Win-win in distributive negotiations:

The economic and relational benefits of strategic offer framing

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Abstract

In distributive negotiations, people often feel that they have to choose between maximizing their economic outcomes (claiming more value) *or* improving their relational outcomes (having a satisfied opponent). The present research proposes a conversational strategy that can help negotiators achieve both. Specifically, we show that using an offer framing strategy that shifts offer recipients' attention to their reservation price (e.g., "*How does my offer compare to your minimum price*?") leads to both (a) an assimilation effect whereby recipients make more favorable counteroffers (economic benefit) as well as (b) a contrast effect whereby recipients feel more satisfied with the negotiation (relational benefit). We find evidence for the effectiveness of this conversational strategy across four experiments (N=1,522) involving different negotiation contexts (real estate, restaurant sale) and participant samples (MBAs, sales agents, online participants), and also document negotiator power as an important boundary condition. Overall, our research suggests that economic and relational benefits do not have to be mutually exclusive in distributive negotiations, that the perceived extremity of an offer is subjective and can be strategically influenced, and that assimilation and contrast effects can operate simultaneously when they relate to separate outcomes.

Keywords: negotiation, first offer, framing, satisfaction, power, reservation price

Negotiation is an inherently economic activity involving the exchange of scarce resources between parties with different interests (Pruitt, 1981). For example, in many buyer-seller transactions, sellers want to sell at the highest possible price whereas buyers prefer to pay the lowest possible price. Yet, negotiation is also an inherently relational activity. Negotiators want to feel good about themselves, the negotiation process, and their counterpart (Curhan, Elfenbein, & Xu, 2006). A seller may not just care about the final price but also about how the buyer treated them during the negotiation.

Negotiators often assume that maximizing economic gains will hurt their relationships in "distributive" negotiations, which involve competitive issues where parties' preferences are diametrically opposed. Indeed, when we asked 136 individuals to imagine a buyer-seller transaction and indicate their agreement with the statement *"the less money the buyer offers the seller, the less happy the seller will be,"* an overwhelming majority (86%) agreed and the overall level of agreement (M=5.63; SD=1.31) was well above the midpoint of the 7-point scale, $t(135)=14.52$, $p<0.001$ (see Supplemental Online Materials).

Consistent with the findings from our survey, past research on distributive negotiations shows that strategies which maximize economic gains such as expressing dominant emotions and making ambitious first offers increase negotiators' economic gains but hurt the relationship between negotiators (Hart & Schweitzer, 2019; Hüffmeier, Freund, Zerres, Backhaus, & Hertel, 2014; Schweinsberg, Ku, Wang, & Pillutla, 2012; Van Kleef & De Dreu, 2010). Moreover, recent research found that negotiators who pushed for more favorable agreements not only risked greater relational costs during the negotiation, but also undermined their counterpart's motivation and productivity afterwards (Hart & Schweitzer, 2019). This research also noted that "softer, more concessionary strategies […] often lead to better affective and relational outcomes" but they "may not lead to high economic outcomes" (p.3). Thus, our survey and past research jointly suggest that negotiators assume that

economic gains and relational outcomes are in conflict and that negotiators should sacrifice their own economic gains to maintain the relationship.

Based on earlier work showing that economic outcomes and subjective evaluations can be disconnected (e.g., Galinsky, Mussweiler, & Medvec, 2002; Schaerer, Swaab, & Galinsky, 2015), we propose that negotiators may be able to win both economically *and* relationally by framing their offers strategically. Specifically, we posit that negotiators who make a first offer and shift their counterpart's attention to their reservation price (e.g., "*How does my offer compare to the minimum price you would be willing to accept*?") can receive more favorable counteroffers but also increase their counterpart's satisfaction by shifting their attention to a lower reference point. We test this idea in four experiments using different recipient-focus manipulations (exogenously and opponent induced), different negotiation scenarios (real estate, restaurant sale), and different samples with varying levels of experience (MBAs, sales agents, online participants).

Our research makes important theoretical contributions. First, we show that economic and relational benefits are not mutually exclusive in the context of distributive negotiations and that strategic offer framing can help negotiators achieve both. This finding extends earlier research showing that changes in negotiator focus can differentially affect negotiators' deals and evaluations (Galinksy et al., 2002) by demonstrating that these insights can also be used as an interpersonal negotiation strategy. Moreover, we extend this research by showing that negotiators are not naturally inclined to use this strategy and by documenting negotiator power as an important boundary condition that attenuates (and even reverses) these effects. Second, this research contributes to the growing stream of research on offer framing in negotiations (Majer, Troetschel, Galinsky, & Loschelder, 2019) which examines how different offer frames can elicit greater cooperation. Third, we extend research on judgment and decision making, which typically assumes that assimilation and contrast effects tend to be mutually exclusive (Chapman & Johnson, 1999; Förster, Liberman, & Kuschel, 2008) by

demonstrating that both processes can operate simultaneously when they pertain to different outcomes. Finally, this research has practical value because negotiators know few distributive strategies that do not come at either an economic or relational cost.

