SCIENCE-BASED NEGOTIATION STRATEGIES

TO GAIN THE EDGE

Michael Zieba

Table Of Contents

INTRODUCTION 2

THE PROSPECT THEORY IN ACTION 8

FRAMING TECHNIQUES THAT CAN BOOST YOUR RESULTS 12

PRESENTING THE SOLUTION: INFLUENCING THE REFERENCE POINTS 22

THE POWER OF ANCHORING 28

‘FOOT IN THE DOOR’ – A PSYCHOLOGICAL GAMBIT THAT LEADS TO YES. 36

SPEAKING YOUR COUNTERPART's LANGUAGE 43

CONCLUSIONS 51

THE PRICE NEGOTIATION PLAYBOOK 53

01

INTRODUCTION

In any negotiation—whether you are discussing prices, a salary raise or trying to close a deal—psychology plays a critical role. At the heart of successful negotiation lies the understanding of how people make decisions, what drives them to take risks, and what causes them to avoid losses.

This ebook will guide you through scientifically-backed strategies, such as leveraging loss aversion, framing techniques, and the power of anchoring, to help you create more persuasive arguments and achieve better outcomes. Whether you're in the corporate world negotiating contracts, selling a house, or discussing a pay raise, these techniques will elevate your ability to influence and secure agreements.

By understanding the science behind human decision-making, you can take control of the negotiation process, framing your offers in a way that taps into your counterpart's psychological biases, making it easier for them to say "yes." In the chapters that follow, you will learn how to apply these principles to a variety of negotiation scenarios, gaining insights that will transform the way you negotiate.

02

THE PROSPECT THEORY IN ACTION

When faced with multiple options people avoid losses and optimise for sure wins because the pain of losing is greater than the satisfaction of an equivalent gain.

Psychologists Daniel Kahneman and Amos Tversky introduced the prospect theory in 1979. In recognition of this work, Kahneman received the Nobel Prize in economics in 2002. Tversky and Kahneman proposed that losses cause a greater emotional impact on an individual than does an equivalent amount of gain.

We often like to think of ourselves as rational decision-makers. Yet, when faced with choices like buying a product, donating to a cause, or selecting a service provider, we are prone to cognitive biases that frequently lead us away from making the logical decision.

EXAMPLES:

- What would you prefer: receiving $900 guaranteed, or having a 90% chance to win $1000 and a 10% chance to win nothing? Most people avoid the risk and choose the sure $900, even though the expected value is identical in both scenarios.
- Conversely, if the choice was between losing $900 for sure, or facing a 90% chance of losing $1000, and a 10% chance of losing nothing at all, many would opt for the riskier loss of $1000, demonstrating risk-seeking behavior in the hope to avoid the loss.
- Assume that the objective in a transaction is to receive $500. One option is to receive $500 outright. The other option is to receive $1000 and then having to give back $500. The utility value of the $500 is exactly the same in both options. However, people are most likely to opt for direct cash since a single gain is typically viewed as more desirable than starting with more cash and then suffering a loss.

- Suppose that you have a choice between being given $50, and a 50% chance of winning $100 or nothing. Most people will take the $50, even though the expected value of the two options is exactly the same.

In a study aimed at encouraging homeowners to reduce their energy consumption, psychologists offered a free energy audit. Half of the participants were told:

"By fully insulating your home, you'll save 50 cents a day, every day."

The other half received a different message:

“If you don’t fully insulate your home, you’ll lose 50 cents a day.”

By simply shifting the wording from a gain-focused message to a loss-focused one, 150% more homeowners opted to insulate their homes.

HOW TO USE THE PROSPECT THEORY IN A NEGOTIATION?

In negotiations, due to loss aversion bias, reducing the other side's loss by a certain amount is more impactful than increasing their gain by the same amount, as losses tend to have a greater psychological impact than gains.

Thus, the most effective concession—one that provides the greatest value to the other party for the given size—is the one that eliminates a specific loss.

Here are specific ways in which the Prospect Theory can be applied in different negotiation scenarios. These examples use the core concepts of reference points, loss aversion, and framing:

1. Price Negotiation (Retail or B2B)

Scenario: You are negotiating a bulk order with a supplier for electronic goods. The supplier offers you a price of $10,000 for 100 units, which is higher than your budget of $9,000.

Application of Prospect Theory:

- **Reference Point:** Set the supplier's reference point lower by discussing competitors' pricing or your previous order with them at $9,000.
- **Framing Losses:** Frame your position as a potential loss to the supplier. For example, highlight that if they stick with $10,000, they could lose the entire order to a competitor.

Response:
"You've been a great supplier, and we're keen on continuing our business relationship. However, at $10,000, this price point doesn't align with our budget or market trends. If we can't adjust the price to $9,000, we'll have to explore other options, which means you might lose this order."

2. Pay Raise Negotiation

Scenario: You are an employee negotiating for a salary increase from $50,000 to $60,000, but your employer counters with $52,000.

Application of Prospect Theory:

- **Reference Point:** Your current salary is the reference point. Your goal is to make your employer feel that not giving you the raise will result in a greater loss.
- **Loss Framing:** Present the potential "loss" for the employer if you leave for a better offer elsewhere.

Response:
"$52,000 doesn't reflect the value I've brought to the team or my contributions. If we can't reach closer to the $60,000 range, I might have to explore opportunities that offer a more competitive compensation, and that could mean a loss of someone who already understands the business and team dynamics."

3. **Selling a House**

Scenario: You are selling a house and the buyer offers $320,000, which is below your asking price of $350,000.

Application of Prospect Theory:

- **Reference Point:** The buyer's offer is anchored lower than your asking price. To shift the negotiation, highlight the losses they will face if they pass on this property.
- Loss Framing**:** Emphasize the potential loss of missing out on a property that fits their needs.

Response:
"If you don't act now and secure this house at the asking price, you risk missing out on a property that checks all your boxes. The market is moving fast, and properties like this, at this price point, are rare. Passing on it could lead to higher costs or less desirable options in the future."

