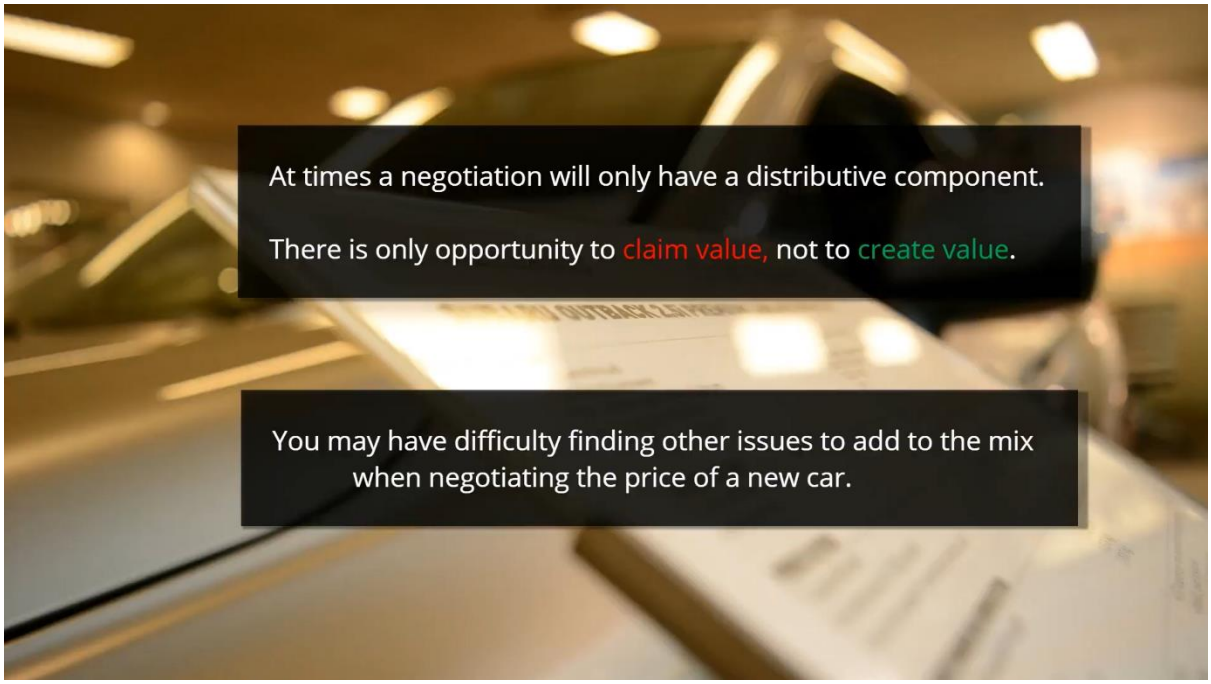
M3L7. Distributive Negotiation

Slide #1

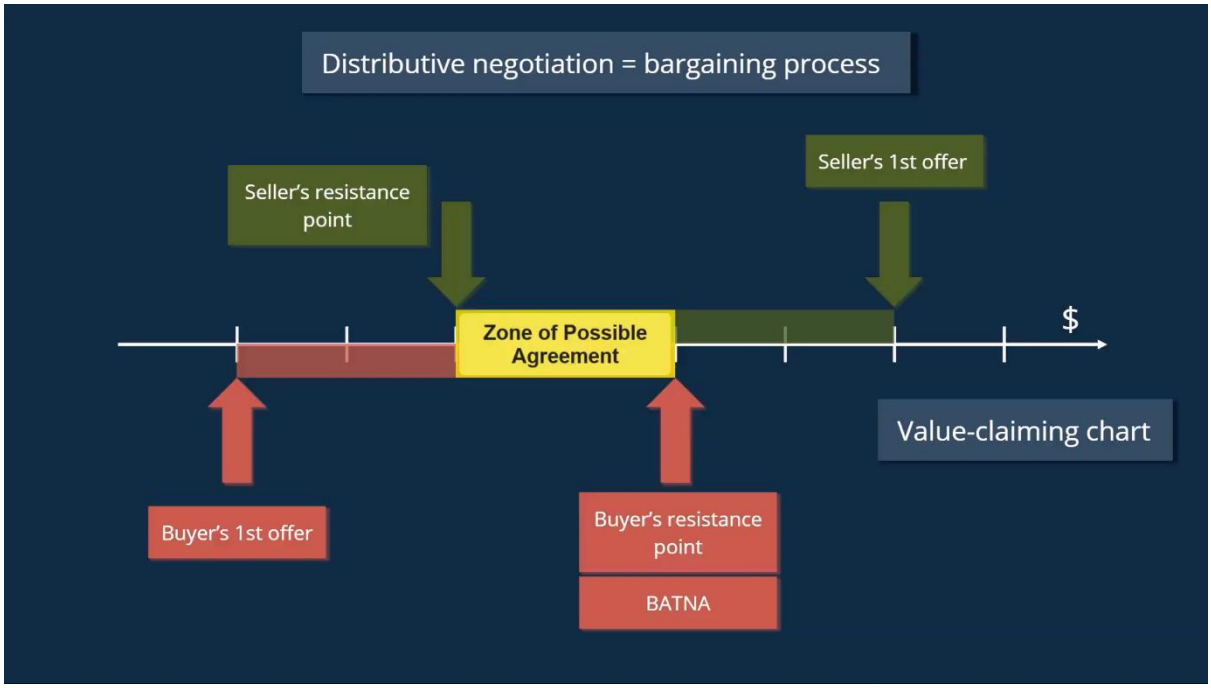
In this topic, we will discuss the distributive type of negotiation.

