Applying Psychology of Persuasion to Business Negotiation

Min Wang

1 School of Interpreting and Translating Studies, Guangdong University of Foreign Studies, Guangzhou, China

Correspondence: Min Wang, School of Interpreting and Translating Studies, Guangdong University of Foreign Studies, Guangzhou, China

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Abstract

For a business negotiation, two or more parties, for different purpose, on a same goal, sit together to reach a consensus. The final goal for all parties is to maximize their interests. In business negotiation, all parties involved are intelligent, sensible, knowledgeable, and experienced, while the activity itself is a process which is extremely complicated, instantaneously changing, and it is a competition of wits and courage, also brown and brain. Therefore, to make opposite negotiators obedient, and willing or be forced to accept our requests is the key to succeed in negotiation, in other words, the necessity of applying psychology of persuasion into a business negotiation can never be overlooked. This paper analyses seven types of psychology of persuasion, from which thousands of negotiation strategies can be deduced.

Keywords: Business negotiation, Psychology, Persuasion

1. Introduction

People are born with certain types of psychology. Zoologists have found that most species tend to mechanically follow some regular behavior patterns, for example, oxen would become offensive when seeing red things. Once the switches controlling these patterns are turned on, people would operate like a machine and follow the behavior patterns. These fixed behavior patterns have effect on every aspects of our life, also, undoubtedly on the field of negotiation. In a business negotiation, when the side A manages to switch the innate behavior pattern of side B, it signals there’s no far for the side A from wining over the side B. Therefore, this paper aims to shed more light on how skillful negotiators utilize such a pattern and successfully persuade the other side to be obedient in a business negotiation.

The whole paper is divided into four parts. Part 1 briefly introduces the goal and the structure of the paper; Part 2 explains background information, relevant research progress, the reason why the author choose this topic or the added value of this paper; part 3 presents specific examples illustrating how psychology of persuasion works in business negotiation; part 4 comes to the conclusion of the paper, summary of the view as well as the limitations of the paper.

2. Literature Review

With the development of economic globalization, international business negotiation has pervaded into all corner of economic activities. Historically, there has never been a time like today when the well-trained negotiating personnel are needed. Western countries started earlier than China the research and studies on negotiation skills and theories. Early in 1960s, America set up the negotiation institute of national level, the negotiation center of Harvard University is responsible for the cultivation of senior negotiators for government and commercial companies. The relevant data suggest that 10 percent of population of developed countries are engaging in negotiation directly or indirectly. The professional negotiators in western countries account for over 5 percent( Tang, X. L., 2003). While for China, it didn’t open up to the outside world until 1978, thus started the relevant studies late. Many Chinese enterprises newly accessing to international market are quite strange to negotiation skills. Neglecting negotiating skills has brought irrevocable losses for many famous enterprises. Otherwise, international business negotiation has become one of the most important ways of communicating with foreign countries. Thus, much attention must be paid to international business negotiation skills and theories. To accommodate the needs of negotiating personnel, a few Chinese universities set relevant courses, but on the whole, there’s no a complete system on business negotiation teaching. The teaching materials are not very diverse and rich, the comparatively common one is the book *International Business Negotiation* by Professor Liu, in University of International Business and Economics.
In addition, negotiations are conducted by people, so studies on negotiation should pay a lot attention on psychology of participants. At present, in China, books specifying on negotiating psychology are rare. While a small sign may indicate a great trend, the author believes that the psychology of persuasion can not be neglected by any negotiator form any country. Under such circumstance, the author made this paper, hoping to make a little contribution to the relevant studies, as well as raise enough attention on psychology during negotiating process.

3. Psychology of Persuasion

Obedience is the tendency following others’ direct or indirect requirements. When doing the obedient activities, we may agree or disagree or feel indifferent towards requests proposed by others. For example, on a bus, the driver asks you to give your seat to an old man, you do as required. Maybe you are tired, you also want to take a seat and have a rest, but given considerations on morality or public opinion, you consent to his request, or you are persuaded. We find that we are easily to be persuaded to accept requests which we should have refused, like buying stacks of unwanted goods, ordering piles of magazines on which we never cast a glimpse etc. What is it on earth forces us to say “Yes” to these annoying requests? It is psychology of persuasion of human given by nature. Although there are thousands of negotiating strategies forcing the opposite negotiators to be obedient, most of them can be deduced from seven types of psychology of persuasion, each can impose great effect on people’s thinking and behaviors.

