

Excerpt

Why Saying "Yes" to the First Offer is a Mistake by Roger Dawson

Power Negotiators know that you should never say Yes to the first offer (or counter-offer) because it automatically triggers two thoughts in the other person's mind.

Let's say that you're thinking of buying a second car. The people down the street have one for sale, and they're asking \$10,000. That is such a terrific price on the perfect car for you that you can't wait to get down there and snap it up before somebody else beats you to it. On the way there you start thinking that it would be a mistake to offer them what they're asking, so you decide to make a super low offer of \$8,000 just to see what their reaction is. You show up at their house, look the car over, take it for a short test drive, and then say to the owners, "It's not what I'm looking for, but I'll give you \$8,000."

You're waiting for them to explode with rage at such a low offer, but what actually happens is that the husband looks at the wife and says, "What do you think, dear?"

The wife says, "Let's go ahead and get rid of it."

Does this exchange make you jump for joy? Does it leave you thinking, "Wow, I can't believe what a deal I got. I couldn't have gotten it for a penny less"?

I don't think so. I think you're probably thinking

- 1- I could have done better.
- 2- Something must be wrong.

In the thousands of seminars that I've conducted over the years, I've posed a situation like this to audiences and can't recall getting anything other than these two responses. Sometimes people reverse them, but usually the response is automatic, "I could have done better," and "Something must be wrong."

Let's look at each of these responses separately:

First Reaction: I could have done better.

The interesting thing about this is that it doesn't have a thing to do with the price. It has to do only with the way the other person reacts to the proposal. What if you'd offered \$7,000 for the car, or \$6,000, and they told you right away they'd take it? Wouldn't you still think you could have done better? What if that bearing salesperson had agreed to \$150 or \$125? Wouldn't you still think you could have done better?

Several years ago I bought 100 acres of land in Eatonville, Washington, a beautiful little town just west of Mount Rainier. The seller was asking \$185,000 for the land. I analyzed the property and decided that if I could get it for \$150,000, it would be a terrific buy. So I bracketed that price and asked the real estate agent to present an offer to the seller at \$115,000.

I went back to my home in La Habra Heights, California leaving the agent to present the offer to the seller. Frankly, I thought I'd be lucky if they came back with any kind of counter-offer on a proposal this low. To my amazement I got the offer back in the mail a few days later, accepted at the price and terms that I had proposed. I'm sure that I got a terrific buy on the land.

Within a year I'd sold 60 of the acres for more than I paid for the whole hundred. Later I sold another 20 acres for more than I paid for the whole hundred. So when they accepted my offer, I should have been

thinking, "Wow. That's terrific, I couldn't have gotten a lower price." That's what I should have been thinking, but I wasn't. I was thinking, "I could have done better." So it doesn't have anything to do with the price, it has to do only with the way the other person reacts to the proposal.

Second Reaction: Something must be wrong.

My second reaction when I received the accepted offer on the land was, "Something must be wrong. I'm going to take a really thorough look at the preliminary title report when it comes in. Something must be going on that I don't understand, if they're willing to accept an offer that I didn't think they would.

The second thought you'd have when the seller of that car said Yes to your first offer is that something must be wrong. The second thought that the buyer of the bearings will have is, "Something must be wrong. Maybe something's changed in the market since I last negotiated a bearing contract. Instead of going ahead, I think I'll tell this salesperson that I've got to check with a committee and then talk to some other suppliers."

These two reactions will go through any body's mind if you say Yes to the first offer. Let's say your son came to you and said, "Could I borrow the car tonight?" and you said, "Sure son, take it. Have a wonderful time." Wouldn't he automatically think, "I could have done better. I could have gotten \$10 for the movie out of this"? And wouldn't he automatically think, "What's going on here? How come they want me out of the house? What's going on that I don't understand"?

This is a very easy negotiating principle to understand, but it's very hard to remember when you're in the thick of a negotiation. You may have formed a mental picture of how you expect the other side to respond and that's a dangerous thing to do. Napoleon Bonaparte once said, "The unforgivable sin of a commander is to form a picture, to assume that the enemy will act a certain way in a given situation, when in fact his response may be altogether different." So you're expecting them to counter at a ridiculously low figure and to your surprise the other person's proposal is much more reasonable than you expected it to be.