Slide #2



At times, a negotiation will only have a distributive component. That is, there is only opportunity to claim value and not to create value. You might have difficulty finding other issues to add to the mix when negotiating the price for a new car.

Slide #3



Distributive negotiations always follow a bargaining process.

A buyer or seller makes the first offer.

The buyer's first offer should be lower than his highest accepted price or resistance point or BATNA.

The seller's first offer should be higher than his resistance point.

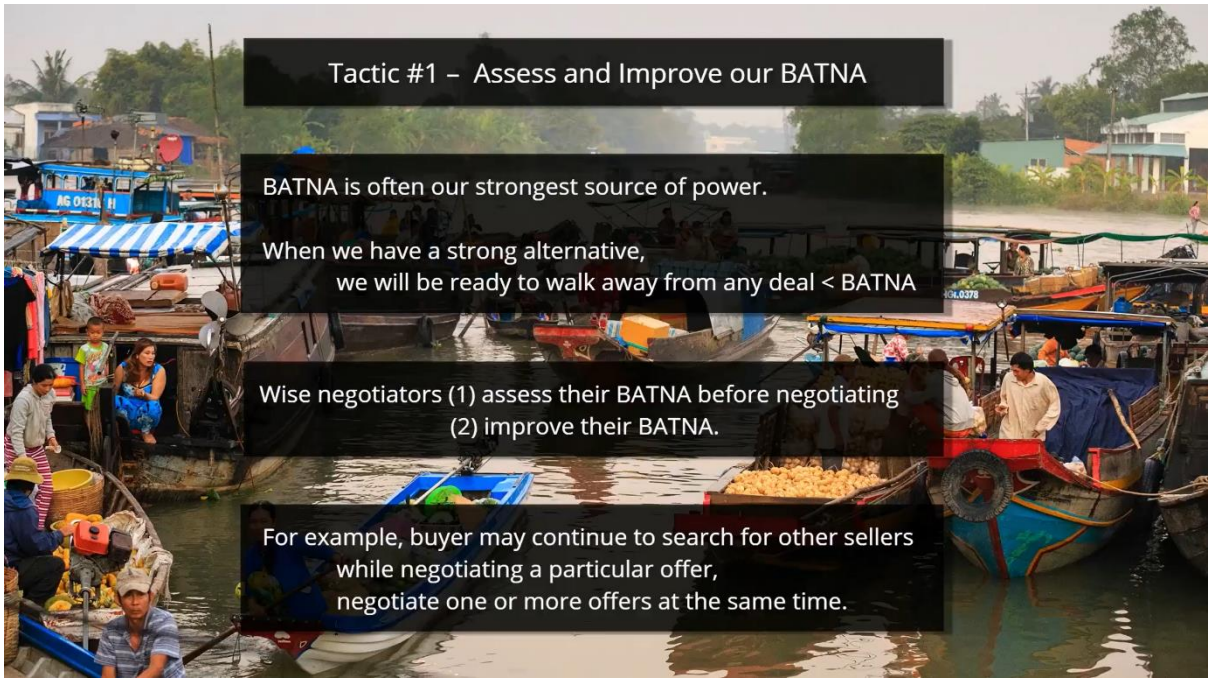
After some rounds of bargaining, they reach an agreement that falls between the buyer's and seller's resistance points in the shadow field of the value claiming chart.

The shadow zone is also called zone of possible agreement or ZOPA.

Slide #4

Although the distributive approach is not the most desirable negotiation approach, there are still several things we can do to improve our negotiation skills and prepare to claim more value from this win-and-lose situation.

Slide #5



The first thing we can do is to assess and improve our BATNA.