Outcomes and Evaluations in Distributive Negotiations

A central assumption of negotiation research and practice is that economic outcomes and negotiators' satisfaction are deeply intertwined and mutually exclusive in distributive negotiations (Brett & Thompson, 2016; Thompson, Wang, & Gunia, 2010), such that strategies that improve economic gains hurt relationships, and strategies improving relationships hurt economic gains. Negotiators are therefore often advised to either claim value or to build relationships (e.g., Keiser, 1988; Thompson, 2011)

In contrast to this advice, we propose that claiming more value and having a more satisfied opponent do not need to be mutually exclusive. We base this argument on research suggesting that economic outcomes and subjective evaluations are sometimes disconnected, implying that it is possible to improve both economic gains and relationships (Ames & Mason, 2015; Galinsky et al., 2002; Lee & Ames, 2017; Neale & Bazerman, 1983; Shirako, Kilduff, & Kray, 2015). For example, Lee and Ames (2017) found that using constraint-related rationales ("*I can't pay more*"), compared to disparagement rationales ("*It's not worth more*"), increased both accommodating negotiation behavior and trust by the counterpart. Furthermore, Galinsky et al. (2002) showed that negotiators' outcomes and evaluations are disconnected, such that negotiators who focused on a high anchor reached better deals but were less satisfied compared to negotiators who focused on a low anchor.

Building on the idea that outcomes and evaluations may are not always be opposing forces in distributive negotiations, we propose an interpersonal offer framing strategy that shifts negotiators' attention to their bottom line (i.e., "*How does my offer compare to the highest possible price you can afford / lowest possible price you're willing to accept*?"),

which should cause the offer recipient to both make less ambitious counteroffers *and* leave them more satisfied with the negotiation.

Win-Win through Strategic Offer Framing

Negotiation outcomes are typically compared, coded, and evaluated relative to reference points (Neale & Bazerman, 1991). A critical reference point in negotiations is the reservation price (White, Valley, Bazerman, Neale, & Peck, 1994), which refers to a negotiator's bottom line and helps them determine when to walk away from a negotiation. Negotiators are advised to secure outcomes closer to advantageous reference points such as their target price (e.g., their ideal outcome) and farther from disadvantageous reference points such as their reservation price (Thompson, 2011). We propose that the effectiveness of shifting others' attention to their bottom line relies on two distinct psychological processes–assimilation bias and contrastive evaluation–which in turn affect the offer recipient's economic decisions and subjective evaluations.

Offer Framing and Assimilation Bias

First, we propose that senders who make an offer and shift the recipient's focus to their reservation price create an *assimilation bias* in the recipient's counteroffer. For example, when a sender makes the recipient's reservation price more salient by asking the recipient to explicitly think about it, recipients anchor on this disadvantageous reference point, insufficiently adjust away from this low anchor, and make less ambitious counteroffers.

Research has repeatedly shown that salient reference points have pervasive effects on economic decisions by acting as anchors that influence subsequent judgments through a process called assimilation (Tversky & Kahneman, 1974). Assimilation occurs because people insufficiently adjust away from a salient anchor (Epley & Gilovich, 2006) by making anchor-consistent information more accessible (Mussweiler & Strack, 2000) and because anchors can alter people's "mental rulers" on which they make judgments (Frederick & Mochon, 2012).

Evidence of assimilation has also been documented in negotiations. Indeed, reference points such as alternatives and market information can be dominant cues that affect decisions in negotiations (Blount, Thomas-Hunt, & Neale, 1996). For example, in distributive negotiations, the value of the first offer is strongly correlated with negotiation outcomes (Gunia, Swaab, Sivanathan, & Galinsky, 2013; Schaerer, Loschelder, & Swaab, 2016) because negotiators anchor on the value of the first offer and insufficiently adjust away from it. Thus, an offer framing strategy whereby the offer sender shifts the recipient's focus on their reservation price should bias the recipient towards this reference point, cause less ambitious counteroffers and result in worse negotiation outcomes.

Offer Framing and Contrast Effects

Second, we propose that the same strategy that causes assimilation in counteroffers can simultaneously lead to *contrast effects* in subjective evaluations. Contrast effects suggest that "presenting a context stimulus changes the adaptation level of the judge so that the perception of the target stimulus is altered" (Mussweiler & Strack, 1999, p. 137). The philosopher John Locke (1690) was one of the first to document the basic logic of the contrast effect; he noted that lukewarm water can feel cold or hot, depending on whether one's hand has previously touched hot or cold water. More recently, Medvec, Madey, and Gilovich (1995) showed that Olympic medalists winning bronze medals were more satisfied (because they just made the top 3) than those winning silver medals (because they missed gold).

The logic of contrastive judgment demonstrates that most evaluations are relative and that people compare their outcomes with available and salient evaluation standards because objective outcomes are difficult to judge without context (Loewenstein, Thompson, & Bazerman, 1989). Similarly, in negotiations people often evaluate their outcomes using contextual cues to determine how well they did. For instance, negotiators with low performance expectations were more satisfied with their agreements than those with high expectations (Oliver, Balakrishnan, & Barry, 1994), and negotiators who compared their

outcome to a high value were less satisfied than those who compared it to a low value (Galinsky et al., 2002). Thus, contrastive comparisons can make people subjectively happier about economically worse outcomes.

We predict therefore that when senders make an offer and ask the recipient to compare the offer to their reservation price, recipients evaluate the sender's offer more positively because the relatively disadvantageous reference point of the reservation price serves as a low comparison standard. Conversely, when senders make an offer and ask recipients to compare the offer to their target price, a relatively advantageous reference point that serves as a high comparison standard, recipients will evaluate the offer as a loss, resulting in less positive evaluations. Senders are therefore more likely to reap both economic benefits (more attractive counteroffers) and relational benefits (more satisfied recipients) when asking recipients how their offer compares to their reservation price rather than their target price or using no framing strategy.

