation?
5. Look at sentences **c**, **d** and **e**. What is the difference in meaning between them? Is this difference likely to be important in the negotiation?
6. Look at sentence **f**. What is unusual about the grammar in the *if*-clause?
7. Look at sentence **g**. What is the effect of the phrase 'might be able to'? What similar words and phrases can you find in the main clauses of these sentences?
8. Look at sentences **h**, **i**, **j**, **k** and **l**. What words and phrases are used instead of *if*? What is the difference between them?
9. Look at sentence **n**. What is the effect of using two questions like this?
10. Do you think this type of analysis can make a difference in a negotiation?

5. **Hedging phrases**

Look at these hedging phrases. What are they used for? Can you think of any similar phrases?

- Just thinking aloud for a moment, but ...
- This might not work, but ...
- Hypothetically, ...
- Just to give a hypothetical example, ...

6. Case study: background

ABC Transport, a fast-growing transport company, has always handled marketing in-house. Previously, it has grown by word-of-mouth and through its team of sales representatives, who focused on large corporate clients. It has a small marketing team of one manager and two marketing assistants, who are also responsible for the website and customer service. However, its new strategy is to expand to serve many thousands of much smaller clients, including private individuals. It has begun negotiations with 123 Marketing, an agency, with a view to outsourcing some or all of its marketing functions. They have just called a time-out after presenting and clarifying their initial position statements. Although there is some distance between them, both are willing to compromise because they both really want to make this deal work.

Work in two teams. One team is ABC Transport; the other is 123 Marketing. First, read a summary of the two sides' opening statements. In your teams, try to work out the interests behind each of your positions and those of the other side. For each variable, plan your target point and your reservation point. Try also to identify creative opportunities for compromise.

	ABC Transport	123 Marketing
Price	No more than £250 per day per consultant.	£300 per day (standard service); £450 per day (elite service)
Quantity	Guaranteed four days' work per month for one consultant, but could well be a lot more in most months, especially over the next six months.	Guaranteed ten days' work per month.
Notice period	No more than four weeks' notice for both sides.	Six months' notice for both sides – this is vital as we will have to recruit new consultants.
Quality	Marketing consultants to be fully qualified and experienced.	All consultants hold at least minimum qualifications, but most work is done by recent graduates. The most experienced consultants work only on 'elite' contracts, but they also support and advise newer consultants.
Turnover	No turnover of consultants (i.e. not different people every month).	We aim to keep turnover to a minimum, but cannot guarantee this.
Range of service	Only those jobs that the current marketing team cannot supply.	Full service, including taking over management of website.
Decision-making	Current marketing team to make all decisions, based on advice of consultants.	Consultants to make day-to-day decisions. They work in partnership with current team, but are able to overrule them if necessary (subject to discussions with the marketing manager and/or board of directors).

7. Case study: language practice

Plan at least five *if*-sentences for the bargaining stage of the negotiation. Think carefully about your choice of language.

8. Case-study: role-play

Work with the other team to role-play the bargaining stage. You can use the sentences you prepared in exercise 7, but you may decide not change them as the negotiation progresses. Remember: your aim is to reach a deal, and to build a good long-term relationship. If you are too aggressive, or if you 'destroy' the other team, your short-term victory will not lead to long-term business success.