Response #2:

"If you don't buy now, this property could increase in value by another 10% next year, meaning you'd miss out on potential equity growth of $35,000."
By highlighting the financial loss of waiting, you increase the urgency for the buyer to commit.

4. **Job Interview as a Candidate**

Scenario: You are in a job interview and the recruiter offers you $40,000, but your expectation is $50,000.

Application of Prospect Theory:

- **Reference Point:** Their initial offer is lower, but you want to shift the negotiation by emphasizing the potential losses they might face if they don't secure you as a candidate.
- Loss Framing**:** Position yourself as a candidate who brings unique skills, making the recruiter feel they would lose out by offering too low.

Response:
"While $40,000 is a starting point, my expertise in [specific skill] has already proven valuable in my previous roles. If we can't agree on something closer to $50,000, you may lose a candidate who brings the experience necessary to hit the ground running and deliver results from day one."

Response #2:

"If I'm underpaid, I might not stay long-term, which means you'd face the costs of turnover and recruiting again. Meeting my request now could save you future costs."
This shifts the employer's mindset to view not offering you the right salary as a loss in terms of turnover costs.

5. **Supplier Negotiation as a Buyer**

Scenario: You are negotiating with a supplier to lower the price of raw materials from $15,000 to $12,000.

Application of Prospect Theory:

- **Reference Point:** Highlight market conditions or competitor pricing to set a lower reference point.
- **Loss Framing:** Emphasize the risk of the supplier losing a long-term, high-volume customer.

Response:
"If you can't meet our $12,000 target, we'll be forced to reconsider our sourcing strategy and look elsewhere. While the immediate loss may seem small, the long-term impact of losing a client with consistent orders like ours could be significant."

In each of these scenarios, Prospect Theory is used to adjust the reference point and create a sense of loss for the other party. By framing potential outcomes as losses rather than gains, you can exert psychological pressure that encourages them to meet your terms.

REMEMBER:

- Think strategically about options you are presenting in a negotiation and the most effective way to present them (loss vs. gain)
- When dealing with options representing gains, people are risk averse and will choose the sure gain over a riskier prospect.
- When faced with the prospect of a certain loss, individuals tend to become risk seekers, preferring to gamble rather than accept the guaranteed loss, in hopes of avoiding any loss altogether.
- When presented with 2 similar or equal options, people avoid risks with positively framed options and take risks with negatively framed options. They generally prefer sure gains but avoid sure losses.
- Because people are highly motivated to avoid losses, they often spend more money or are more motivated to take action simply to shield themselves from the discomfort of potential loss.
- Making Effective Demands: a demand may be less off-putting to your counterpart if it decreases their gains rather than increases their losses.
- Emphasize that "the competitor's offer doesn't provide X, Y, or Z," rather than stating "our offer includes X, Y, and Z."

03

FRAMING TECHNIQUES THAT CAN BOOST YOUR RESULTS

People react differently to information depending on whether it is presented as positive or negative. In other words, our decision is influenced by **how** the information is presented rather than **what** is being said.

The framing of an issue, whether presented in a positive (gain-oriented) or negative (loss-oriented) light, significantly impacts how people make decisions.

FRAMING EXAMPLES:

- Would you rather use a service that has a 95% satisfaction rate or one that has a 5% complaint rate?
- In a grocery store, you see two different beef products. Both cost and weigh the same. One is labelled “80% lean” and the other “20% fat.” Which one do you choose? Do you feel that 20% fat sounds like an unhealthy option and you choose the 80% lean option?
- 100 patients took the medicine, and 70 patients got better. How would you evaluate the drug’s effect? 100 patients took the medicine, and 30 patients didn’t get better. How would you evaluate the drug’s effect?
- Imagine you are looking for a laser printer online and encounter two offers:
    - Offer 1: costs the full retail price of $250
    - Offer 2: is currently on sale for 50% off the full retail price of $500

Even though both printers cost the same, the second offer is likely to generate more sales. Why? The first offer is seen as a loss of $250, while the second offer gives the customer the illusion that they are saving (winning) $250 by choosing this option. Because it is seen as a gain, customers are more likely to purchase the second printer.

- You are on the market for disinfectant wipes. You see two containers, and both are the same price and contain the same number of wipes. Which one do you choose?
    - Wipes #1 with a slogan: ‘these wipes kill 95% of all germs’
    - Wipes #2 with a slogan: ‘only 5% of germs survive’
- Suppose you must undergo surgery and are faced with two choices.
    - The first option is the conventional method, well-established and tested by thousands of patients, with a 90% success rate. However, the recovery period is lengthy.
    - The second option is a newer, experimental method that promises a much quicker recovery but carries a 10% risk of complications.

Which option seems more attractive to you? Do you prefer the reliability of the traditional approach, or are you willing to risk potential complications for a quicker recovery? When you evaluate both options carefully, you'll realize they both have a 90% success rate, each successful in 9 out of 10 cases.

When presenting your argument in a negotiation, frame it in 2 ways: positive and negative. Talk about the:

- Positive benefits and consequences of using your products/services, or following your recommendations
- Negative outcomes your counterpart might experience if they don’t use your products/services or don’t follow your recommendations.
- A positive frame could emphasise the benefits of choosing your preferred option.
- A negative frame could highlight the risks of choosing an option you don’t want your counterpart to choose.

POSITIVE VS. NEGATIVE FRAMING

When using positive framing, you want to focus on what your counterpart is getting.

On the other hand, when using negative framing, you want to make your counterpart afraid of losing out on something. Negative framing taps into peoples' natural fears—of loss, or of missing out. Buying your product or following your recommendation will prevent a negative outcome.

HOW TO USE FRAMING IN A NEGOTIATION?

