

Teacher Overview

Negotiating skills can be important to the success in the marketplace of business owners and consumers. In The Negotiating Game students will engage in buying and selling, making real transactions in order to experience what Win-Win looks and feels like, as well as looking at the market consequences. Small business owners frequently must negotiate with suppliers, vendors, employees, key partners and customers. Being a good negotiator requires many of the skills that are a part of the YE program, like networking and soft skills, and knowledge of your position and your trade partner. The ability to recognize opportunity and use sound judgment to create value, trading in a principled manner. One important thing to remember when negotiating is that, although we are representing our own interests, negotiation is about compromise and creating value in the marketplace through mutually beneficial exchange. These win-win trades or, in some cases, negotiations are a key component to long-term success. We should always avoid the mindset that the person we are negotiating with is our enemy or adversary. We want to do business with the other person again and again, so we must make sure both parties benefit from the results.

When to Use This Lesson

This activity can be used at any time during the course but works best after the CPV Triangle activity.

Time

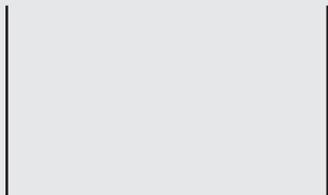


*for two rounds

BEFORE CLASS PREPARATION:

- > Write on a whiteboard or chart paper "Negotiating Game", with two lines underneath. Large enough for class to see.

Negotiating Game



MATERIALS

- > Large chart or poster paper, white board etc., with CPV Triangle template on it
- > Dry-Erase Marker or Sharpie appropriate for writing on board
- > Two small post-it notes or pieces of paper per student
- > Candy or other inexpensive products for students to buy-sell

FOUNDATIONAL VALUES

- > Be Principled
- > Win-Win
- > Sound Judgment

LEARNING OBJECTIVES

- > PE LO 1c, PE LO 2, PE LO 2a

KEY TERMS

- > Negotiation
- > Sellers profit
- > Buyers profit

ROUND 1 DEBRIEF

- > Hold a class discussion on which trades represent “win-win”. Point out that price just allocates profit in an exchange, but that trades made above the sellers cost and below the buyer’s value are all win-win. Both parties gained in the exchange.
- > Now discuss any trades made below the sellers cost or above the buyer’s value (win-lose). Any trades made in these areas were made at a loss for either the seller or the buyer. The seller may go out of business if they continue to make trades below cost. (You could also talk about sound judgment here.) What about the seller who was about out of time, so they sold below cost to avoid not making a trade and losing the 9 cents (sunk cost), selling below cost to minimize their loss, and sellers who may sell certain items below cost to promote the sale of other items (loss leaders)?
- > You can point out that buyers who purchased above their value are not likely to trade with that seller in the future, so the seller loses the opportunity for repeat business and long-term gain. The buyer is also likely to not trade again, feeling a sort of buyer’s remorse or dissatisfaction with the trade.
- > Last, discuss the trade opportunities that were missed (lose-lose) where the buyer and seller could not reach agreement (represented by the post-it’s with the “X” on them). These represent lost opportunities where neither the seller or buyer profit.
- > Optional: You may wish to add to the discussion further by discussing what the market consequences might be of these win-win, win-lose and lose-lose trades in the real world. Is a win-lose trade better than a lose-lose trade? Many times, a win-lose can have more negative consequences as the party who didn’t profit feels cheated or taken advantage of (perception or reality), possibly leading the seller out of business or to make other business decisions that negatively impact the market, or possibly leading the buyer to, not only cease trading with this seller, but to tell others in the market to not do business with this seller. Ask the class if they have ever stayed away from a business due to the negative experience of their friends or family.
- > Hold a second round with the sellers now acting as buyers and the buyers now acting as sellers. It is usually best to use a different product with different sellers cost and buyer value.

ACTIVITY DEBRIEF

- > Is it possible to negotiate win-win trades?
- > If I win, why should I care if someone else loses?
- > Are their market consequences for negotiating win-lose trades? What are they?
- > If I win in a trade with a retailer and the retailer loses, it’s ok because the retailer is a bigger business and they can afford it. Do you agree or disagree with this statement? Why?
- > How did you find out what the other person wanted (valued)? Did you ask?
- > Did you respond to objections?
- > Would you trade with the people you traded with again? Why or why not?
- > While negotiating did any of the sellers think about creating a relationship with the buyer that would result in the buyer being a “raving-fan customer”?
- > Would it be using sound judgment to sell at cost or to sell at a loss? Explain.
- > Would you ever want to sell at cost? Buy at cost (your max. value)?
- > Would you ever want to sell at a loss? Buy at a loss (above your max. value)?
- > What knowledge should the seller always have before negotiating?
- > What knowledge should the buyer always have before negotiating?