3.1 Hongmen Feast

Hongmen Feast is quite known to Chinese, it is a meeting designed by Xiang Yu(Qin dynasty) to trap and assassinate his rival Liu Bang. Now the proverb refers to banquet with ill intentions. While the “Hongmen Feast” in business negotiations means to diffuse the tension during negotiating through banquets, deliver sincerity to the opposite negotiators, thus they may be off their guard. For example, a factory planned to import glass shell, after negotiation, the buyer held a farewell party for the seller, the seller was moved, offered to cut down the price by 5%, thus buyer’s “Hongmen Feast” worked. Some negotiators talk about business during a banquet on purpose, forced by psychological pressure, the opposite negotiators don’t want to destroy the friendly atmosphere, have no choice but to hastily accept conditions. This strategy is much like launching a strike where or when the enemy is unprepared.

In above example, the buyer takes advantage of seller’s psychology named “mutual-benefit”. Mutual-benefit psychology is that when we accept someone’s grace, we would try to return back. Such a kind of psychology that we truly understand that along with favor is the sense of borrowing commonly exists among people. Similar examples are beyond list, like many supermarkets provide free samples of snacks or drinks, consumers can taste for free. Free samples may help improve the product’s popularity. Actually, it is also a gift, that’s what really matters, which can illicit consumers sense of borrowing, because they have tasted, they feel uneasy or ashamed to leave with just returning toothpick or cup. As long as salesman squeeze a bit more introduction in you, you can never control your feet. The sense of borrowing really sucks, you need a sound sleep!” Second morning, Yamada Ki began to treat Gaohan with the utmost hospitality. In the daytime, Gaohan visited from scenery comes heel of natural scenery, Gaohan visited from the emperor’s palace to shrine in Tokyo. Soon 11days have past, Gaohan began to realize he had fell into a trap, but he had no choice. During the two days left, Yamada Ki offered 8.5million$, but Gaohan wanted 9 million$, the negotiation came to a deadlock. Gaohan saw little hope for the negotiation. While on the way to airport when Gaohan returned to America, Yamada Ki said with seeming sincerity: “ to contribute to our first transaction, I propose to increase the price to 8.8 million$.” Therefore, both sides signed an agreement in the car. Upon his arrival, Gaohan’s general manager scolded: “the lowest quotation for the Japanese side should be 9.5million!” Yamada Ki made a plan at the beginning, first managed to know date of return, then deliberately delayed negotiation, thus left little time for Gaohan to think over. At last, knowing that Gaohan didn’t want to return empty-handed, Yamada Ki offered price concession and easily won trust. Japanese negotiators very excel at “Judo”, make requests along with
good etiquette and force the opposite side to accept their requests.

3.2 Fishing Stratagem

Fishing stratagem in business negotiation is to use favorable conditions to attract the opposite side at first, make them can’t help carrying the negotiation through to the end. For example, in a negotiation of complete set of technical equipment, the two sides first talked about price of technology transfer, the seller offered 140 million Yen, then settled at 95 million Yen. The negotiation only took 2 hours, obviously the buyer made a big concession on price, and the seller was very satisfied. But when it came to the equipment price, the buyer began to force the price down as possible as they can. The seller offered 1.3 billion Yen, while settled at 0.7 billion Yen. The seller said: “shouldn’t the price of technology transfer has been settled, I would never accept the equipment price!”

Naturally, the buyer is not as generous as they looks, they exactly take the advantage of seller’s psychology named “promise and fulfill promise”. Promise here means one promises to himself. Certainly, if the promise is made public, the influence would be greater. Everybody has the hope to match deeds with words, once we make a choice, we’d confront with internal and external pressure forcing us to insist as what we’ve promised. We all have such a kind of psychology: we hesitate before we pay for goods, once we pay, we feel more confident that our choice is right. In the short several minutes, our attitude has changed dramatically. The key is that we have paid, what we can do is nothing but persuade ourselves that we are right. As long as we made a decision, flinging caution to the wind and insisting on the decision can bring us a convenience: we don’t need to agonize over this any more. This is a strong appeal that few people can escape from it. Modern life is complicated, everybody wants to handle problems without hesitation and just go according to prescribed route, that would be time-saving and labor-saving. What’s more, the bigger efforts are devoted, the greater effect the decision has on people. In a negotiation, the two sides compete in wits and courage, as well as physical strength. So it would be the last thing to stop or break negotiating on the half way. Such strategies in business negotiation as “throw low balls”, “lubricant oil”, “lossless loss” etc. are utilizing the psychology of promise and fulfill promise.