Step 1: Identify your counterpart's interests, needs, objectives. What's important to them and why?
Step 2: Define your best possible outcome (Option 1) – prepare a framing statement to demonstrate to your counterpart the benefits he/she will gain if they follow your recommendation/ choose Option 1 + show them how their interests/needs/objectives will be satisfied
Step 3: Prepare a negative framing statement indicating negative consequences (risks, losses) your counterpart will face if they choose any other option + show them how their interests/needs/objectives are likely to be jeopardised.

Example: *Mr. Counterpart, let me just confirm… earlier in the conversation you said how important it was for you to X,Y, and Z (their key needs) The way I see it is we have two options: Option 1 which will allow you to gain/ attain/ win/ have/ achieve/ get X,Y and Z. And because you are making a decision here you can also choose Option 2 (choose a different provider, different terms and conditions, different pricing) which creates a slightly different picture of what is possible to achieve. There is a risk of potentially loosing X or Y or Z. Which of these two options meets your interests best Mr. Counterpart?*

Here are five additional examples of framing effects applied to various scenarios such as price negotiation, salary negotiation, selling a house, a job interview, and supplier negotiation:

1. **Price Negotiation (Electronics Retail)**

Scenario: You are negotiating prices with a supplier for a bulk purchase of smartphones.

- Standard Framing: **"**I can offer $300 per unit for an order of 500 smartphones."
- **Framed for Gain:** "I can offer a steady monthly order of 500 units at $300 each, guaranteeing consistent sales volume and reducing your inventory costs."
- **Loss Frame**: "If we cannot agree on $300 per unit for the smartphones, we may need to consider other suppliers who can meet our budget requirements, potentially decreasing your market share in our stores."
- **Enhanced Loss Frame**: "If we can't secure the unit price of $300 for these smartphones, we'll be compelled to shift our business to more cost-effective suppliers, possibly diminishing your brand's presence and severely impacting your market share in our extensive retail network."

2. **Salary Negotiation (Job Offer)**

Scenario: You are negotiating your salary for a new job.

- **Standard Framing:** "I am looking for a salary of $120,000 per year."
- **Framed for Value:** "With my expertise and track record, I will bring more than $120,000 in value by enhancing team productivity and bringing in innovative projects that can increase department revenue."
- **Loss Frame:** "If we settle at a salary below $120,000, it might limit my ability to fully commit to extra initiatives and projects that drive substantial financial returns, which could otherwise significantly benefit the company."
- **Enhanced Loss Frame:** "Offering a salary less than $120,000 risks undermining my capacity to engage fully across all expected roles. This underinvestment could cripple our team's ability to exceed financial targets, potentially costing the company much more in lost opportunities and stunted growth."

3. **Selling a House**

Scenario: You are selling your home.

- **Standard Framing:** “The house is listed at $350,000.”
- **Framed for Lifestyle:** “At $350,000, this home offers a vibrant, community-cantered lifestyle with access to top schools and exclusive parks, making it a valuable investment in your family’s future.”
- **Loss Frame:** "If you don't meet the asking price, you might miss out on this unique opportunity. Properties in this area typically appreciate over time, so paying less now could mean losing out not just on this ideal home but also on a significant financial gain in the future. This isn't just a purchase; it's an investment in your future stability and financial security."
- **Enhanced Loss Frame:** "If you decide against meeting the asking price, you risk losing a once-in-a-lifetime opportunity. This property isn't just a home, it's a cornerstone for future financial prosperity. In this rapidly appreciating area, failing to act now could mean missing out on substantial equity gains. By not securing this investment today, you could be stepping away from securing your financial future and the dream of living in one of the most sought-after neighbourhoods."

4. **Job Interview as a Candidate**

Scenario: You are in a job interview explaining your suitability for the role.

- **Standard Framing:** “I have five years of experience in digital marketing.”
- **Framed for Impact:** “In my five years at my previous company, I spearheaded campaigns that increased our digital footprint by over 50%, directly contributing to a 30% growth in online sales.”
- **Loss Frame:** “Without leveraging my experience in enhancing digital marketing strategies, the company might miss out on opportunities to boost online sales and visibility, which are crucial in today's competitive market.”
- **Enhanced Loss Frame:** "Failing to utilize my extensive digital marketing expertise could leave the company vulnerable to aggressive competitors, risking significant market share and potentially setting back our growth targets by years."

5. **Supplier Negotiation as a Buyer**

Scenario: You are negotiating a contract with a new supplier for raw materials.

- **Standard Framing:** “We need the materials at $50 per unit to make this viable.”
- **Framed for Long-term Partnership:** “By setting the price at $50 per unit, we can guarantee large, regular orders and prioritize you as our main supplier, creating a stable demand for your products and allowing for mutual growth.”
- **Loss Frame:** “At a price above $50 per unit, we’d need to reevaluate our supply chain strategy, possibly moving towards suppliers who offer more competitive rates, which could disrupt your production schedules and expected revenue from our stable orders.”
- **Enhanced Loss Frame:** "Purchasing these materials above $50 per unit could force us to reconsider our partnership, shifting to more competitive suppliers and leaving your production lines underutilized. This shift could disrupt your financial forecasts and result in considerable economic losses for your company."

These examples show how framing the same information in different ways can significantly alter perceptions and potentially lead to more favourable outcomes in negotiations and interactions.

REMEMBER:

- People do not necessarily decide what is best for them; they decide what presentation of facts is more attractive.
- Offers that are loss-framed will make people take more risks.
- The way that you present your arguments and ask questions matters more than you may think.
- When crafting content aimed at influencing decisions in a negotiation, consider the framing of the message. People often react differently to messages framed negatively compared to those presented in a positive light.
- When presented with a fact with a negative or positive connotation, try to mentally rephrase it to produce the contrary connotation before deciding.

04

PRESENTING THE SOLUTION: INFLUENCING THE REFERENCE POINTS

When it comes to negotiation, or pretty much any other situation where you wish to influence someone, is it better to make the first strategic move or should you instead let your counterpart do so?

Should you make the first offer in a negotiation or get your counterpart to take the first step? In many negotiations this can be the most strategic decision you make. Because first offers have more impact on the final outcomes than anything else you do in a negotiation. Why? First offers have a strong anchoring effect. First offers create reference points.

