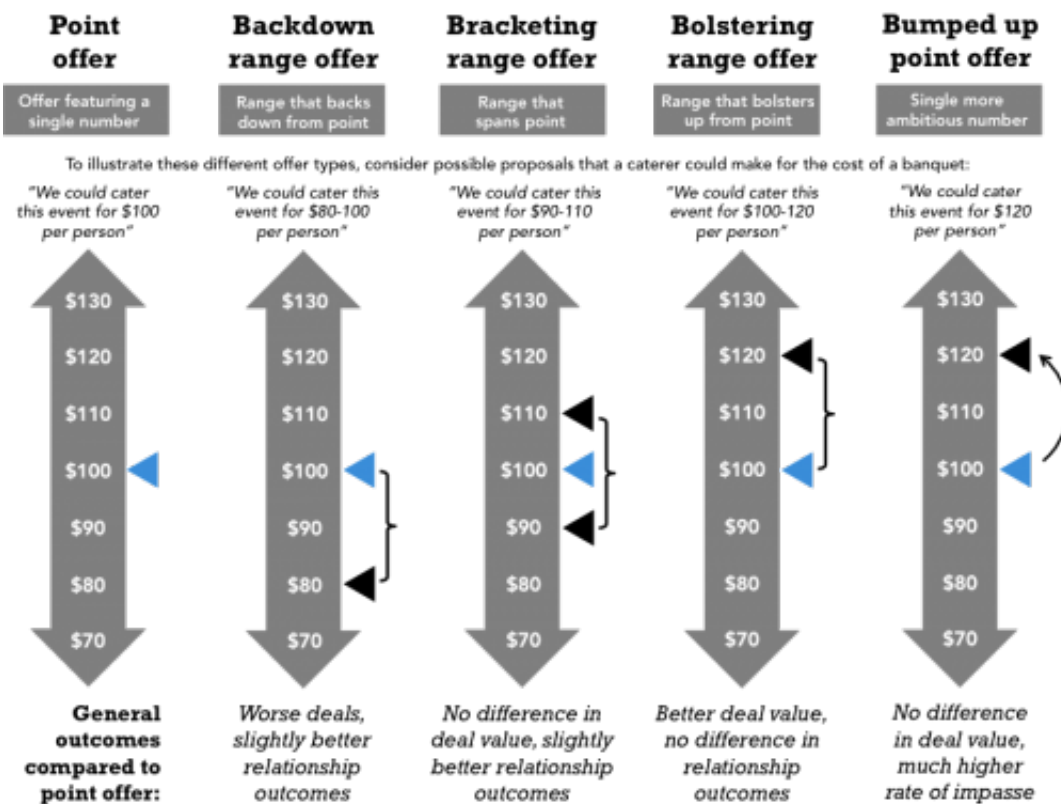


# When it comes to an opening number, sometimes the best bargaining move is to offer two

February 18 2015



For decades, almost all negotiation scholars and teachers would have advised that making a range offer, such as asking for a "15 to 20%" discount rather than proposing a single number, would be a bad

move—harmless at best, maybe even damaging. But new research from Columbia Business School suggests those scholars and teachers have gotten it at least partly wrong. A series of studies published this month shows that using certain range offers can have meaningful benefits.

"For years, we taught students to avoid making range offers in negotiations, assuming that counterparts receiving those offers would have selective attention, hearing only the end of the range that was attractive to them," said Daniel Ames, co-author of the research and the Ting Tsung and Wei Fong Chao Professor of Business at Columbia Business School. "Our results surprised us, up-ending how we teach the topic. We can't say that range offers work 100% of the time, but they definitely deserve a place in the negotiator's toolkit."

Ames and co-author Malia Mason, the Gantcher Associate Professor of Business at Columbia Business School, conducted a series of studies, gauging how people reacted to negotiators making a variety of different offers. They compared single-number point offers, such as asking for a 15% discount, with three different kinds of range offers.

- **Bolstering Range Offers** start with the point and stretch in an even more ambitious direction, like asking for a "15-20%" discount instead of just "15%"; historically, most negotiation experts would have said this strategy was doomed to flop because the bargaining counterpart would hear only the 15% end of the range; in contrast, Ames and Mason's research found that Bolstering Range Offers frequently led to better settlements for the offer-makers without harming their relationship with the other party
- **Bracketing Range Offers** span the point, such as asking for "13 to 17%" instead of "15%"; in the past, experts would likely have said this strategy was also sure to lose value; in contrast, Ames and Mason's research found that negotiators using Bracketing

Range Offers didn't reach worse deals than those using point offers ... but they frequently experienced relationship benefits, such as being seen as more flexible

- Backdown Range Offers start with the point and then offer a more accommodating value, like asking for "12 to 15%" instead of "15%"; in this case, Ames and Mason's research converged with the prior conventional wisdom: those using Backdown Range Offers ended up with less value than those using point offers, but didn't see more relational benefits than Bracketing Range Offers

"While negotiation experts have been advising against range offers for a long time, many people use them," noted Mason. "A good share of the time, people use backdown range offers and our work suggests that's unwise. But many people use bracketing or bolstering range offers and our research shows that they're onto something. Those range offers can draw out more accommodating responses from a counterpart."

## **Negotiating Using Range Offers**

The research paper, titled "Tandem Anchoring: Informational and Politeness Effects of Range Offers in Social Exchange," appears in the February issue of the *Journal of Personality and Social Psychology*. Ames and Mason, social psychologists who teach and do research at Columbia Business School, conducted five studies to explore the effects of different kinds of opening offers in negotiations. They studied contexts ranging from bargaining with an event caterer to negotiating a salary to bartering over the price of a used car.

The studies addressed when and why range offers sometimes bring benefits (part of the answer concerns politeness) and which kind of range offers sacrifice value. The research also showed that range offers can sometimes outperform more assertive point offers. In one study, the

team gave people different guidance heading into a mock negotiation over a used car. Some sellers were advised to pick a single-price starting offer and make it. Others were told to pick a starting offer—and then ask for more, a higher single price. A third group was guided to pick a starting offer and then make a bolstering range offer that featured their initial price and stretched up in a more ambitious direction.

The results? Bolstering range offer-makers got better deals than the single-price negotiators and were not seen any more negatively. Those encouraged to just "ask for more" with a single higher price point didn't fare any better when they got a deal—but were twice as likely to end up without a deal, provoking their counterparts to abandon the [negotiation](#).

"Range offers can sometimes be an effective way of asking for more," observed Ames, "without driving your counterpart away."

**A RANGE OFFER IN ACTION**

Not long ago, a newly-engaged couple found themselves negotiating with a wedding venue that seemed perfect, but pricey. With the ceremony scheduled for the off-season, the manager responded to their request for a discount: he proposed 10% off. This was noticeably short of the 15% reduction the couple was aiming for. They weighed their options.

The couple felt that a 15% single-number counter-offer would get talked down below their target, but that asking straight out for 18% might come across as too aggressive. Just before their venue-hunting, they'd heard about Ames and Mason's research, so they decided to try a range offer instead, asking for "14 to 18%" off. They waited anxiously until the manager responded: 15%. Just what they'd hoped for. And both sides happily said, "I do."

Ames and Mason tell the story of a newly engaged couple who found themselves negotiating with a wedding venue that they thought was perfect, but pricey.

Credit: Columbia Business School

Provided by Columbia Business School

Citation: When it comes to an opening number, sometimes the best bargaining move is to offer two (2015, February 18) retrieved 19 April 2024 from <https://phys.org/news/2015-02-bargaining.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.