
EXERCISE 4

Buyer/Seller Negotiation

INTRODUCTION

Negotiations can be described as a process that combines economic transactions with verbal persuasion. A great deal of what transpires in negotiation is the verbal persuasion—people arguing for and supporting their own preferred position, and resisting similar arguments from the opponent. Underlying this layer of persuasive messages is a set of economic transactions—bids and counterbids—that are the economic core of the negotiation process.

The purpose of this exercise is to give you some experience with the process of economic transactions, independent of much of the persuasive rhetoric that typically goes with it. As a result, you will be able to see how the simple trading of bids and counterbids allows negotiators to influence one another even without a great deal of verbal interaction.

ADVANCE PREPARATION

None. Bring a calculator to class.

PROCEDURE

Step 1: 15 Minutes

Your instructor will assign you to the role of buyer or seller for this activity. If you are a buyer, please turn to the instructions on page 585; if you are a seller, turn to the instructions on page 609. Your instructor will also assign you a partner for this exercise.

Step 2: 20 Minutes

Once you have read the instructions, turn to the first blank record sheet. There will be two practice trials, and then 20 bids. Keep track of the bids and your profit on the chart. At the end of 20 bids, add up your profit on each bid to determine your total profit.

Step 3: 20 Minutes

Your instructor will give the signal to proceed. Using the table that your instructor has provided, engage in two practice trials and 20 new sequenced bids. Then compute your total profit for this second round of bidding.

Step 4: 20 Minutes

Your instructor will ask you for information regarding the two bidding rounds. Your results will be compared with other pairs in the class, and the bidding process will be discussed.

DISCUSSION QUESTIONS

1. What were the results of round 1? (What was the price and quantity on the last trial, and how much did each party earn?)
2. How satisfied did you feel with this outcome at the time? Why?
3. What kind of strategy and tactics did you use to exert influence in round 1? How effective were your strategy and tactics?
4. What were the results of round 2? What was the price and quantity on the last trial, and how much did each party earn?
5. How satisfied did you feel with this outcome? Why?
6. Did your satisfaction with your outcomes on round 1 change after you saw the tables for round 2? What does this say about the impact of information on your satisfaction level?
7. What strategy and tactics did you use in round 2 in order to exert influence on your partner? How effective were your strategy and tactics?

		Quantity																	
Price 0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
1 B 0	570	900	1210	1500	1770	2020	2250	2460	2650	2820	2970	3100	3210	3300	3370	3420	3450	3460	
S 0	450	660	850	1020	1170	1300	1410	1500	1570	1620	1650	1660	1650	1620	1570	1500	1410	1300	
2 B 0	550	860	1150	1420	1670	1900	2110	2300	2470	2620	2750	2860	2950	3020	3070	3100	3110	3100	
S 0	470	700	910	1100	1270	1420	1550	1660	1750	1820	1870	1900	1910	1900	1870	1820	1750	1660	
3 B 0	530	820	1090	1340	1570	1780	1970	2140	2290	2420	2530	2620	2690	2740	2770	2780	2770	2740	
S 0	490	740	970	1180	1370	1540	1690	1820	1930	2020	2090	2140	2170	2180	2170	2140	2090	2020	
4 B 0	510	780	1030	1260	1470	1660	1830	1980	2110	2220	2310	2380	2430	2460	2470	2460	2430	2380	
S 0	510	780	1030	1260	1470	1660	1830	1980	2110	2220	2310	2380	2430	2460	2470	2460	2430	2380	
5 B 0	490	740	970	1180	1370	1540	1690	1820	1930	2020	2090	2140	2170	2180	2170	2140	2090	2020	
S 0	530	820	1090	1340	1570	1780	1970	2140	2290	2420	2530	2620	2690	2740	2770	2780	2770	2740	
6 B 0	470	780	910	1100	1270	1420	1550	1660	1750	1820	1870	1900	1910	1900	1870	1820	1750	1660	
S 0	550	860	1150	1420	1670	1900	2110	2300	2470	2620	2750	2860	2950	3020	3070	3100	3110	3100	
7 B 0	450	660	850	1020	1170	1300	1410	1500	1570	1620	1650	1660	1650	1620	1570	1500	1410	1300	
S 0	570	900	1210	1500	1770	2020	2250	2460	2650	2820	2970	3100	3210	3300	3370	3420	3450	3460	
8 B 0	430	620	790	940	1070	1180	1270	1340	1390	1420	1430	1420	1390	1340	1270	1180	1070	940	
S 0	590	940	1270	1580	1870	2140	2390	2620	2830	3020	3190	3340	3470	3580	3670	3740	3790	3820	
9 B 0	410	580	730	860	970	1060	1130	1180	1210	1220	1210	1180	1130	1060	970	860	730	580	
S 0	610	980	1330	1660	1970	2260	2530	2780	3010	3220	3410	3580	3730	3860	3970	4060	4130	4180	
10 B 0	390	540	670	780	870	940	990	1020	1030	1020	990	940	870	780	670	540	390	220	
S 0	630	1020	1390	1740	2070	2380	2670	2940	3190	3420	3630	3820	3990	4140	4270	4380	4470	4540	
11 B 0	370	500	610	700	770	820	850	860	850	820	770	700	610	500	370	220	50	-140	
S 0	650	1060	1450	1820	2170	2500	2810	3100	3370	3620	3850	4060	4250	4420	4570	4700	4810	4900	
12 B 0	350	460	550	620	670	700	710	700	670	620	550	460	350	220	70	-100	-290	-500	
S 0	670	1100	1510	1900	2270	2620	2950	3260	3550	3820	4070	4300	4510	4700	4870	5020	5150	5260	
13 B 0	330	420	490	540	570	580	570	540	490	420	330	220	90	-60	-230	-420	-630	-860	
S 0	690	1140	1570	1980	2370	2740	3090	3420	3730	4020	4290	4540	4770	4980	5170	5340	5490	5620	
14 B 0	310	380	430	460	470	460	430	380	310	220	110	-20	-170	-340	-530	-740	-970	-1220	
S 0	710	1180	1630	2060	2470	2860	3230	3580	3910	4220	4510	4780	5030	5260	5470	5660	5830	5980	
15 B 0	290	340	370	380	370	340	290	220	130	20	-110	-260	-430	-620	-830	-1060	-1310	-1580	
S 0	730	1220	1690	2140	2570	2980	3370	3740	4090	4420	4730	5020	5290	5540	5770	5980	6170	6340	
16 B 0	270	300	310	300	270	220	150	60	-50	-180	-330	-500	-690	-900	-1130	-1380	-1650	-1940	
S 0	750	1260	1750	2220	2670	3100	3510	3900	4270	4620	4950	5260	5550	5820	6070	6300	6510	6700	