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Chapter 2
Strategy and Tactics of Distributive Bargaining

Distributive bargaining is sometimes called competitive, or win-lose, bargaining. In a distributive bargaining situation, the goals of one party are usually in fundamental and direct conflict with the goals of the other party. Resources are fixed and limited, and both parties want to maximize their share. One important strategy is to guard information carefully—one party tries to give information to the other party only when it provides a strategic advantage. Meanwhile, it is highly desirable to get information from the other party to improve negotiation power. Distributive bargaining is basically a competition over who is going to get the most of a limited resource, which is often money. Whether or not one or both parties achieve their objectives will depend on the strategies and tactics they employ.

Learning Objectives

The main purpose of this chapter is to provide an overview of distributive situations and the strategies you can use to negotiate your way through them. After reading the chapter you should be able to:

1. Recognize distributive bargaining situations,
2. Explain the importance of goals and targets, reservation points, and alternatives,
3. Describe the varied tactical approaches used in distributive situations, and
4. Recognize and defend yourself from hardball tactics used by others.

I. The Distributive Bargaining Situation

A. Distributive bargaining strategies and tactics are useful when a negotiator wants to maximize the value obtained in a single deal, when the relationship with the other party is not important, and when they are at the claiming value stage of negotiations.

1. The *target point* is a negotiator's optimal goal, or the point at which she/he would like to conclude negotiations. The optimal goal are the negotiator's aspirations.
2. The *resistance point* is a negotiator's bottom line – the point beyond which a person will not go. This is not known to the other party and should be kept secret. The resistance point is a high price for the buyer and a low price for the seller.
3. The *asking price* is the initial price set by the seller, or the first number quoted by the seller.
4. Both parties to a negotiation should establish their starting, target, and resistance points before beginning a negotiation.
5. The spreads between the resistance points, called the bargaining zone, settlement range, or zone of potential agreement are very important. It is the area where actual bargaining takes place. When the buyer's resistance point is above the seller's he is minimally willing to pay more than she is minimally willing to sell for, there is a positive bargaining range.

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B. The role of alternatives to a negotiated agreement

1. Alternatives are important because they give negotiators the power to walk away from any negotiation when the emerging deal is not very good.
   a. The role of alternatives are two fold:
      (1) Reach a deal with the other party
      (2) No settlement at all

C. Settlement Point

   a. For agreement to occur, both parties must believe that the settlement is the best that they can get (within a positive bargaining range).

D. Bargaining Mix

1. The agreement necessary on several issues: the price, the closing date of the sale, renovations to the condo, and the price of items that could remain in the condo (such as drapes and appliances).

E. Fundamental Strategies

1. Push for a settlement close to the seller's resistance point, thereby yielding the largest part of the settlement range for the buyer.
2. Convince the seller to change his/her resistance point by influencing the seller's beliefs about the value expected from a particular outcome.
3. If a negative settlement range exists, try to convince the seller to reduce his/her resistance point to create a positive settlement range or to change his/her own resistance point to create an overlap.
4. Convince the seller to believe that this settlement is the best possible
5. Two important tasks in a distributive bargaining situation.
   a. Discovering the other party's resistance point.
   b. Influencing the other party's resistance point.

F. Discovering the other party's resistance point.

1. Learning about the other party's resistance point, target, motives, feelings of confidence, and so on, the more likely you will be able to have a favorable settlement.
2. You do not want the other party to know your resistance point. Because each party wants to know the other's resistance point, communication can become complex. Use more precise offers to convey the legitimacy of your claims, but be prepared to justify them.

G. Influencing the other party's resistance point.

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1. The following factors are important in attempting to influencing the other party's resistance point:
   a. The value the other attaches to a particular outcome;
   b. The costs the other attaches to delay or difficulty in negotiations;
   c. The cost the other attaches to having the negotiations aborted.