Car salesmen usually tell you only a little more money, like increase from 1356000 RMB to 1376000 RMB, your new car can be equipped with advanced car audio. “I’ve spent so much on car, why should I risk losing my dreaming car only for such a small number?” The buyer would begin to persuade himself in his mind. Another example, you go to a cloth store for suits, normally, people think the shop assistant may show you the cheaper sweater first, then expensive suit, lest you are scared away by too high price. On the contrary, the clever shop assistant would show you the expensive suit first, then help you select tie, sweater…these much cheaper articles. But in the end, you will find that the small articles also cost a lot. Experienced negotiators like professional salesmen are good at using expressing skills like “bundling selling”. Imagine, under such circumstance like above example, can’t you buy a good audio with 2000 RMB by yourself? Such negotiators set a psychological mechanism at the beginning, wait for the opposite side to jump into it, then the opposite side would insist on his choice to the end.

3.3 Scarecrow

“All is fair in war”, the tactics comes from ancient Chinese, means to defeat enemy in an expectation through trickery or deceit. While this idiom is still in use today, as well as in business negotiations. “All is fair in business”, this transformed version is also common and more suitable for a business negotiation. The tactics “scarecrow”, to some extent, is a kind of deceptive means, that’s to spread rumors, create circumstances, bemuse opposite negotiators, and thus make obedience easy. For example, deliberately make adjustments on schedules and negotiating staff, let interpreters divulge information, make the existence of the third party known, thus set an “example” for the opposite negotiators, while the “example” is certainly “well-designed”. Some buyers make requests on the grounds of contracts signed in the past, sometimes it works. For example, in a negotiation on a deal of multi-tool dancing machine, a Germany company took out price list and contracts settled in last year, which made the seller lower price by 10%.

Generally speaking, when we feel uncertain, or the situation is unclear or accident-prone, we are most likely to follow others, and believe others’ choice is right. This is the psychology called “social identity”, which suggests that the more people holding an idea, the more correct the idea is for people holding this idea. For example, sellers usually arrange several assistants to blend in the crowd to promote sales; when shopping online, the seller would do his utmost to get favorable comments from customers, because these comments would be seen by other customers or intended customers; usually the TV station would insert “canned laughter” into a comedy when the laughter is needed, thus to liven the atmosphere. Though some people think the canned laughter is boring, we can never deny that we are easily to follow the laughter, sometimes even we don’t get the joke. People tend to look at others, especially when we feel the one is in the same situation, we are more likely to rely on examples of others.
There was a negotiation between a plastic bag factory in Shandong province of China and a Japanese textile mill. The Chinese side planned to purchase the production line of plastic bags, the Japanese side offered 2.4million$, in an arrogant air claimed that their production line adopted the most advanced technologies. After nine consecutive days, the price was reduced to 1.3million$, while the negotiation couldn’t go on. Faced with such a deadlock, the Chinese factory manager sent staff to contact with another European company, the well-informed Japanese soon discovered this, and put forward price reduction for fear that they may lose the deal. While the Chinese side learned that several foreign companies were competing in selling production lines in Qingdao province, thus planned to make use of such favorable situation and advance step by step. The Japanese side was irritated by noncompliance of the opposite, thumped the briefcase down on the table. Seeing this, Chinese represents said in a polite but serious tone: “Sir, neither your offer or your attitude is unacceptable.” and threw his case on the table too. The zipper of case was undone on purpose, thus a bag of profiles of the western company covered the ground. It went without saying that the Japanese side immediately lowered price, the two sides reached an agreement at 1.1million$. Usually at the final phase when the result comes close to negotiators’ expectations, both sides would like to end the negotiation as soon as possible. At the last moment, the appearance of scarecrow informs opposite side the existence of competitors, let them realize that they are not the only one planning to deal with the people in front of them, thus make them insist on their decisions, and strengthen cooperation desire.