To demonstrate the counterintuitive nature of the proposed strategy, we coded a sample of 152 interactive negotiations amongst 304 MBA students and found that only very few used a reservation price framing (N=4, 1.32% of all negotiators) or a target framing (N=6, 1.97% of all negotiators) when making their offers (see Supplemental Online Materials). To examine what negotiators would do when they need to choose between these two frames, we presented three different samples of MBA students (N=234), undergraduates (N=136), and MTurk participants (N=107) with a recruiting negotiation scenario and asked them whether they preferred to use a target price or reservation price framing. The overwhelming majority preferred the target price framing (MBAs: 68.8%; Undergraduates: 84.6%; MTurk: 88.8%). When we asked the undergraduate sample why they preferred the target frame over the reservation price frame, two-thirds (60.1%) mentioned that they did so due to relational concerns (e.g., not offending their counterpart, being polite). Together, these findings show that negotiators are not naturally inclined to use a reservation price framing, even when it is

an explicit option. Despite the fact that most people were worried about offending the other party with a reservation price frame, our studies ironically show that it is exactly this frame (and not their preferred target frame) that increases their opponent's satisfaction.

Overview of the Present Research

We tested our predictions across four experiments. In Study 1, MBA students participated in a real estate negotiation and tested the prediction that shifting offer recipients' focus on their reservation price would cause both less ambitious counteroffers and more positive evaluations of the offer they received. Study 2 sought to replicate this effect with both online participants (Study 2a) and experienced negotiators (Study 2b) when the reservation price focus was induced by the counterpart. Finally, Study 3 aimed to replicate the effect in a different context and established recipient power as a boundary condition.

We calculated required cell size based on the conservative assumptions of a small effect size (f = .10) and a required power of .90, resulting in approximately 84 observations/cell. Across studies we therefore aimed to recruit 100 participants per experimental condition, with the exception of Study 1 in which the sample size was even larger due to the fixed MBA cohort size. We report all measures, manipulations, and exclusions. Sensitivity power analyses and manipulation checks are reported in the Supplemental Online Materials. Data, syntax, and materials can be accessed at: https://osf.io/cm48t/?view_only=bb1f1f3fb398411ca5e8ff12a7105082.

Study 1

Study 1 tested the hypothesis that offer recipients make less ambitious counteroffers but will be more satisfied when they are asked to focus on their reservation price.

Participants and design

Participants were 444 professionals (mean age=28.81; *SD*=2.33; 34.9% female) enrolled in an MBA program. Participants were randomly assigned to either a target-focus, reservation price-focus, or control condition.

Procedure and experimental manipulations

Participants received the study invitation via email and completed it online, outside of class. The negotiation was a single-issue distributive negotiation involving the price of a condominium. Participants were sellers (offer recipients) who had to sell a 3-bedroom condo by negotiating with a potential buyer (offer sender). The target price at which the condo could sell was $520,000 and their reservation price was $380,000 because this was the best offer from another buyer.

We adopted a negotiator focus manipulation from past research (Galinsky et al., 2002). Participants in the *target-focus condition* were told "successful negotiators recommend that you should focus on your target price during the negotiation" and briefly described their target price and what it meant for their upcoming negotiation. In the *reservation price-focus condition*, participants read that "successful negotiators recommend that you should focus on your walk-away price during the negotiation" and briefly described their reservation price and what it meant for the upcoming negotiation. To test whether a reservation price frame would improve outcomes above and beyond using no strategy, we also added a *control condition* in which participants did not receive any additional information or prompts.

Next, all participants were informed that the potential buyer offered $450,000 and then completed our dependent measures.

Measures

Counteroffer. Participants were asked "What is your counteroffer to the buyer?" and entered their offer in a textbox. Lower counteroffers are more favorable for the buyer.

Satisfaction. Our second dependent measure was participants' satisfaction with the offer they received. Participants indicated how *happy, satisfied,* and *pleased* they were with the offer (1=*not at all*; 7=*very much*). The three items were combined (α=.90).

Results

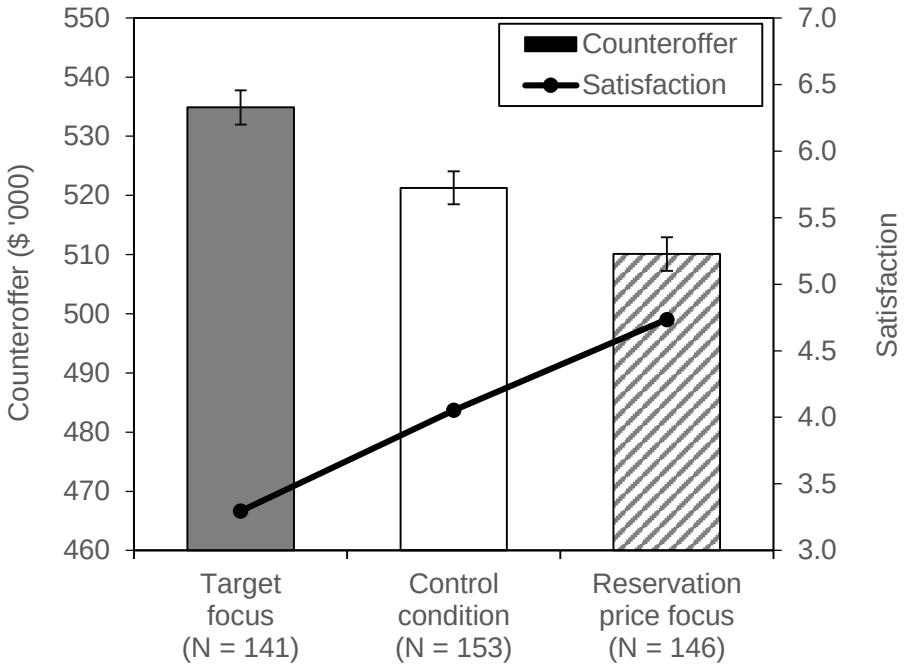
Because one of the dependent measures was numeric, we used a two-step data cleaning approach to reduce the influence of extreme values for counteroffers. First, a research assistant unfamiliar with the research corrected decimal errors. Because we did not restrict participants' counteroffers to a specific range to better capture their intuitive behavior, some participants used different units (e.g., entered $480 instead of $480,000). Second, we followed past negotiation research to exclude values that deviated more than 3*SD*s from the condition mean (Schaerer, Schweinsberg, & Swaab, 2018; Schaerer et al., 2015). We applied this procedure across all studies. In Study 1, four outliers were dropped and we analyzed the remaining 440 observations.