2. Understanding your own situation, and the value of your particular outcome, will help you to understand the other person's. Four major positions show how this affects the distributive bargaining process:
   a. The higher the other party's estimate of your cost of delay or impasse, the stronger the other party's resistance point will be.
   b. The higher the other party's estimate of his or her own cost of delay or impasse, the weaker the other party's resistance point will be.
   c. The less the other party values an issue the lower the resistance point will be.
   d. The more the other party believes that you value an issue the lower their resistance.

II. Tactical Tasks

A. There are four important tactical tasks for a negotiator in a distributive situation to consider

1. Assess the other party's target, resistance point and cost of terminating negotiations (their potential BATNA).

   a. Indirect assessment means determining what information an individual likely used to set target and resistance points and how he or she interpreted this information.
      (1) Indirect indicators can be a source to assess the other party's resistance point, and can include observations, consulting documentation and publications, speaking to experts.
   b. Direct assessment, in distributive bargaining, is where the other party does not usually reveal accurate and precise information about his or her outcome values, resistance points, and expectations.

2. Manage the other party's impression of the negotiator's target, resistance point, and cost of terminating negotiation, while also guiding him or her to form a preferred impression of them.

   a. Screening activities – say as little as possible. Instead, use words to ask the other negotiator questions.

   b. Direct action to alter impressions through *selective presentation*:

      (1) Negotiators reveal only the facts necessary to support their case.

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(2) Lead the other party to form the desired impression of their resistance point or to open up new possibilities for agreement that are more favorable to the presenter than those that currently exist.
(3) Emotional reaction to facts, proposals and possible outcomes (e.g., 'a flinch').
(i) There are several hazards in taking direct action. For example, it can generate a perception of dishonesty, which can lead to the other party conceding on minor points to defeat the maneuverer at his or her own game.

3. Modify the other party's perceptions of his or her own target, resistance point, and cost of terminating negotiation.

4. Manipulate the actual costs of delaying or terminating negotiations through:
a. *Planning disruptive action*: Increasing the costs of not reaching a negotiated agreement.
b. *Forming an alliance with outsiders* who can somehow influence the outcome of the negotiation.
c. *Manipulating the scheduling of negotiations* can put the other party at a considerable disadvantage by enhancing your position and protect you from the other party's actions.

III. Positions Taken During Negotiation

A. Opening offer

1. Making the first offer in a distributive deal is often advantageous to the negotiator making the offer because he or she can *anchor* a negotiation. An ambitious or exaggerated opening offer can be advantageous because:
a. It gives the negotiator room for movement thereby giving him or her time to learn about the other party's priorities.
b. May create an impression in the other party's mind that:
(1) There is a long way to go before a reasonable settlement will be achieved
(2) A greater number of concessions may have to be made to bridge the difference between the two opening positions
(3) The other party may have incorrectly estimated his or her own resistance point.

2. Two disadvantages to exaggerating an offer include:
a. Potential rejection by the other party.
b. The perception of a "tough" attitude that can harm a long-term relationship.

B. An *opening stance* is the attitude the negotiator will adopt during a negotiation (competitive, belligerent, moderate, etc.). To communicate effectively, a

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negotiator should try to send a consistent message through both the opening offer and in their stance. Be aware of the tendency to respond in kind to opening stances in distributive bargaining.

C. An opening offer is usually met with a counteroffer. *Initial concessions* define the initial bargaining range; they communicate to the other party how you intend to negotiate.

D. *Role of concessions* – Negotiations would not exist without them.
   1. There is ample data to show that parties feel better about a settlement when the negotiation involved a progression of concessions than without concessions.

E. The *pattern of concessions* made during a negotiation contains valuable information, though not always easy to interpret. Due to symbolic nature of concessions and that they are often reciprocated, it is important to consider how large and how many concessions to make.

F. *Final offers* - a negotiator wants to convey the message that there is no further room for movement. One way to accomplish this is to make the last concessions substantial.