3.4 Preference

Most of us are more likely to accept requests from people we are familiar with or we like. This psychology is commonly exist among people. In business negotiations, personal charm can also increase the obedience rate of the opposite side. The ways to win favor generally come from the following three:

3.4.1 Physical Attractiveness

No one would refuse the beautiful thing. Whether we deny or not, well-looking people indeed have the advantages in social communication. A man of good looks can easily gain favor from others, for example, adults would regard mischief played by a smart kid as lively performance, while for the plain kids, are more likely to provoke rebuke or even punishments. A man of good looks can easier get help even from people of the same sex. Therefore, making-up lessons are included in sales training, and the salesmen are usually not ugly. Similarly, negotiating represents are the major participants of a negotiation, personal charm plays an important role in mode, style and effect of a negotiation. Firstly, the negotiators should be fit in health, and energetic in spirit, looks shining and confident when entering meeting place, thus arouse the interests of the other side and liven atmosphere. No matter who you are, you should show respect to everybody present, express you sincerity, elegant but not reserved, modest but not humble; secondly, manner of speaking can tell a man’s disposition. Words from a man with pleasant disposition must be tenable, reasonable, substantial and interesting. Remarking impertinently or screaming vulgarly can never be charming; thirdly, a man keeping clean and tidy is more easily to make friends, this enchantment is not limited to appearance or clothing, but the revelation of inner character; finally, the expression is another tool of exchanging thoughts and feelings. The eyes are the windows of the soul, thus if others feel calm and sincerity from your eyes, they would trust you; if you always avoid others’ eyes, dare not look into the others’ eyes, you may provoke their doubts.

3.4.2 Similarity

We prefer those who share same things with us. People with same backgrounds, hobbies, habits etc. are more likely to attract us. The facts that young people tend to go to cloth stores with young assistants or barbershop with young hairdressers can tell it all. These similarities may not worth mentioning, but can completely reverse your attitude, because you can get thought resonance only by being with those people, and usually they can understand you better. For example, when training the new car salesmen, the company would remind them pay attention to customers’ old car, if there is camping equipment, the salesman may mention something about camping in the conversation; if there is a photo of a little girl, the salesman can directly take the kid as customer’s daughter and start conversation from his daughter in a kindergarten; if there is a golf at the back seat, the salesman would prey a good whether, because he has made an appointment with friends to play golf the next day; if the customer casually mentioned his birth place, the salesman may say in a surprised tone that he or his wife also came from the same place. In business negotiation, collecting and analyzing information of opposite major negotiators before hand are necessary. The information here mainly refers to personal information like character, hobby, living habit or family situation etc. With these information, negotiators can find or intend to find similarities with the opposite negotiators, also, add more topics into communication. These similarities may be trivial, but they can work well, because they may increase liking thus improve obedience.
3.4.3 Familiarity
A businessman may never count on making fortunes from small businesses, but through these small businesses, they can set up customer resources. Though the profits brought by small orders even cannot make up the time and energy of making calls, while once the order is signed, the intended customer would become real customer. For example, the large chain fast food restaurant MacDonald accommodates extremely large amount of customers. Among the customers, 72% (Zhu, Z. N. H., 2010) are called “happy customers” by MacDonald, which would go to MacDonald at least once a week, while 22% are called “super-happy customers”, they would go to MacDonald more than 10 times a month. Of total consumption, 75% comes from super-happy customers. Another example, about 15% of annual consumption of P&G, a company famous for its baby-care products and daily-use products comes from only one corporate, Walmart. In addition, 30% of consumption comes from the top ten customers. That is to say, even the big corporates like P&G depend on a single or several customers. Thus in business contacts, establishing long-term and familiar partners are very important, and investment in relationship should be highlighted. There are three basic standards measuring whether a negotiation is successful or not, realization of expected goal, negotiation expenditure, and relationship-maintenance, the last one is the most easily neglected. The fundamental issue in a negotiation is “suffer loss” and “take advantage”, a good negotiator would settle the problem from a long-term point of view. When the negotiation is on the verge of breakage, the good negotiator would take this loss as investment in relationship. In addition, extend regards to business partners, like send congratulation letter or congratulatory telegram when he gets promotion, thus to maintain relationship.