We predicted that negotiators who focused on their reservation price would lower their counteroffers but be more satisfied relative to the other two conditions. This is what we found (Figure 1). A 3(focus: reservation price vs. control vs. target) × 2(outcome: counteroffer vs. satisfaction) mixed-design ANOVA produced a significant interaction effect, $F(2, 437)=18.69$, $p<.001$, $\eta_p^2=.08$.

Negotiators who focused on their reservation price made less ambitious counteroffers (M=510,092, SD=36,206) than those in the target-focus condition (M=534,880, SD=31,608), $t(437)=6.11$, $p<.001$, $d=.73$, and those in the control condition (M=521,283, SD=35,019), $t(437)=2.81$, $p=.005$, $d=.31$. Negotiators in the target-focus condition made more ambitious offers than those in the control condition, $t(437)=3.39$, $p=.001$, $d=.41$.

However, we found opposite patterns for satisfaction. Negotiators who were asked to focus on their reservation price were more satisfied with the offer they received (M=4.74, SD=1.28) than those who focused on their target (M=3.30, SD=1.30), $t(437)=10.02$, $p<.001$, $d=1.12$, and those in the control condition (M=4.05, SD=1.07), $t(437)=4.84$, $p<.001$, $d=.58$. Those in the target-focus condition were less satisfied than those in the control condition, $t(437)=5.34$, $p<.001$, $d=.64$.

Figure 1*. Counteroffers and satisfaction by condition (Study 1). Lower counteroffers and higher satisfaction reflect a more favorable outcome for the buyer.*



Discussion

Study 1 suggests that offer recipients who are asked to focus on their reservation price will both make counteroffers that are more favorable to the sender and will be more satisfied.

Studies 2a-b

Studies 2a-2b improved Study 1 in four ways. First, we embedded the reservation price-focus manipulation directly in a message coming from the offer sender to test whether the observed effect would replicate in the context of strategic offer framing. Second, to establish generalizability, Study 2 used different participant samples including MTurk workers (Study 2a) and professional sales people with extensive negotiation experience (Study 2b) as past research suggests that experts react differently to negotiation strategies than amateurs (Loschelder, Friese, Schaerer, & Galinsky, 2016). Third, in addition to measuring offer recipients' counteroffers, Study 2 also measured negotiators' lowest price they are willing to accept (WTA) as an additional proxy of the negotiation outcome and to test whether offer framing also lowers negotiators' ultimate bottom line or just their counteroffers (see also

Loschelder et al., 2016; Thomas, Simon, & Kadiyali, 2010). Finally, Study 2a tested the alternative explanation that the effects of our offer framing strategy are caused by changes in offer recipients' regulatory focus (Higgins, 1998; Trötschel, Bündgens, Hüffmeier, & Loschelder, 2013), such that focusing on one's reservation price (vs. not) would cause offer recipients to focus more on avoiding negative outcomes rather than approaching positive outcomes.

Study 2a

Participants and design

We recruited 306 individuals (mean age=36.69; *SD*=10.12; 48.3% female) from the U.S. via Amazon's Mechanical Turk. Participants received $1.00 for their participation. Participants were randomly assigned to either a target-frame, reservation price-frame, or a control condition.

Procedure and experimental manipulations

The task was similar to Study 1, except that participants received a different reservation price ($320,000) and target price ($580,000), and the offer frame was directly embedded in a message coming from the offer sender. Specifically, in the *reservation price-frame condition*, the message said "My offer is $450,000. How does this offer compare to the minimum price you are willing to accept?" In the *target-frame condition* the message read "My offer is $450,000. How does this offer compare to your target price?" In the *control condition*, the message simply said: "My offer is $450,000." Participants then completed our dependent measures and a demographic questionnaire.

Measures

Counteroffer. Participants responded to the prompt, "What is your counteroffer to the buyer?" and entered their offer in a textbox. A lower counteroffer again represents a more favorable outcome for the buyer.

Willingness-to-accept (WTA). Extending Study 1, participants also indicated the lowest price they would be willing to accept. A lower WTA represents a more favorable outcome for the buyer.

Satisfaction. Participants indicated how *happy*, *satisfied*, and *pleased* they were with the offer (1=*not at all*; 7=*very much*; α=.97).

Regulatory focus. We adopted a 1-item regulatory focus measure developed by Galinsky, Leonardelli, Okhuysen, and Mussweiler (2005). Participants indicated whether they focused on avoiding negative outcomes or approaching positive outcomes on a bi-polar 7-point scale. Higher scores indicate more focus on approaching positive outcomes.