G. *Closing the Deal*

   1. *Provide alternatives* – rather than making a single final offer, provide two or three alternative packages for the other party that are roughly equal in value.

   2. *Assume the close* – having a general discussion about the needs and positions of the buyer, then act as if the decision to purchase something has already been made.

   3. *Split the difference* – the most popular tactic used; used when an agreement is close, suggesting that the parties split the difference.

   4. *Exploding offers* – An offer that contains an extremely tight deadline in order to pressure the other party to agree quickly. The purpose of an exploding offer is to convince the other party to accept the settlement and to stop considering outcomes.

   5. *Sweeteners* – negotiators need to be cognizant of the potential use of a sweetener when considering their negotiation plans and ensure that they do not concede too much during the close by the other's side use of sweetners.

IV. Hardball Tactics

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A. Dealing with typical hardball tactics – there are several choices about how to respond.

1. Ignore them
2. Discuss/label them
3. Respond in kind
4. Co-opt/befriend the other party

B. Typical hardball tactics

1. Good cop/bad cop
   a. Weaknesses:
      (1) Relatively transparent
      (2) Difficult to enact – requires a lot of energy toward making the tactic work

2. Lowball/highball
   a. Risk in using this tactic:
      (1) The other party will think it is a waste of time to negotiate and stop the process.
   b. Strategies for using this tactic:
      (1) Insist that the other party start with a reasonable opening offer and refuse to negotiate further until the other side does so
      (2) State your understanding of the general market value of the item being discussed and support with facts and figures, thus showing the other party that you won't be tricked
      (3) Threaten to leave the negotiation, showing dissatisfaction in the other party in using this tactic
      (4) Respond with an extreme counter offer

3. Bogey – pretending an issue is not important
   a. Negotiators use this tactic to pretend that an issue is of little or no importance to them, when it actually is quite important.

4. The Nibble – a small concession sought close to the end of the deal
   a. Weaknesses in using the nibble:
      (1) The party using the nibble did not bargain in good faith.
   b. Combating the nibble tactic:
      (1) Respond with each nibble with the question "What else do you want?"
      (2) Have your own nibbles prepared for exchange.

5. Intimidation
   a. An attempt to force the other party to agree by means of an emotional ploy. Negotiators intimidate by:
      (1) Using anger/fear
      (2) Increasing the appearance of legitimacy

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(3) Guilt

6. Aggressive behavior
   a. Aggressive tactics include:
      (1) Relentless push for further concessions
      (2) Demand for the best offer early in negotiations
      (3) Demand the other party to explain and justify his/her proposals

7. Snow job – overwhelm the other side with information
   a. Bu overwhelming the other party with so much information, he/she has trouble determining which facts are real or important and which are distractions.

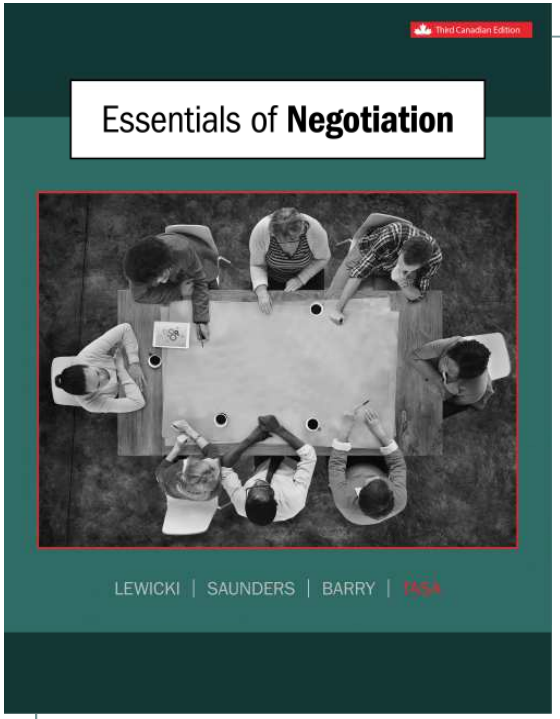
Chapter Summary and Key Learning Points

In this chapter we examined the basic structure of competitive or distributive bargaining situations and some of the strategies and tactics used in distributive bargaining.