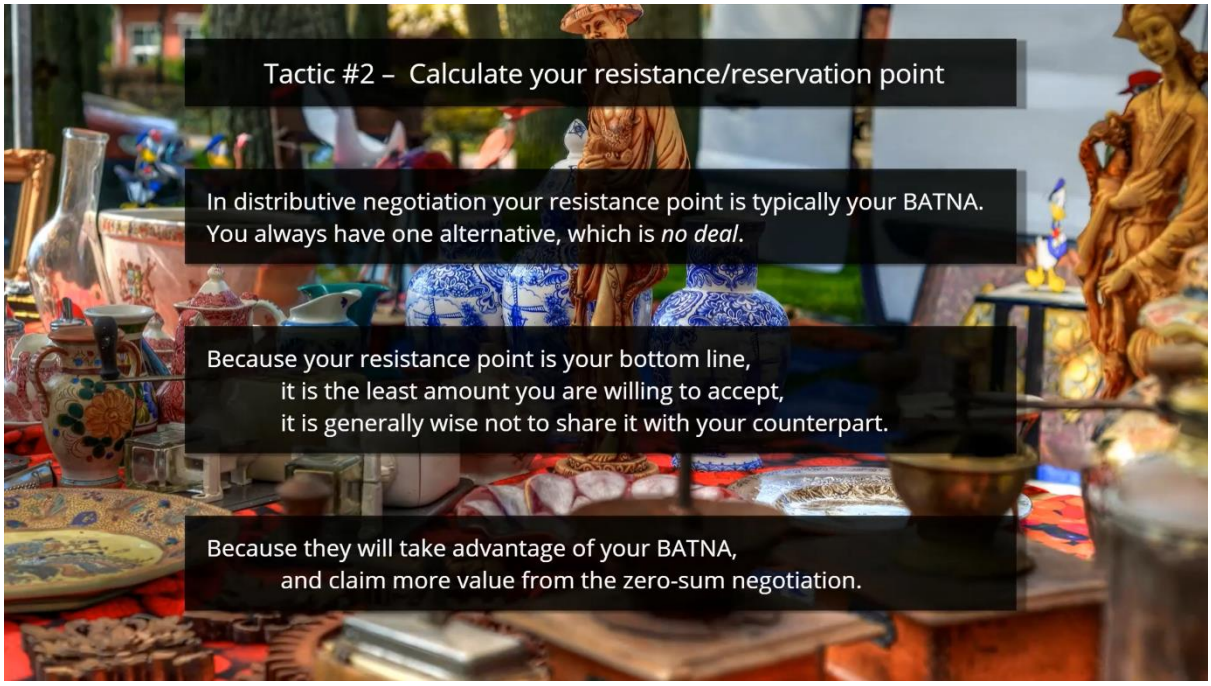
In negotiation, our best alternative to a negotiated agreement, or BATNA, is often our strongest source of power.

When we have a strong alternative, we will be ready to walk away from any deal that is inferior to our BATNA.

Wise negotiators not only assess their BATNA before negotiating, but also spend considerable time working to try to improve it.

For example, buyer may continue to search for other sellers while negotiating a particular offer or may try to negotiate one or more offers at the same time.

Slide #6



The second is to calculate your resistance point or reservation point.

In distributive negotiation, your resistance point is typically your BATNA.

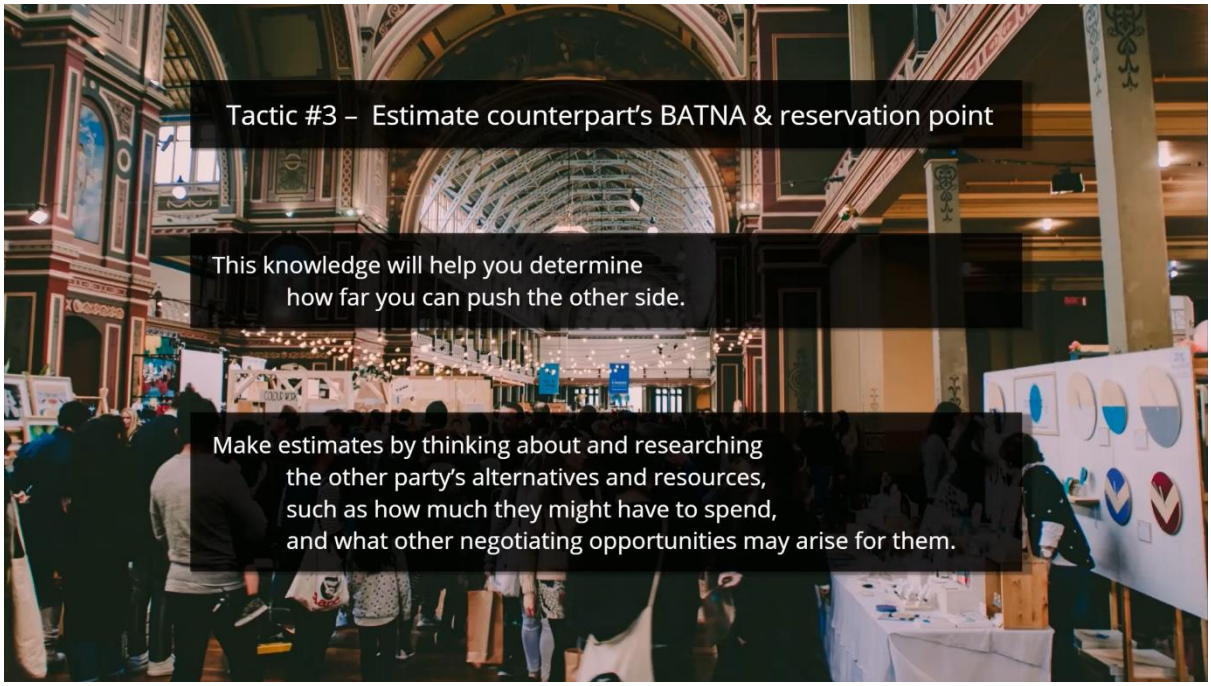
You always have one alternative, which is no deal.