Results

We used the same data cleaning approach as in Study 1 and dropped 8 observations as a result, leaving 298 observations.

We predicted that recipients would make less ambitious counteroffers, have a lower WTA, and would be more satisfied with the offer when senders ask them to focus on their reservation price. A 3(offer frame: reservation price vs. control vs. target) × 3(outcome: counteroffer vs. WTA vs. satisfaction) mixed-design ANOVA produced a significant interaction effect, $F(2, 295)=31.45$, $p<.001$, $\eta_p^2=.18$.

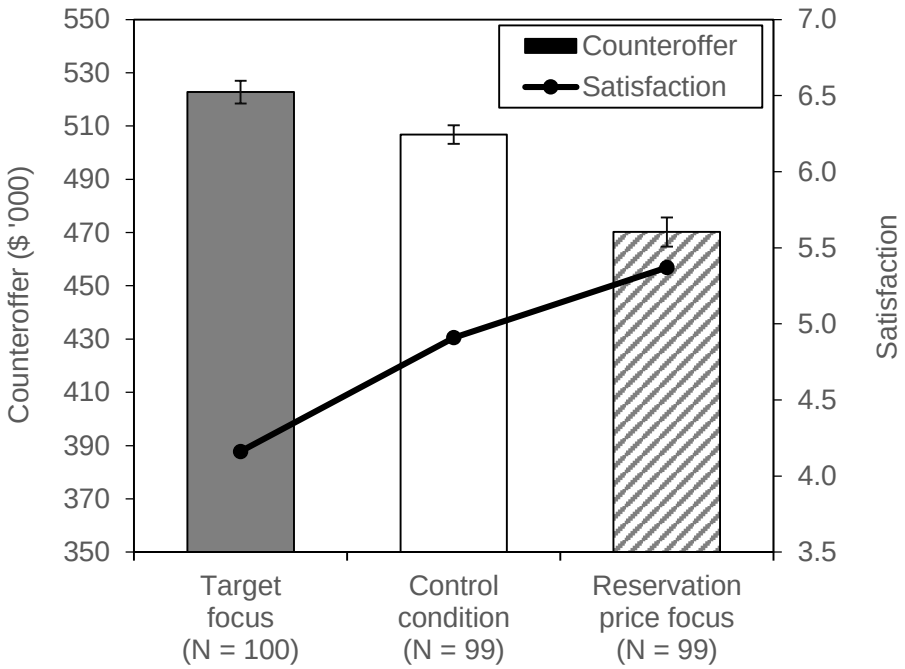
Negotiators who received the reservation price-frame made less ambitious counteroffers (M=470,200, SD=54,696) than those in the control condition (M=506,778, SD=35,016), $t(295)=5.76$, $p<.001$, d=.82, and those in the target-frame condition, (M=522,717, SD=42,361), $t(295)=8.27$, $p<.001$, d=1.17. Negotiators in the target-frame condition made higher offers than control participants, $t(295)=2.50$, $p=.013$, d=.36 (Figure 2).

Similarly, negotiators in the reservation price-frame condition reported lower WTAs (M=433,900, SD=59,223) than those in the control condition (M=466,515, SD=35,519), $t(295)=5.00$, $p<.001$, d=.71, and those in the target-frame condition, (M=484,899,

SD=39,416), *t*(295)=7.83, *p*<.001, *d*=1.11. Negotiators in the target-frame condition reported higher WTAs than those in the control condition, *t*(295)=2.81, *p*=.005, *d*=.40.

We again found the opposite patterns for negotiator satisfaction. Although they made lower counteroffers, negotiators who focused on their reservation price were also more satisfied (*M*=5.37, *SD*=1.28) than those in the control condition (*M*=4.91, *SD*=1.29), *t*(295)=2.39, *p*=.018, *d*=.34, and those in the target-frame condition, (*M*=4.16, *SD*=1.51), *t*(295)=6.26, *p*<.001, *d*=.89. Negotiators in the target-frame condition were less satisfied than control participants, *t*(295)=3.86, *p*<.001, *d*=.55 (Figure 2).

Figure 2. *Counteroffers and satisfaction by condition (Study 2a). Lower counteroffers and higher satisfaction reflect more favorable outcomes for the buyer.*



Finally, we tested whether changes in regulatory focus could explain why negotiators in the reservation price-focus condition made less aggressive counteroffers than negotiators in the other conditions. There were no notable differences in regulatory focus between the reservation price-frame condition (*M*=6.52, *SD*=1.56) and the control condition (*M*=6.32, *SD*=1.87), *t*(295)=.83, *p*=.41, *d*=.12, and the target-frame condition, (*M*=6.74, *SD*=1.56),

t(295)=.92, *p*=.36, *d*=.13. Negotiators in the target-frame condition were marginally more promotion-focused than those in the control condition, *t*(295)=1.75, *p*=.082, *d*=.25. Thus, regulatory focus is unlikely to explain why those in the reservation price-focus condition were less ambitious and more satisfied.

Study 2b

Participants and design

We recruited 201 professional salespeople (mean age=32.10; *SD*=10.07; 55.5% female, 42.5% male, 3.5% not indicated) from Prolific Academic in exchange for £1.50 and a chance to win one of three £100 Amazon vouchers. Participants had to be full-time employees and their job had to involve both direct customer sales and negotiating. Participants were predominantly from English-speaking countries (U.K.=71.1%, U.S.=23.7%, other=5.2%). Job descriptions of participants included real estate agents, car sales, insurance sales, medical device sales, antique dealers, etc. Participants were randomly assigned to a target-frame or reservation price-frame condition.