As you prepare for, and navigate through, distributive situations, there are a number of things you should keep in mind. We conclude the chapter by summarizing some of the most important.

1. Preparation is key. This advice is so important that we devote a whole chapter (Chapter 4) to it.
2. Analyze your target, reservation point, and BATNA before you negotiate.
3. Focus on trying to determine your counterpart's target, reservation point, and BATNA.
4. If you are prepared, and it is possible, make the opening offer. Even if it is not possible to make the opening offer, remember that anchoring is a powerful tool that influences final outcomes.
5. Use concessions symbolically. Decreases in concession size indicate that you are approaching your limits. You should also remember not to make unilateral concessions; if you concede, make sure your counterpart knows they are expected to concede as well.
6. Watch for hardball tactics and don't be swayed by them. Remember, for most tactics the best defence is preparation. Keeping your cool and signalling that you know what you are doing go a long towards minimizing the effect of hardball tactics.

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CHAPTER TWO

Strategy and Tactics of Distributive Bargaining

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Learning Objectives

After reading this chapter you should be able to:

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- Describe the varied tactical approaches used in distributive situations, and
- Recognize and defend yourself from hardball tactics used by others.

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The Distributive Bargaining Situation

- Goals of one party are in fundamental,direct conflict to another party
- Resources are fixed and limited
- Maximizing one's own share of resources is the goal

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The Distributive Bargaining Situation

Preparation—set a

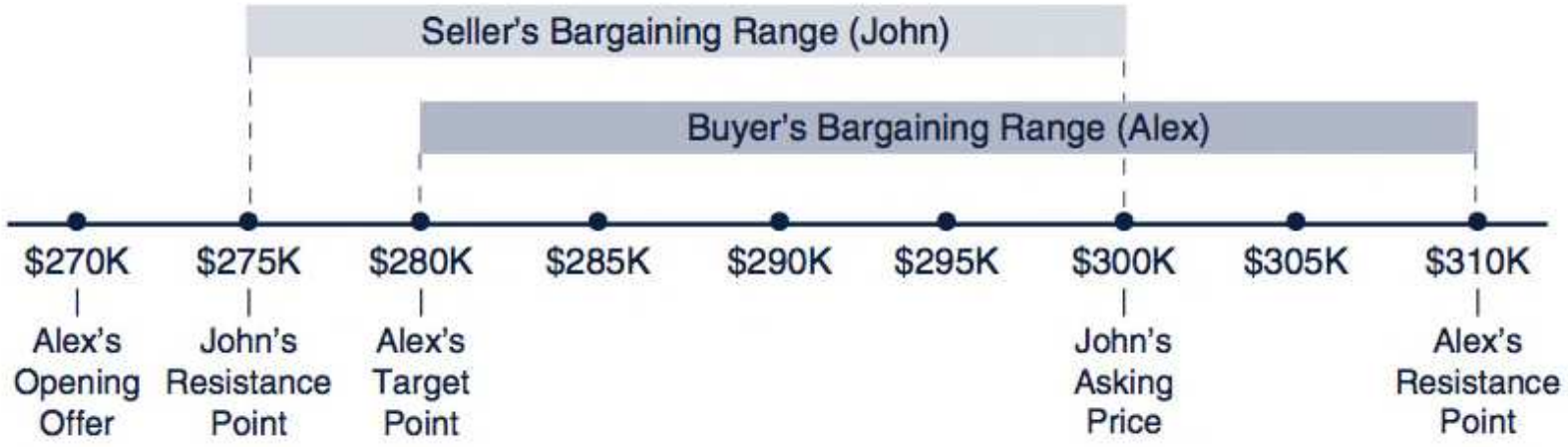
- Target point, aspiration point
  - This is your goal. Be optimistic but realistic
- Resistance point
  - A price or outcome below which you will not go
- Asking price, initial offer