An outcome perceived as a loss in one situation might be seen as a gain in another. Whether a given result is considered a gain, or a loss is determined by the reference point to which it is compared (first opening offer). It means that in any negotiation, should we fail to influence the reference point - counterpart's opening offer, the final outcome or our initial counteroffer will always be compared against our counterpart's initial offer.

Making concessions hurts. Therefore, if our counterpart makes the first offer (hence, creates a reference point) we should never make a counter offer straight away. It is important to take a step back and reframe the situation to diffuse the anchoring effect by saying:

‘Thank you for your offer. I think we might be looking at this deal, at this opportunity in very different ways. Let's take a step back and let me ask you a couple of questions to make sure that we are both on the same page….."

And here you ask questions about your counterpart’s interests, needs, alternatives available to a deal, consequences of no deal and so on. In other words, you set aside the first offer, reframe the situation by establishing value, urgency, budget, etc. and then you state your own opening offer which should reflect your aspirations and sets a new anchor for the negotiation to follow. If we can show that our offer is more objective, reasonable and fair than theirs, it can substantially decrease their loss aversion and their resistance.

Since the reference point depends on the context, influencing the context can also shift the reference point. We can direct the attention of the other side to a certain aspect of the situation or deal—the aspect that we want to set as our counterpart’s reference point.

Imagine you’re looking for a flight. Can altering the context or reference point shift which option seems more appealing and influence the trade-offs we're willing to accept?

So you’re buying a ticket from Washington D.C to London UK, and you have these options to choose from:

1. Flight A costs £500 and has a 1h layover in Frankfurt, Germany
2. Flight B costs £430 and has a 2.5h layover in Frankfurt, Germany
3. Flight C costs £575 and has a 1h layover in Frankfurt, Germany (an option added to change the reference point)

Most people would opt for Flight A, as it's cheaper than Flight C and has a shorter layover, despite being significantly more expensive than Flight B. The inclusion of Flight C makes Flight A seem like a better deal at a more appealing price.

Now consider a different scenario. Again, you're flying from Washington D.C to London UK but you're choosing from a different set of flights:

1. Flight A costs £500 and has a 1h layover in Frankfurt, Germany
2. Flight B costs £430 and has a 2,5h layover in Frankfurt, Germany
3. Flight C costs £430 and has a 3,5h layover in Frankfurt, Germany (an option added to change the reference point)

Why does Flight B suddenly seem more attractive? At first glance, this seems illogical—Flight B's waiting time and price haven't changed. What has shifted is the perception of Flight C. Its longer layover alters how you view the other options, making Flight B appear more appealing by comparison.

CONCLUSIONS:

- You can shape how your counterpart perceives the options or offers by adjusting different elements of your proposal, making the option you prefer appear the most appealing and reasonable to them.
- In any negotiation, make it easy for your counterpart to choose what you want them to choose and take ownership of what your offer or position is compared with.

Now let's assume that your counterpart has made the initial price proposal, and you are about to make a counteroffer. How should you respond?

There are actually a few ways you can respond without revealing your opening offer yet.

Option 1:

As a buyer you can flinch - flinch is a physical reaction, such as sudden gasping for air or visible expressions of surprise and shock. People tend to believe more in what they see than what they hear.

Oh my gosh, I didn't think it would be this expensive!' or 'Wow!, You are 25% higher than your competition.'

A concession often follows a flinch especially if you manage to remain silent after you flinch.

Option 2:

As a seller, You can say: I will probably disappoint you but I wouldn't be willing to sell at that price....I've turned down better offers. Would it be unreasonable if I asked you what you are really prepared to pay?

Option 3:

You can say:

Wow, that's a really wild offer. Tell me, what are you really looking for? Or when a buyer made the first offer: Wow, that's a really wild offer. Tell me, what are you really prepared to pay.

Option 4:

You can say:

Wow, that's a really wild offer. Make me a serious offer and I might be willing to negotiate.

Your response to the opening offer should serve three main functions:

1. To disarm your counterpart's anchor
2. To send your counterpart a message that will influence the reference point and shape his expectations in a way that supports your objectives and interests - so you want to create your own anchor and set a new reference point.
3. To induce your counterpart to make a constructive second proposal that represents a meaningful movement from his initial offer.

REMEMBER:

- Don't make any offers until you have good understanding of the other side's situation and negotiating parameters and don't negotiate on price until you establish value.
- Altering the reference point of your counterpart can be an effective strategy to lessen their loss aversion and overcome the loss aversion obstacle.

05

THE POWER OF ANCHORING

Negotiations, whether they involve your salary, the cost of goods, or international agreements, primarily revolve around the concept of anchoring.

Anchoring bias is our tendency to depend on the first piece of information we come across. This initial information acts as an anchor, shaping our subsequent decisions and adjustments around that initial reference point.

Consider the strategy used by Serendipity 3, a restaurant in New York City. They introduced an item to their menu that was unprecedented — a hot dog priced at $69, a record-setting figure documented in the Guinness Book of World Records.

However, their intent wasn't actually to sell this extravagantly priced hot dog. Instead, it served as a psychological anchor. By presenting such a high-priced item first on their menu, other prices, like $17.95 for a cheeseburger, suddenly appeared more reasonable by comparison. This is a classic example of how anchoring influences perception. Following the introduction of the hot dog, the restaurant noticed a significant increase in the sales of their cheeseburgers.

Anchoring is also an effective way to set expectations right at the start of a negotiation and here's how it can be used effectively:

Initial Offer Setting: Begin the negotiation with a strong initial offer that serves as the anchor. This should be strategically higher or lower than what you actually expect to settle for, giving you leverage and room to negotiate to your true target. The initial figure presented sets an anchor for the entire negotiation and establishes the range within which you're prepared to negotiate. By deliberately setting a high (when selling) or low (when buying) initial offer, you compel the opposing party to respond to your terms and adjust their expectations within the boundaries you've defined.