3.5 Expert Effect
In a spring export commodities fair, a foreign businessman came to negotiate with a Chinese company on light industrial machinery and equipment. The businessman didn’t very trust the quality and sales of the Chinese company. The Chinese represent said: “you must know ×× manager in your country? He is a famous expert in light industrial machinery.” Then the Chinese represent listed similar cases from which the famous manager had made profits. On that night, the foreign businessman returned to hotel and confirmed what he heard in negotiation. On the second day, the foreign businessman signed contract happily.

In above example, the Chinese represent utilize the psychology of “expert effect”. In many cases, when the orthodox authority plays a role, related considerations would become unrelated. For example, in medical field, the doctor who is professional and influential enjoys the respected authority status. Nobody tend to reject a doctor’s judgment except another more experienced doctor. Thus, subordinate medical staff generally would accept all orders from the doctor without doubts. However, there’s a case reflecting a warning. A doctor prescribed drops for a patient who got right ear inflammation. He abbreviated “right ear” into “Rear”. With the prescription, the nurse put the drops into patient’s anus. With inflammation in ear, while the anus was treated, such unreasonable practice is not enough to arouse doubts of the nurse and patient, instead, they believed in doctor’s authority.

In business negotiation, “expert effect” is the strategy to utilize the psychology of believing in authority, improve company’s image through expert’s fame, status and profile, thus to win trust and reach agreement. That’s why many negotiators would show as many “titles” as possible like “China Top 100 Outstanding Enterprises”, “China Famous and Excellent Product”, “Green Recommended Product”, “National Top 10 Brand” etc. at the beginning of negotiation. In many cases, lots of persuasion is far from a piece of paper. Although the weight of these certificates need verifying, people tend to deceive themselves that these papers cannot represent nothing. Also, only if believing in the certificate, people can save thinking over the issue any more. In negotiation, like certificates such symbols of authority can increase the other party’s obedience.

3.6 Ultimatum
Ultimatum in business negotiation is when the negotiation cannot go on because of disagreement, a certain side can propose a new term or a limit on time as the decisive condition and force the opposite side to make a decision, which is also called “brinkmanship”. For example, some negotiators may say: “We must make a decision before the end of today, so please give a consideration to our offer. If we don’t receive your reply, we’d think about cooperating with other company.” At the same time, take such actions as packing luggage, checking out of the hotel, ordering tickets or buying specialties etc.

Fear for losing a thing can be more efficiently motivate people compared with the desire to get the thing, this is power of “scarcity”. For example, we often stop the present conversation to pick up a call from a stranger, because if we don’t listen to the call, we may loss the information the call can bring us, even though the present conversation is very interesting and important. Every time the phone rings, reminds us of the fact that the chance we can listen to the
voice is reducing, such an “scarcity” makes us cannot disregard it. Another example, people are often encouraged to
get physical examination, but the diseases identified out may not be cured. To avoid these worries, people simply
reject the physical examination. While for doctors, if they put more emphasis on losses of refusing the examination
rather than the advantages of taking the examination, better results can be reached. Studies show that people
generally believe that loss weighs more than earning, that is, compared with earning, people care more about loss.
While both loss and earning are closely related to reference point, thus attention should be paid to the expression of
reference point in business negotiation. Imagine a house owner plans to sell his house, certainly, he would prefer to
set the reserve price as 0.18million$ and accept 0.19million$ rather than set the reserve price as 0.2million$ and
accept 0.19million$, because he may take the risk failing to sell the house. The studies on labor negotiations show
that compared with reference point, when the labor contract performs loss, the negotiation more easily comes to a
deadlock. Also, express the negotiation result as loss would increase the rate that people refuse the offer which is
lower than reference price but higher than reserve price, this also explains that why people argue less on “double win”
then “double loss”.