Because your resistance point is your bottom line, it is the least amount you are willing to accept.

It is generally wise not to share it with your counterpart across the table, even if you trust and like the other party.

Because they will take advantage of your BATNA and claim more value from the zero-sum negotiation.

Slide #7

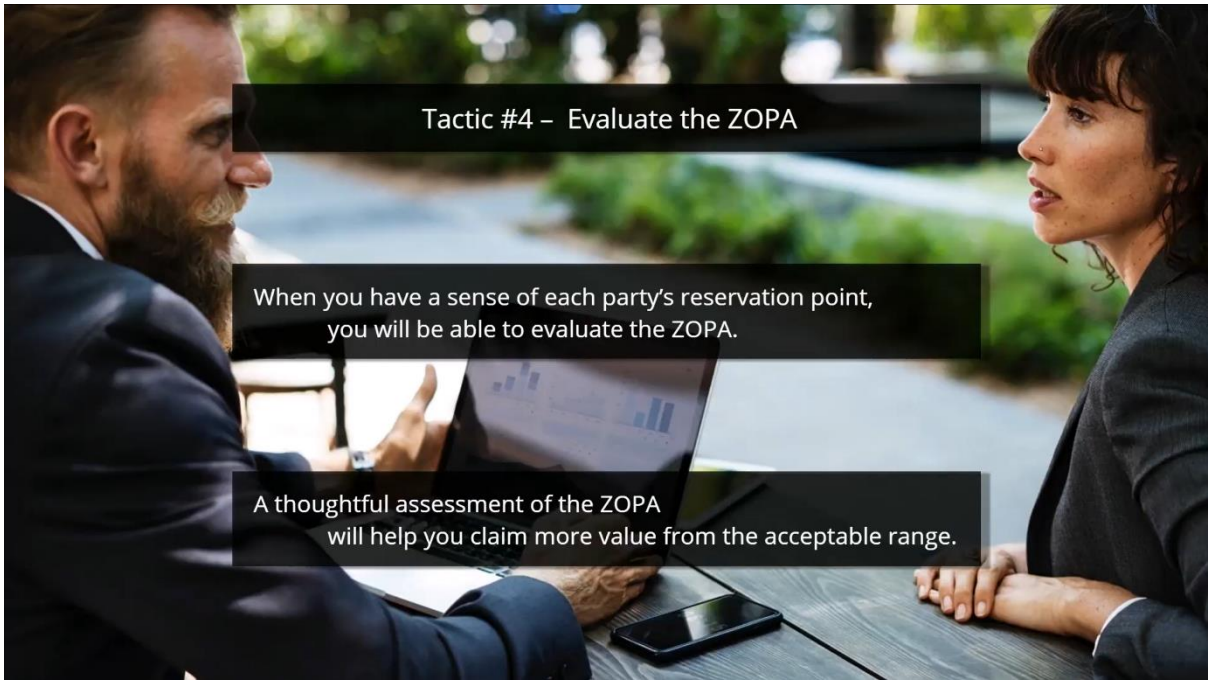


It is important not only to determine your own BATNA and reservation point, but also to estimate your counterpart's BATNA and their reservation point.

This knowledge will help you determine how far you can push the other side.

We can make these estimates by thinking about and researching the other party's alternatives and resources, such as how much they might have to spend and what other negotiating opportunities may arise for them.

Slide #8



The fourth step is to evaluate the ZOPA, the zone of possible agreement.

When you have a sense of each party's reservation point, you will be able to evaluate the ZOPA.

The ZOPA includes the range of all possible deals that both parties will find acceptable.

A thoughtful assessment of both parties ZOPA will help you claim more value from the acceptable range.