- Initial Offer Setting: Begin the negotiation with a strong initial offer that serves as the anchor. This should be strategically higher or lower than what you actually expect to settle for, giving you leverage and room to negotiate to your true target. The initial figure presented sets an anchor for the entire negotiation and establishes the range within which you're prepared to negotiate. By deliberately setting a high (when selling) or low (when buying) initial offer, you compel the opposing party to respond to your terms and adjust their expectations within the boundaries you've defined.
- **Justify the Anchor:** Prepare a rational and compelling justification for your initial offer. This helps in making the anchor seem reasonable and can persuade the other party of its legitimacy, anchoring their expectations around this figure.
- **Control the Negotiation Framework:** By setting the first significant number in the discussion, you influence all subsequent figures discussed. This can shape how the negotiation unfolds, focusing on your proposed figures and terms.
- **Neutralise Opposing Anchors:** If the other party sets an anchor, acknowledge it but do not let it influence your decisions. Take a step back, re-establish value and re-anchor with your own counterproposal supported by strong justifications. This helps prevent your counterpart's figure from becoming the psychological baseline.
- **Adjust Expectations:** Use anchoring to adjust the other party's expectations. For instance, starting with a high or low initial offer might make the other party adjust their expectations up or down, making them more amenable to your actual target range.
- **Plan for Concessions:** From your anchored position, plan your concessions carefully. Each concession should move towards your real target but should always seem like you are giving something significant up, which can help in getting concessions from the other side too.

- **Psychological Advantage:** Anchoring works because it exploits the common tendency to rely too heavily on the first piece of information offered (the "anchor") when making decisions. By setting the anchor, you can steer the negotiation psychologically.
- **Leverage Market Data**: Use market data or industry standards as the basis for your anchor. This not only legitimizes your anchor but also makes it harder for the other party to refute it without substantial counter-evidence.
- **Silence is Golden:** After dropping your anchor, give it time to settle. Resist the urge to fill the silence if the other party doesn't respond immediately. Let the anchor work on them psychologically.
- **Prepare to Re-anchor:** If the negotiation reaches a stalemate, be prepared to re-anchor if necessary. This can refresh the negotiations and prevent deadlock by introducing new data or rationale to justify a different number.

EXAMPLES:

1. **Price Negotiation (Electronics Retail)**

Scenario: You are a seller in negotiations with a retail chain looking to purchase a bulk order of high-end smartphones. The buyer has presented a low initial offer.

Anchoring Example: The buyer proposes buying 500 units of the smartphone at $250 each, which is significantly lower than your usual bulk rate.

Response and Counter-anchor: "Thank you for your interest in placing such a significant order. However, the price of $250 per unit you mentioned is below our cost for these high-end models. Given the quality and the latest technology these smartphones offer, our usual rate for such a volume stands at $300 per unit. This price not only covers our costs but also ensures you are getting the latest and most competitive products on the market. We could consider going as low as $280 per unit if the order size increases to 750 units, making this deal more beneficial for both parties."

2. **Salary Negotiation**

Scenario: You are discussing your annual performance review and potential salary increase with your manager in a financial services firm.

Anchoring Example: The manager says, "Considering your contributions this year, we're thinking of a 3% raise."

Response and Counter-anchor: "Thank you for recognizing my contributions this past year. However, a 3% increase does not fully align with the scope of my responsibilities and the impact of my work, especially considering the successful projects I led that resulted in significant financial gains for our department. Based on the industry standards and the additional responsibilities I've taken on, I would say an adjustment closer to 8-10% would be more reflective of my current role and performance. This adjustment would not only match the market rate but also incentivize my continued commitment and performance."

3. **Selling a House**

Scenario: You are negotiating with potential buyers for your well-maintained, centrally-located home, listed at $400,000.

Anchoring Example: A buyer offers $360,000, citing market conditions.

Response and Counter-anchor: "I appreciate your interest in the home and understand where you're coming from with your offer. However, the offer of $360,000 significantly undervalues the unique attributes and prime location of this property. Comparable homes in this area have recently sold for around $390,000 to $420,000. Given these factors and considering the extensive renovations and improvements that have been made, a more appropriate offer would be closer to $410,000. This price reflects the true market value and ensures you are investing in a quality home with sustained value."

4. Job Interview as a Candidate

Consider you're in a job interview. You're hoping for a salary of $55,000 per year, but the recruiter opens with an offer of $30,000.

What's your next move?

Although you haven't shared your expectation, you're likely to recalibrate and aim for a compromise—perhaps $40,000.

Simply by making the initial offer, the recruiter potentially reduces their expense by $15,000 without any need for negotiation.

Countering the Anchor:

Research and Prepare: Before the interview, research the industry salary standards for the position you're applying for, considering factors like your experience, geographic location, and the company's size. This information will help you understand what a competitive salary should be and strengthen your negotiation stance.

State Your Expectations Clearly: If the initial offer is lower than expected, don't hesitate to counter. Defuse the other side's anchor and then clearly state your expected salary range based on your research and your qualifications. For example, you could say, "Unfortunately, $30,000 isn't feasible. It's below what I'm currently earning and doesn't align with my experience. Based on my research and the value I bring to this role; I was expecting a salary in the range of $55,000 to $60,000."

5. **Supplier Negotiation as a Buyer**

Scenario: You are negotiating the purchase of raw materials for your manufacturing company, and the supplier has quoted a significantly higher price than expected.

Anchoring Example: The supplier initially quotes $50 per unit for 1,000 units of a key raw material.

Response and Counter-anchor: "I appreciate the quote, but given the volume we are considering, and after comparing with other suppliers, the quoted price of $50 per unit is substantially above the going rate for these materials. We've been able to source the same quality materials for around $40 per unit on similar volume orders. To move forward productively, aligning the price to $40 per unit would reflect the market conditions more accurately and would facilitate a long-term partnership that is beneficial for both of us."