For example:

- **You've finally plucked up the courage to ask your boss for an increase in pay.** You've asked for a 15 percent increase in pay, but you think you'll be lucky to get 10 percent. To your astonishment your boss tells you that he or she thinks you're doing a terrific job, and they'd love to give you the increase in pay. Do you find yourself thinking what a wonderfully generous company this is that you work for? I don't think so. You're probably wishing you'd asked for a 25 percent increase.
- **Your son asks you for \$100 to take a weekend hiking trip.** You say, "No way. I'll give you \$50 and not a penny more." In reality expect to settle for \$75. To your surprise your son says, "That would be tight, Dad, but okay, \$50 would be great." Are you thinking how clever you were to get him down to \$50? I don't think so. You're probably wondering how much less he would have settled for.
- **You're selling a piece of real estate that you own.** You're asking \$100,000. A buyer makes an offer at \$80,000, and you counter at \$90,000. You're thinking that you'll end up at \$85,000, but to your surprise the buyer immediately accepts the \$90,000 offer. Admit it, aren't you thinking that if they jumped at \$90,000, you could have gotten them up more?

So Power Negotiators are careful that they don't fall into the trap of saying Yes too quickly, which automatically triggers in the other person's mind:

- 1- I could have done better. (And next time I will. A sophisticated person won't tell you that he felt that he lost in the negotiation; but he will tuck it away in the back of his mind, thinking "The next time I deal with this person I'll be a tougher negotiator. I won't leave any money on the table next time.")

2- Something must be wrong.

Turning down the first offer may be tough to do, particularly if you've been calling on the person for months and just as you're about to give up, she comes through with a proposal. It will tempt you to grab what you can. When this happens, be a Power Negotiator, remember not to say Yes too quickly.

Many years ago I was president of a real estate company in southern California that had 28 offices and 540 sales associates.

One day a magazine salesman came in, trying to sell me advertising space in his magazine. I was familiar with the magazine and knew it to be an excellent opportunity, so I wanted my company to be in it. He made me a very reasonable proposal that required a modest \$2,000 investment. Because I love to negotiate, I started using some Gambits on him and got him down to the incredibly low price of \$800. You can imagine what I was thinking at that point. Right. I was thinking, "Holy cow. If I got him down from \$2,000 to \$800 in just a few minutes, I wonder how low I can get him to go if I keep on negotiating?" So I used a Middle Gambit on him called Higher Authority (see Chapter 7). I said, "This looks fine. I do just have to run it by my board of directors. Fortunately they're meeting tonight. Let me run it by them and get back to you with the final okay."

A couple of days later I called him back and said, "You'll never know how embarrassed I am about this. You know, I really felt that I wouldn't have any problem at all selling the board of directors on that \$800 price you quoted me, but they're so difficult to deal with right now. The budget has been giving everyone headaches lately. They did come back with a counter-offer, but it's so low that it embarrasses me to tell you what it is."

There was a long pause, and he finally said, "How much did they agree to?"
"\$500."

"That's okay. I'll take it," he said. And I felt cheated. Even though I'd negotiated him down from \$2,000 to \$500, I still felt that I could have done better.

There's a postscript to this story. I'm always reluctant to tell stories such as this at my seminars for fear that it may get back to the person with whom I was negotiating. However, several years later I was speaking at the huge California Association of Realtors convention being held that year in San Diego. I told this story in my talk, never imagining that the magazine salesman was standing in the back of the room.

As I finished my presentation, I saw him pushing his way through the crowd. I braced myself for what I expected to be a verbal assault. However, he shook my hand and said with a smile, "I can't thank you enough for explaining that to me. I had no idea the impact that my tendency to jump at a quick deal was having on people. I'll never do that again."

I used to think that it was a 100 percent rule that you should never say Yes to the first offer. Until I heard from a man in Los Angeles who told me, "I was driving down Hollywood Boulevard last night, listening to your cassette tapes in my car. I stopped at a gas station to use the rest room. When I came back to my car, somebody stuck a gun in my ribs and said, 'Okay buddy. Give me your wallet.' Well, I'd just been listening to your tapes, so I said, 'I'll give you the cash, but let me keep the wallet and the credit cards, fair enough?' And he said, 'Buddy, you didn't listen to me, did you? *Give me the wallet!*'" So sometimes you *should* say Yes to the first offer, but it's almost a 100 percent rule that you should Never Jump at the First Offer.

Key points to remember:

- Never say Yes to the first offer or counter-offer from the other side. It automatically triggers two

- thoughts: I could have done better (and next time I will) and Something must be wrong.
- The big danger is when you have formed a mental picture of how the other person will respond to your proposal and he comes back much higher than you expected. Prepare for this possibility so it you won't catch you off guard.

GO UP

This article is excerpted in part from Roger Dawson's new book, *Secrets of Power Negotiating*.