
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?

Profit Table for Buyer

Price	Quantity																		
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1	0.00	0.28	0.45	0.60	0.75	0.88	1.01	1.12	1.23	1.32	1.41	1.48	1.55	1.60	1.65	1.68	1.71	1.72	1.73
2	0.00	0.28	0.43	0.58	0.71	0.84	0.95	1.06	1.15	1.24	1.31	1.38	1.43	1.48	1.51	1.54	1.55	1.56	1.55
3	0.00	0.26	0.41	0.54	0.67	0.78	0.89	0.98	1.07	1.14	1.21	1.26	1.31	1.34	1.37	1.38	1.39	1.38	1.37
4	0.00	0.26	0.39	0.52	0.63	0.74	0.83	0.92	0.99	1.06	1.11	1.16	1.19	1.22	1.23	1.24	1.23	1.22	1.19
5	0.00	0.24	0.37	0.48	0.59	0.68	0.77	0.84	0.91	0.96	1.01	1.04	1.07	1.08	1.09	1.08	1.07	1.04	1.01
6	0.00	0.24	0.35	0.46	0.55	0.64	0.71	0.78	0.83	0.88	0.91	0.94	0.95	0.96	0.95	0.94	0.91	0.88	0.83
7	0.00	0.22	0.33	0.42	0.51	0.58	0.65	0.70	0.75	0.78	0.81	0.82	0.83	0.82	0.81	0.78	0.75	0.70	0.65
8	0.00	0.22	0.31	0.40	0.47	0.54	0.59	0.64	0.67	0.70	0.71	0.72	0.71	0.70	0.67	0.64	0.59	0.54	0.47
9	0.00	0.20	0.29	0.36	0.43	0.48	0.53	0.56	0.59	0.60	0.61	0.60	0.59	0.56	0.53	0.48	0.43	0.36	0.29
10	0.00	0.20	0.27	0.34	0.39	0.44	0.47	0.50	0.51	0.52	0.51	0.50	0.47	0.44	0.39	0.34	0.27	0.20	0.11
11	0.00	0.18	0.25	0.30	0.35	0.38	0.41	0.42	0.43	0.42	0.41	0.38	0.35	0.30	0.25	0.18	0.11	0.02	-0.07
12	0.00	0.18	0.23	0.28	0.31	0.34	0.35	0.36	0.35	0.34	0.31	0.28	0.23	0.18	0.11	0.04	-0.05	-0.14	-0.25
13	0.00	0.16	0.21	0.24	0.27	0.28	0.29	0.28	0.27	0.24	0.21	0.16	0.11	0.04	-0.03	-0.12	-0.21	-0.32	-0.43
14	0.00	0.16	0.19	0.22	0.23	0.24	0.23	0.22	0.19	0.16	0.11	0.06	-0.01	-0.08	-0.17	-0.26	-0.37	-0.48	-0.61
15	0.00	0.14	0.17	0.18	0.19	0.18	0.17	0.14	0.11	0.06	0.01	-0.06	-0.13	-0.22	-0.31	-0.42	-0.53	-0.66	-0.79
16	0.00	0.14	0.15	0.16	0.15	0.14	0.11	0.08	0.03	-0.02	-0.09	-0.16	-0.25	-0.34	-0.45	-0.56	-0.69	-0.82	-0.97