REMEMBER:

- The first offer sets the anchor for the counteroffer.
- The initial price that customers encounter sets the anchor. Do you use a catalogue, menu, or offer a variety of package options or subscription plans? It's crucial to strategically consider which option your customers view first. Initially offering the least expensive options may appear sensible, but this approach can have unintended consequences. By setting a low anchor, subsequent options may appear overly pricey, significantly increasing the likelihood that customers will opt for the more affordable choices.
- When you prepare an offer/ solution for your upcoming negotiations, prepare an option that is more expensive that the one you want your counterpart to accept. Present the more expensive option first; this strategy makes the original offer seem less costly by comparison.
- If your counterpart makes an outrageous proposal, do not come back with an equally outrageous counterproposal. Instead, make it clear to the other side that you will not continue the negotiation with that number on the table and counter-anchor the negotiation.
- Find out the cost to the other side of failing to reach an agreement and use a loss frame to impact their decision.

06

‘FOOT IN THE DOOR’ – A PSYCHOLOGICAL GAMBIT THAT LEADS TO YES.

The "foot-in-the-door" technique is a psychological strategy used to increase compliance by starting with a small request that is easy for the other person to agree to. Once the initial small request is accepted, the person is more likely to comply with a larger, more significant request that follows.

Here's how it works in practical terms:

1. **Initial Request:** You start by asking for something minor that is likely to be agreed upon. For instance, a salesperson might ask if a potential customer can spare just five minutes to hear about a product.
2. **Larger Request:** After the initial compliance, a larger request is made. The theory is that because the person has already said "yes" once, they are more likely to maintain consistency by agreeing to the second, bigger request. In the case of the salesperson, they might then ask the customer to commit to a demo or even make a purchase.

Why It Works:

- **Commitment and Consistency:** Once people commit to something small, they feel a psychological pull to remain consistent with their behavior. This bias towards consistency makes them more inclined to agree to subsequent, larger requests.
- **Gradual Escalation:** By starting small, the escalation to larger requests feels more natural and less abrupt, reducing resistance.

Here are examples of how the foot-in-the-door technique can be used in various negotiation situations:

1. **Price Negotiation (as a Seller)**

Scenario: You're negotiating the price of an expensive product or service.
Foot-in-the-door Example:

- **Small Request:** Start by asking the buyer to agree to purchase a smaller portion or additional service (e.g., "Would you be willing to try out our basic package or product for a month at this price?").
- **Larger Request:** After the buyer agrees to the smaller purchase, follow up by suggesting a higher-priced or larger package. For instance, "Now that you've seen the benefits of our basic package, you might want to consider upgrading to the premium option for just a small additional investment."

2. Pay Raise Discussion (as an Employee)

Scenario: You're negotiating a pay raise at work.
Foot-in-the-door Example:

- **Small Request:** First, ask for a new or expanded responsibility, such as taking on a leadership role in a key project or department. This gives you the opportunity to show your value in a higher capacity.
- **Larger Request:** Once your employer agrees to the new responsibilities, you can follow up with a pay raise request. Frame it like, "Given my additional responsibilities and the impact I've had, I believe it's fair to discuss adjusting my salary to reflect these new contributions."

3. SaaS Sales Negotiation (as a Salesperson)

- **Small Request**: Start by asking the potential client for a small commitment, like signing up for a free trial: "Would you be open to trying our software with a 14-day free trial to see how it fits your needs?"
- **Larger Request:** After they agree to the trial and experience the software, follow up with a bigger request: "Since you've had a chance to explore the platform and see its benefits, how about we discuss moving to our annual subscription plan, which also offers a 20% discount compared to the monthly rate?"

By first securing the small commitment of a trial, it becomes easier to move to the larger request of a paid subscription.

4. **Project Management Negotiation (as a Project Manager)**

- **Small Request:** Start by asking for something directly tied to the success of the project, but a relatively small ask, such as extending a specific deadline:
  "Can we extend the deadline for just this one deliverable by three days to ensure we meet the quality expectations?"
- **Larger Request:** Once they agree, you follow up with a bigger request, linking it to the successful completion of the project:
  "Now that we've extended the deadline for this deliverable, it would be beneficial to allocate additional resources to the entire project to ensure that every phase is executed to the same high standard."

This approach makes the initial small request more agreeable, while setting the stage for the larger ask that directly benefits the project's overall outcome.

The FOOT IN THE DOOR technique derives from the COMMITMENT AND CONSISTENCY STRATEGY

We like to appear consistent. When we assert a position, the more effort we make and the more public the assertion, the more strongly motivated we are to stick to it. People don't like cognitive dissonance.

In negotiation you can say:

'Can I assume that win-win is what you look for'

Great, I'll let the others know as well.' or 'I have let the others know as well.'

Commitment becomes stronger when it is: voluntary, active (verbal/ written commitment) and publicly declared to others (or the awareness must be created that others will know about the commitment.)

There is a questioning technique that leverages the commitment and consistency principle to quickly uncover a person's values, interests, and needs. These questions are easy to learn, and once mastered, they can be applied in any situation, significantly boosting your effectiveness as a negotiator.

Understanding someone's core values is crucial because, when you know what matters most to them, your chances of reaching a successful agreement rise considerably. Typically, there are three key pieces of information you want to gather:

1) What is most important to you in X? (X is in buying or considering the purchase of your products or services.)

- What's most important to you in deciding which negotiation training provider to work with?
- What's most important to you in deciding how much life insurance to buy?
- What is most important to you in deciding what accounting system to use?
- What is most important to you in buying a new car?

Your prospect or customer will share what matters most to them. It could be a single word like "quality" or "service," or it might be a lengthy explanation that you'll summarize into one or two key points. Regardless of the length or detail of their response, what they say—and how you summarize it—now becomes your "Y."

2) How do you know when you have Y?

Prospect: I want a negotiation training that delivers results.

You: How do you know when you achieve the results that you want?.

Prospect: I want a car that is a good value.