Procedure, experimental manipulations, and measures

The scenario was identical to Study 1, with two exceptions. First, and similar to Study 2a, the offer frame manipulation was embedded in a message from the offer sender. Specifically, in the *reservation price-frame condition*, the message said "My offer is £450,000. How does that compare to your fallback offer?" In the *target-frame condition* the message read "My offer is £450,000. How does that compare to your target?" Second, we changed the currency to British Pounds. After exposure to the offer frame manipulation, participants reported their counteroffers, WTA, and satisfaction (α=.93).

Results

We used the same data cleaning rule as in the previous studies, leading to the removal of 11 outliers (final *N*=190).

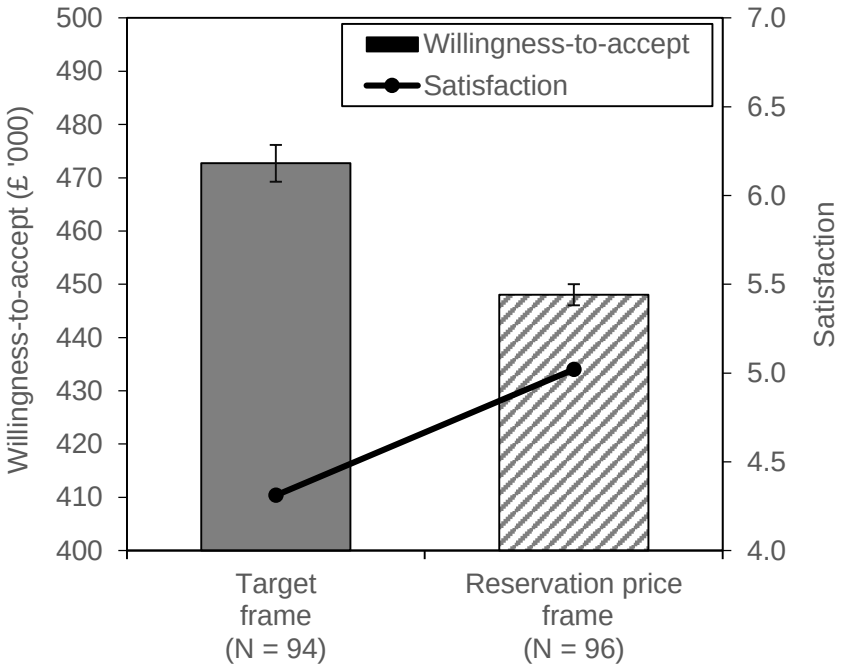
We predicted that recipients would make less ambitious counteroffers, have a lower WTA, and be more satisfied when senders ask them to focus on their reservation price. A 2(offer frame: reservation price vs. target) × 3(outcome: counteroffer vs. WTA vs. satisfaction) mixed-design ANOVA produced a significant interaction, $F(2, 187)=19.37$, $p<.001$, $\eta_p^2=.17$.

Follow-up contrast analyses showed that negotiators who were asked to focus on their reservation price made less ambitious counteroffers (M=483,155, SD=30,151) than those who focused on their target (M=497,914, SD=19,265), $t(188)=4.01$, $p<.001$, $d=.58$.

Similarly, negotiators who were asked to focus on their reservation price reported a lower WTA (M=448,026, SD=34,096) than those who focused on their target (M=472,713, SD=19,378), $t(188)=6.12$, $p<.001$, $d=.89$ (see Figure 3).

Also, as predicted, negotiators asked to focus on their reservation price were more satisfied (M=5.02, SD=1.07) than those who focused on their target (M=4.31, SD=1.11), $t(188)=4.50$, $p<.001$, $d=.65$ (see Figure 3).

Figure 3*. Willingness-to-accept and satisfaction by condition (Study 2b).*



Discussion

Study 2 demonstrated that directing offer recipients' focus on their reservation price through strategic offer framing causes them to make less ambitious counteroffers and set lower bottom lines while exhibiting increased satisfaction. Study 2a suggests regulatory focus is unlikely to explain these effects. Finally, Study 2b demonstrated that this strategy was also effective with experienced negotiators.

Study 3

The purpose of Study 3 was twofold. First, we wanted to test our theoretical assumptions using a moderation-by-process approach (Spencer, Zanna, & Fong, 2005), while simultaneously identifying a practically-relevant boundary condition. Our theorizing suggests that for the reservation price frame to cause assimilation and contrast effects, offer recipients' reservation price should be relatively less attractive than their target price (see also Galinsky et al., 2002). An important factor that impacts the relative attractiveness and the willingness to comply with a request is a negotiator's power. Indeed, negotiators who have a lot of power (i.e., have an attractive outside offer) tend to have higher reservation prices than negotiators who have less power (Galinsky, Schaerer, & Magee, 2017; Pinkley, Neale, & Bennett, 1994; Schaerer, Teo, Madan, & Swaab, 2020) and tend to be less affected by the opponent's influence tactics (Van Kleef, De Dreu, Pietroni, & Manstead, 2006). Thus, in Study 3 we manipulated whether offer recipients had a very weak or very strong reservation price and predicted that strategic offer framing would be less effective when offer recipients have a lot of power because this would direct their focus on a relatively strong reservation price. A second goal of Study 3 was to replicate the effect using a different negotiation context.

Participants and design

We recruited 603 MTurkers (mean age=36.69; *SD*=10.12; 48.3% female) in exchange for $1.00. Participants were randomly assigned to a 3(offer frame: reservation price vs. control vs. target) × 2(recipient power: low vs. high) between-subjects design.