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Bargaining Zone

- The bargaining zone (or zone of potential agreement) is defined as the space between the two parties′ reservation points



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The Role of Alternatives to a Negotiated Agreement

- What is your best alternative to a negotiated agreement (or BATNA)?
- Alternatives give the negotiator power to walk away from the negotiation
  - If alternatives are attractive, negotiators can:
    - Set their goals higher
    - Make fewer concessions
  - If there are no attractive alternatives:
    - Negotiators have much less bargaining power

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Fundamental Strategies

- Push for settlement near opponent's resistance point
- Get the other party to change their resistance point
- If settlement range is negative, either:
  - Get the other side to change their resistance point
  - Modify your own resistance point
- Convince the other party that the settlement is the best possible

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Keys to the Strategies

The keys to implementing any of the four strategies are:

- Discovering the other party's resistance point
- Influencing the other party's resistance point

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Tactical Tasks of Negotiators

- Assess outcome values and the costs of termination for the other party
- Manage the other party's impressions
- Modify the other party's perceptions
- Manipulate the actual costs of delay or termination

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Assess Outcome Values and the Costs of Termination for the Other Party

- Indirectly
  - Determine information opponent used to set:
    - Target
    - Resistance points
- Directly
  - Opponent reveals the information

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Manage the Other Party's Impressions

- Screen your behavior:
  - Say and do as little as possible
- Direct action to alter impressions
  - Present facts that enhance one's position

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Modify the Other Party's Perceptions

- Make outcomes appear less attractive
- Make the cost of obtaining goals appear higher
- Make demands and positions appear more or less attractive to the other party – whichever suits your needs
- Make opening offers that are as precise as possible
  - e.g., $19.85 is more precise than $20

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Manipulate the Actual Costs of Delay or Termination

- Plan disruptive action
  - Raise the costs of delay to the other party
- Form an alliance with outsiders
  - Involve (or threaten to involve) other parties who can influence the outcome in your favor
- Schedule manipulations
  - One party is usually more vulnerable to delaying than the other

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Positions Taken During Negotiations

- Opening offer
  - Where will you start?
- Opening stance
  - What is your attitude?
    - Competitive? Moderate?
- Initial concessions
  - Should any be made? If so, how large?

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Positions Taken During Negotiations

- The role of concessions
  - Without them, there is either capitulation or deadlock
- Patterns of concession making
  - The pattern contains valuable information
- Final offer (making a commitment)
  - "This is all I can do"

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Closing the Deal

- Provide alternatives (2 or 3 packages)
- Assume the close
- Split the difference
- Exploding offers
- Deal sweeteners

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Dealing with Typical Hardball Tactics

- Four main options:
  - Ignore them
  - Discuss them
  - Respond in kind
  - Co-opt the other party (befriend them)

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Typical Hardball Tactics

- Good Cop/Bad Cop
- Lowball/Highball
- Bogey (playing up an issue of little importance)
- The Nibble (asking for a number of small concessions to)

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Typical Hardball Tactics

- Intimidation
- Aggressive Behavior
- Snow Job (overwhelm the other party with information)

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Summary and Key Points

- Preparation is key.
- Analyze your target, reservation point, and BATNA before you negotiate.
- Focus on trying to determine your counterpart's target, reservation point, and BATNA.
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- Use concessions symbolically. Decreases in concession size indicate that you are approaching your limits. You should also remember not to make unilateral concessions; if you concede, make sure your counterpart knows they are expected to concede as well.
- Watch for hardball tactics and don't be swayed by them. Remember, for most tactics the best defence is preparation. Keeping your cool and signalling that you know what you are doing go a long towards minimizing the effect of hardball tactics.

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