In business negotiation, “ultimatum” means to deliver final offer such as concession on price, date of signing
contract, date of delivery, terms of payment and so on, make it clear that if you accept the offer, we sign agreement,
or we stop negotiating. Simply put it, use pressure of losing the deal to force the opposite negotiators to make a
decision. Intelligent negotiators agree with this kind of “threaten”, in addition, they avoid using the word “threaten”
directly, instead, they adopt the skill in subtle ways. Usually, there are many kinds of ways to expressing a same
meaning. In a business negotiation, if it’s necessary to illustrate the possible consequence of certain decisions, an
intelligent negotiator would merely point out the possible consequences which are out of his control.

3.7 Inferior

We are familiar with the physics experiment: put your left hand in cold water, right hand in warm water, then put
both hands in water of normal temperature. Though two hands are in the same water, the left hand would feel warm,
while the right hand would feel cold. This experiment explains that based on nature of previous happenings, same
thing would look different. In business negotiation, this can be adopted as a strategy. For example, a clothes factory
knows either the style or quality of its products are not attractive, while the represents still actively ask for high price.
Of course, the buyer doesn’t agree. The represent pretends to stand in buyer’s shoes and say in sincerity: “There are
other styles at the same price, you can refer to the sample drawings if you like.” On glimpse of the drawings, the
buyer shows interests immediately, because many original products at the same price are showed. Actually, products
later showed to the buyer are the seller truly want to sell.

The physics experiment mentioned above illustrates that “contrast” can change people’s feeling, and in above
negotiating example, the seller exactly takes advantage of this strategy. We feel sugar sweeter after eating sour grapes,
because sour grapes set a base for sugar, that’s to say, the contrast between grapes and sugar signifies people’s feeling
towards sugar. For example, real estate firm would keep several unpleasant flats not for sale. Sales staff would show
intended buyers these flats with high price and poor conditions first, then lead intended buyers to flats they actually
want to sell. Contrasted with the previous flats, the later ones would looks cheap and fine. This principle works well,
also, it is imperceptible. In business negotiation, show the inferior first, and imperceptibly change the attitude of
opposite negotiators.

In a negotiation between an American company and a Chinese cable factory on sales of Oxygen-free combined
furnace, Chinese represents took out material about that the American company sold the combined furnace to a
Hungarian company at 0.95million$ two years ago. Chinese represent said in a calm mood: “Of course we know it is
impossible to buy the furnace at price set two years ago, it is unfair. We know the annual index of price rising is 6%,
two years later, the price of furnace should be 1.067million$, but in view of future cooperation, we would like to
increase the price to 1.07million$.” At last, the deal was made at 1.07million$. Obviously, in this negotiation, the
Chinese side gained the initiative. First, they took the previous deal for example, gave consideration to price rising,
thus got the edge in reason. Next, they made concession, actively increased price, thus got the edge in emotion.
Actually, the Chinese side was in a dominant position through the whole negotiation. More important, they set a
reference point for price at the beginning, let American represents adjusted attitudes constantly according to the
reference point.

4. Conclusion

Negotiation is a science that attaches equal importance on theory and practice. Theoretically, it is of high integration,
Involves economics, management science, psychology, behavioral science, logic etc.; practically, it is an applied
science solving practical problems. Negotiation has also been considered as an art conducted by talents, to some
extent, it is now. And negotiators are regarded as experts in “forcing you to say ‘Yes’ ”. However, the negotiation is of regularities and principles though it is flexible and creative. In addition, all negotiations are conducted by people, thus to win a negotiation, attention should be paid to negotiation itself as well as the participants. People’s behaviors are complicated, but also understandable and predictable.

This paper takes negotiation as a psychological war, through specific examples, analyses people’s seven basic types of psychology, more specifically, psychology of persuasion i.e. “mutual-benefit”, “promise and fulfill promise”, “social identity” “preference”, “ expert effect”, “ scarcity” and “contrast”. As people are born with these types of psychology, in the business negotiation, negotiators can utilize the opposite negotiators’ psychology above mentioned, thus to persuade the opposite side, increase negotiating efficiency and win the negotiation.

Frankly speaking, due to the limitation of time and research materials, there exists the room for this paper to improve. First, the references mainly come from Chinese books, thus the analysis may not be very comprehensive; second, the references are not latest books, thus the data and analysis need to be updated. For further research, the author will collect latest data from a larger scope.

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