
Haggling

By Lothar Katz

Jamal: "I give you a special price: 90!"

I: "You've got to be kidding! 90?! It's worth not even half that."

Jamal: "What? I'm offering you a great deal here! Tell you what: I like you, so I give it to you for 85."

I: "Not even close. Make it 30 and we have a deal."

Jamal: "Are you trying to rob me? 80 is the absolute lowest I can go!"

...

[We ultimately settled at 42 — a long time later.]

Bargaining¹ is an important and necessary exchange in every negotiation. We bargain to identify expectations, find common ground, and ultimately reach an agreement that will allow us to close the deal and move forward. While individual negotiation styles determine how competitively or collaboratively this exchange is conducted, the principal approach follows the same pattern all over the world.

Nevertheless, some of you may have rolled your eyes at Jamal's 'needlessly drawn-out and ineffective' haggling², as you might see it, in the above dialog. In contrast, others might have enjoyed the extensive bargaining exchange between Jamal and me. Others again could be wondering why I chose such a 'normal' exchange as my entry point for this article.

Such perspectives depend on individual views and preferences. But don't assume it's simply your own doing: whether you prefer quick bargaining, extensive haggling, or something in-between probably has as much to do with your cultural background as with your personal style.

Haggling Preferences

Negotiation research has revealed strong cultural forces that influence the bargaining exchange, the magnitude and frequency of concessions, and the duration of the overall process. Most Arabs, South Asians, and East Asians, for example, as well as many Africans, enjoy extensive haggling. Many employ the approach not only in everyday situations, such as in a street market, but also in major business negotiations. While they take the outcomes as seriously as everyone else, the exchange to them is a game that's being played between the parties. The purpose of the game is to get to know each other better, to demonstrate patience, persistence, and wits, to try and outsmart the other, and, last not least, to have fun doing all that.

On the flip side, members of haggling-averse cultures, for instance Australians, Canadians, or Scandinavians, expect the bargaining exchange to start with a 'serious' demand or offer, one that reflects the real objectives of the other negotiating party. They tend to take extreme opening offers or excessive haggling as signs that there is no serious interest, sometimes ending negotiations prematurely because of this.

Adjust Your Style, But Know Your Limits

The obvious consequence: effective international negotiations require recognizing others' preferences and adjusting one's style. For instance, excessive haggling could cause your haggling-averse counterparts to lose interest. With others, paradoxically, refusing to haggle might lead to the same outcome.

When preparing to negotiate, give some thought to your haggling preferences and decide how flexible you can, and will, be. Greater flexibility will likely make you more effective, but only as long as you remain controlled and balanced in the exchange. If things go too far, it's sometimes better to walk away than to negotiate with great discomfort. You might not have liked the outcome anyway.

¹ **Bargaining** is the process of exchanging offers in order to negotiate the terms of a purchase, agreement, or contract. Offers made in the bargaining exchange constitute promises to provide tangible or intangible individual items, such as products, materials, properties, services, payments, warranties, or deadlines. Commonly referred to as concessions, these offers are usually contingent upon receiving certain benefits in return.

² **Haggling** is defined as extreme bargaining and often includes repetitive patterns of small incremental requests or offers. Partners in international negotiations may unfortunately not agree on what constitutes 'extreme' in this context. People in haggling-averse cultures might consider more than three subsequent offers as excessive, while cultures whose members enjoy haggling could consider ten or more such iterations as normal bargaining.

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