Procedure, experimental manipulations, and measures

Participants assumed the role of the retiring owner of a restaurant chain called "Vindaloo's", trying to sell their business. An independent accountant had estimated its value at $10.5 million (their target price) and that a venture capital firm had already offered $4.5 million (*low power condition*) or $9.5 million (*high power condition*), which was the lowest price they would be willing to accept (their reservation price). Participants then read a message from a buyer who offered $7.5 million.

In the *reservation price-frame condition* the message said "My offer for Vindaloo's is $7.5 million. How does this offer compare to the minimum price you would be willing to accept?" In the target-*frame condition*, the message said "My offer for Vindaloo's is $7.5 million. How does this offer compare to the ideal price you would like to achieve?" In the *control condition*, the message simply said: "My offer for Vindaloo's is $7.5 million." Participants then reported their counteroffers and satisfaction (α=.99) and completed a demographic questionnaire.

Results

We used the same data cleaning approach as before. Nine observations were dropped (final N=594).

We predicted that recipients would make less ambitious counteroffers and be more satisfied when senders ask them to focus on their reservation price, but not when the offer recipient is high in power. A 3(offer frame) × 3(recipient power) × 2(outcome) mixed ANOVA produced a significant three-way interaction, $F(2, 588)=11.78$, $p<.001$, $\eta_p^2=.04$.

We first analyzed the outcomes of low-power recipients. Replicating Studies 1-2, negotiators who received the reservation price-frame made less ambitious counteroffers (M=8.58, SD=1.10) than those in the control condition (M=9.04, SD=1.11), $t(294)=3.04$, $p=.003$, $d=.43$, and those in the target-frame condition, (M=9.05, SD=.97), $t(294)=3.11$, $p=.002$, $d=.44$. There was no difference between the target-frame and control conditions, $t(294)=.05$, $p=.96$, $d=.01$. Again, we found opposite effects for satisfaction. Negotiators who

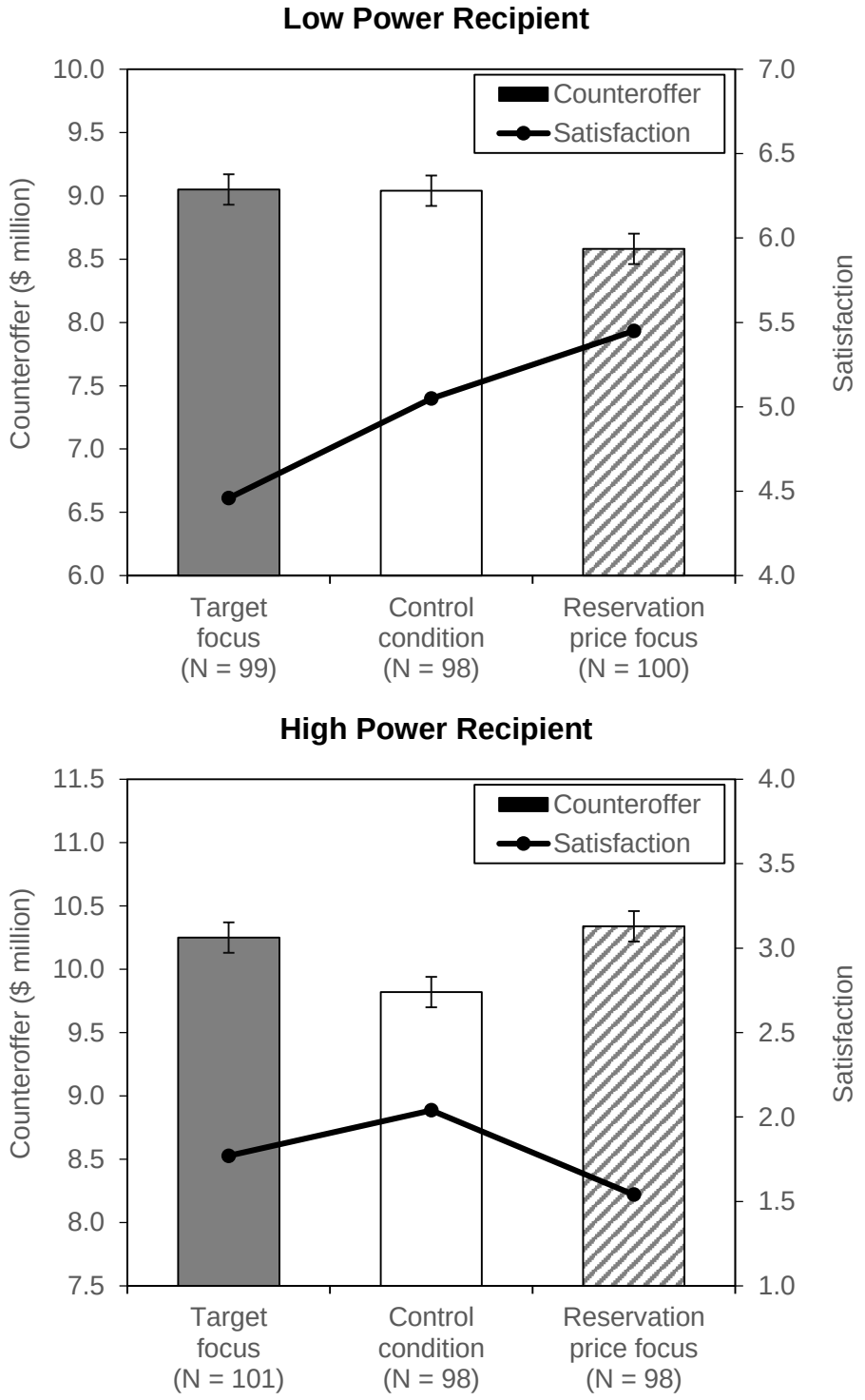
focused on their reservation price were more satisfied (M=5.45, SD=.99) than those in the control condition (M=5.05, SD=1.29), t(294)=2.29, p=.023, d=.33, and those in the target-frame condition, (M=4.46, SD=1.34), t(294)=5.74, p<.001, d=.81. Negotiators in the target-frame condition were less satisfied than control participants, t(294)=3.43, p=.001, d=.49 (Figure 4, top panel).