You: How do you know when you have a good value in a car.

Prospect: I want enough life insurance to protect my family when I die.

You: How do you know when you have enough life insurance to protect your family?

Your counterpart's response now becomes your Z.

3) 'If I could give you Z', would you A?

If you can identify and meet their top priority, will they choose to work with you, hire you, or buy your product? At this stage, it becomes quite challenging for them to say "no" due to how the questions one and two have been framed and the commitment and consistency principle in action.

- If you can be certain that this is the best value in cars will you feel comfortable owning it?
- If you can be certain that this negotiation training will give you Z1, Z2, Z3, will you feel comfortable buying it?

Sometimes, a customer might say no to a "stage three question." If that happens, you have one more powerful phrase that can unlock the situation and turn things around.

4) What else is most important to you in buying/owning an X?

At this point you merely cycle back through the value elicitation process noted above.

07

SPEAKING YOUR COUNTERPART's LANGUAGE

How do you find out what and how somebody thinks? Is that information locked away in people's heads? You see, as you ask questions and listen to answers, your counterpart's words will tell you not only what he thinks but how he thinks.

How we think is reflected in what we say. And when you know how he thinks you can explain and discuss his needs and your products, services or recommendations in the way he is most likely to understand.

The influence of language preference is significant. Words influence your trust level with someone and you gain the advantage when you gain trust. When the words someone uses in communication with you, do not fit your language preference, you unconsciously resist.

We absorb information from the world through our five senses: sight, sound, touch, taste, and smell—these are known as representational systems. However, not everyone processes information in the same way. Some people think primarily in pictures, while others engage in a lot of self-talk.

When you match someone's way of processing information by using words that align with their preferred representational system, they don't need to mentally translate what you're saying into their own mode of understanding. This approach helps establish a connection, as it signals that you communicate in a way that resonates with them.

Although the brain uses five senses to code information, only three systems are used for purposes of coding in communications. These three systems are:

1. Visual

2. Auditory

3. Kinesthetic

VISUAL PEOPLE:

People who are thinking in pictures, people who speak the visual language will use words and phrases such as:

See

Look

Perspective

Imagine

Clear

Appears to me

Looks like

In view of

In light of…

I'm glad we see eye to eye

I need to see it black and white

To negotiate successfully with a visual person requires using visual words and phrases in your communication. For example: Imagine what you can do with extra cash…….. Or Picture the increased efficiency you will have with this new system.

When someone tells you: this doesn't look right. You may want to respond with a visual phrase, such as

- What exactly would you like to see?
- Maybe this will throw some light on it… or
- Lets take a closer look at it…. Or
- What I am going to show you will shed some light on the matter.
- How can I help you build a picture that looks right to you?
- Let me sketch out some possibilities to see which looks best to you.

After you have presented an idea to a visual person you can say:

- It certainly looks good to me. How does it look to you?
- Can you see yourself using it.. Or can you see yourself implementing these action steps?
- Can you picture what will be like?

Here's an example of using visual phrases in a supplier negotiation as a buyer:

Scenario: You are negotiating with a supplier to get better pricing for a large order, and the supplier tends to process information visually.

Example:
"When I look at the overall picture of our partnership, I see a lot of potential for growth if we can align on pricing. If we adjust the cost per unit, I can clearly visualise a long-term relationship that benefits both of us. I'm sure you can see how this would give both sides a clearer path to success and help us focus on expanding our business together."

By using visual phrases like "look at the overall picture," "I see a lot of potential," "visualize a long-term relationship," and "you can see how," you are appealing to the supplier's visual processing style, which helps build a connection and enhances the persuasiveness of your argument.

AUDITORY PEOPLE:
On the other hand, people who prefer coding information through the auditory channel will normally use the following types of words: hear, talk, say, whine, tone, music, describe, loud, verbalise, debate, resounding, tell, discuss, phrase, call, noise, listen etc.

Phrases such as: clearly expressed, inquire into, unheard of, well informed or sounds good to me are auditory phrases.

When someone tells you: this doesn't sound right. You may want to respond with an auditory phrase, such as

- I hear what you are saying. What exactly would you like to hear? or
- What can I tell you so that the idea sound better? Or
- Thank you for voicing your opinion. Let's try and fine tune the proposal. Let me ask you a question….
- Let's talk things over
- Yes I can hear you loud and clear. . I want you to hear from one of our technical experts…..

After you have presented an idea to an auditory person you can say:

It certainly sounds like a good idea to me. What do you have to say about it?

Here's an example of using auditory phrases in a SaaS sales negotiation as a seller:

Scenario: You are negotiating with a potential client to sell a SaaS product, and the client tends to process information through auditory cues.

Example:
"*I hear where you're coming from regarding your concerns about implementation. Let me walk you through the process step-by-step so you can get a clear sense of how our solution will sound to your team. Once you listen to the feedback from others who have adopted this software, I think it will resonate with you how seamless the integration really is. Our customer support team is also always available to talk you through any challenges you might encounter.*"

By using auditory phrases like "I hear where you're coming from," "walk you through," "sound to your team," "listen to the feedback," and "resonate with you," you are aligning your communication style with the client's auditory processing preferences, helping to build rapport and make your offer more compelling.

KINAESTHETIC PEOPLE:

Lastly, people who code information through the kinaesthetic channel tend to use the following types of words - feel, string, sharp, fumble, cool, balanced, shocking, merge, bumpy, bend, throw, rough, grasp, tension, push, reach, connect etc.

When someone tells you: this doesn't feel right. You may want to respond with a kinaesthetic phrase, such as:

- I can feel your pain
- It feels like you have an idea as to how to proceed
- Seems like you have a feel for what needs to be done to make it work for you.
- It feels like you have a feel as to what stands in the way
- It feels like you have a feel as to how to make this feel right for everyone
- It feels like you have an idea how to fix it.
- What needs to be done to make you feel comfortable with it

After you have presented an idea to a kinaesthetic person you can say:

- It certainly feels like a good idea to me. Let's get the ball rolling.
- Do you now feel you're ready to take the next step?

Here's an example of using kinaesthetic (feeling-based) language in a pay raise negotiation as an employee:

Scenario: You're negotiating a raise and your boss tends to process information through a kinaesthetic (feeling) representational system.

Example:
"I've taken on several new projects over the past year, and I really feel the weight of those responsibilities. It's been a great opportunity for growth, and I've been handling everything with ease, but to continue moving forward comfortably and to stay motivated, I need to feel like my compensation is aligned with the increased load I'm carrying. A raise would make me feel more balanced and appreciated in this role."

By using kinaesthetic phrases such as "feel the weight," "moving forward comfortably," and "feel more balanced," you are aligning your communication style with a person who processes information through sensations and feelings, which may help build rapport and increase the likelihood of success.

08

CONCLUSIONS

Mastering the art of negotiation requires more than just knowing your numbers; it's about understanding the psychology behind decision-making. Throughout this ebook, we've explored science-based strategies such as the Prospect Theory, Framing Techniques, Anchoring, and the Foot-in-the-Door technique. These methods help you create more persuasive, compelling arguments that leverage the natural biases of human behavior to your advantage.

By applying these techniques, you'll be able to influence the negotiation process at every stage—whether it's setting the first anchor, framing an offer to appeal to loss aversion, or guiding your counterpart's perception of value. The key takeaway is that people are often driven by fear of loss and the need for consistency. When you tap into these emotions and frame your proposals accordingly, you significantly improve your chances of securing a favourable outcome.

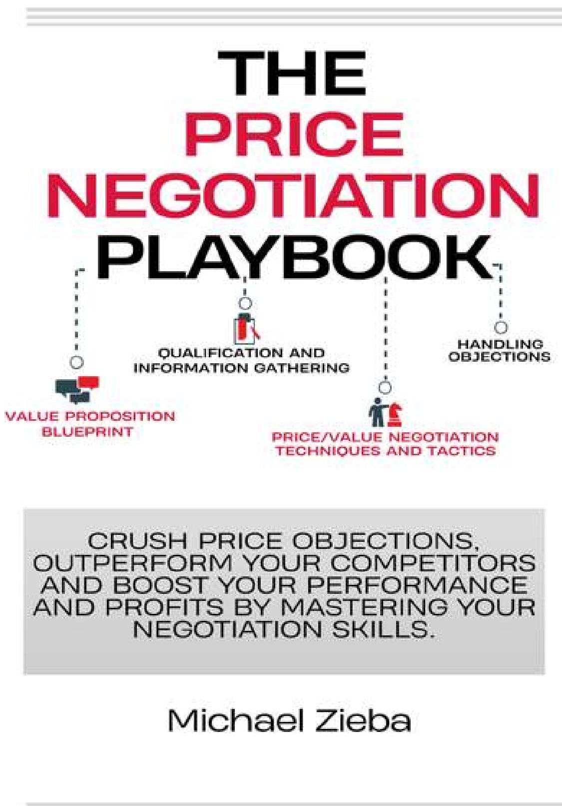
As you move forward, remember that negotiation is both an art and a science. Continue practicing these strategies, observe how they work in different contexts, and refine your approach based on the unique circumstances of each negotiation. The more you apply these principles, the more confident and effective you'll become at steering discussions towards your goals.

Whether you're negotiating a salary, sealing a business deal, or selling a product, these science-backed strategies will give you a competitive edge. You now have the tools to guide decisions, shape perceptions, and achieve results that align with your objectives. Keep refining your skills, stay mindful of the psychological dynamics at play, and continue to approach every negotiation with confidence and clarity.

Good luck, and happy negotiating!

09

THE PRICE NEGOTIATION PLAYBOOK



GET YOUR COPY HERE:

https://online.negotiationacademy.com/price-negotiation-playbook

There are three building blocks of successful, value-based price negotiation: **Value Proposition, Qualification & Information Gathering, and Smart Negotiating Skills.** This book offers tools, strategies and techniques to leverage all three.

The Price Negotiation Playbook is a practical streetwise toolkit for anyone who wants to sell at higher prices, effectively respond to price objections, protect margins and close deals at full price.

Over 70 pages of scripts, techniques and strategies to help you leverage and master:

Your Unique Value Proposition and Value Messaging including:

- Your Unique Value Proposition Audit
- Your USP Impact
- Know What to Pitch to Whom
- Your FBPQ Sales Proposition Template

Qualification and Information Gathering including:

- Opportunity Assessment
- 19 x High Impact Situation Questions
- 53 x Business Needs, Pain and Pain Chain Questions incl. Personal Objectives, Seriousness, Steps Taken, Ability, and Willingness Questions
- 21 x Budget Discovery Questions
- 30 x Decision Process and Criteria Questions
- 8 x Competition Questions
- 12 x Timeframe Questions
- 28 x Conversational Solutioning Statements and Questions
- 45 x Next Steps and Conclusion/Commitment Questions
- 69 x Connecting Questions and Softening Statements

Price Negotiation Techniques including:

- The Flinch
- Cherry Picking
- Negotiation Countermeasures
- Winning Price Negotiation with Multiple Equal Offers
- Bracketing a Proposal
- Bracketing for Budgets
- Bracketing: The Triplicate of Choice
- Trading Strategies and Bargaining Models
- The Vice

Strategies and Techniques for Crushing Price Objections including:

- Eliminating and Handling Price Objections
- Up-front Contracts Formulas
- A 5-Step Strategy for Handling Any Objections
- 17 x Discounting Countermeasures to The Hot Potato
- 63 x Discounting Countermeasures to 'Your Price is Too High'
- 30 x Discounting Countermeasures to 'I can get it cheaper from your competitor'
- 2 x Discounting Countermeasures to Nibbling
- 29 x Scripts for dealing with Objections

GET YOUR COPY HERE: https://online.negotiationacademy.com/price-negotiation-playbook