We next analyzed the outcomes for high-power recipients. High-power negotiators who received the reservation price-frame made *more* ambitious counteroffers (M=10.34, SD=1.15) than those in the control condition (M=9.82, SD=1.47), t(294)=2.73, p=.007, d=.39, and similarly to those in the target-frame condition, (M=10.25, SD=1.41), t(294)=.46, p=.65, d=.07. Counteroffers in the target-frame conditions were higher than those in the control condition, t(294)=2.26, p=.024, d=.32. We also found a reversal of the satisfaction effect. High-power negotiators who focused on their reservation price were *less* satisfied (M=1.54, SD=1.16) than those in the control condition (M=2.04, SD=1.77), t(294)=2.44, p=.015, d=.35, and the difference to the target-frame condition was not significant, (M=1.77, SD=1.34), t(294)=1.11, p=.27, d=.16. There was no difference between the target-frame and control conditions, t(294)=1.32, p=.19, d=.19 (Figure 4, bottom panel).

Discussion

Study 3 replicated our effects in another negotiation setting, identified an important moderator suggesting that assimilation and contrast effects are likely responsible for the win-win effect, and identified a practically-relevant boundary condition: negotiator power. When negotiators had a lot of power (i.e., a strong outside offer) and thus a very high reservation price, shifting their attention on their reservation price backfired.

Figure 4*. Counteroffers and satisfaction by condition (Study 3). Lower counteroffers and higher satisfaction reflect a more favorable outcome for the buyer.*



General Discussion

Scholars and practitioners often assume that economic and relational benefits are conflicting in distributive negotiations. In contrast, we propose that these are not mutually

exclusive and that offer framing can help negotiators achieve both. This was supported in four studies documenting that strategically shifting an offer recipient's focus on their reservation price causes both a) an assimilation effect that reduces the size of the recipient's counteroffer and b) a contrast effect that improves the recipient's satisfaction. We also showed that the strategy was no longer effective (and even backfired) when recipients had a lot of power.

These studies make important contributions to research on negotiations and judgment and decision-making. First, the idea of a "win-win" outcome in which both negotiators walk away from the bargaining table with a mutually beneficial deal typically refers to integrative negotiations in which negotiators trade-off issues to create value (Brett & Thompson, 2016). In contrast, our research contributes to a growing stream of research (e.g., Ames & Mason, 2015; Neale & Bazerman, 1983; Shirako et al., 2015) suggesting that even distributive negotiations can create better deals for oneself *and* more satisfied opponents. We also extend the findings from Galinsky et al. (2002) by showing that shifting a negotiator's attention to their walkaway price a) can be used as an interpersonal strategy, b) is counterintuitive and not naturally used, c) improves economic and relational outcomes when compared to a baseline condition, and d) can backfire when recipients have a lot of power.

Second, recent research has suggested that negotiators react negatively to overly ambitious offers (Schweinsberg et al., 2012). Building on this work, we suggest that offer extremity may lie in the eye of the beholder, and that this is influenced by salient reference points which can be changed by offer-framing strategies.

Third, our studies contribute to research on assimilation and contrast effects (Chapman & Johnson, 1999; Damisch, Mussweiler, & Plessner, 2006; Förster et al., 2008; Mussweiler, 2001b; Sherif, Taub, & Hovland, 1958), which has assumed that comparing a particular value either leads to assimilation *or* contrast. For example, Sherif et al. (1958) found that people's estimates tend to converge towards the anchor (assimilation effect) if the anchor is relatively close to the stimuli being judged, but move away from the anchor (contrast effect) if the

anchor is relatively distant. Extending this work, we show that the same anchor (i.e., a reservation price) can simultaneously lead to assimilation and contrast effects.

Finally, the four studies combined provide robust evidence for the effectiveness of this conversational strategy. This is a valuable contribution to negotiation practice because our studies clearly indicate that this strategy is counterintuitive and not naturally used.

The present work also provides exciting opportunities for future research. First, our studies focused on the initial stage of the negotiation (for a similar approach, see Loschelder et al., 2016) as past research has already established strong correlations between offers and negotiation outcomes (e.g., Ames & Mason, 2015; Galinsky & Mussweiler, 2001). Future research could test the long-term effects of offer framing as research suggests that anchoring effects can persist undiminished for up to a week (Mussweiler, 2001a). Second, our studies relied on reservation prices as "low" reference points to shift the counterpart's focus. Although research suggests that reservation prices tend to be the most salient and influential reference points in negotiations (White et al., 1994), future research could explore whether other reference points (e.g., market information) could achieve the same goal. Finally, future research may examine whether and when negotiators misrepresent their reservation price when prompted to use it as a reference point and how this would affect economic and relational downstream consequences.

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