

Negotiation Exercise:

1. Role playing: You are trying to buy a leather jacket from a street trader in a foreign country whose local currency is valued at 50,000 to 1 of yours. You really like the jacket, which is a good fit, well made and style. But you think the trader is asking too much. Can you negotiate an acceptable price for both of you?

Buyer: You have a maximum of 750,000 units of local currency and 100 units of your own. You also have your credit cards. Decide what you want to pay and the tactics you will employ making concessions. A similar jacket in your country will cost about 130 units of your currency.

Trader: You have sold seven of these jackets to foreigners in the last few days. The lowest price you received was 300,000 units, the best prices 800,000 units. Most foreigners did not even haggle with you. The jacket cost you 200,000 units. You know that you can buy them more cheaply with foreign currency than your own, which is shaky on the exchange market. In fact, 30 units of the Buyer's currency would buy you another jacket. You are determined however to make a good profit on this deal.

2. You have been analyzing your cash flow for the next thirty days and realize you will be significantly short in meeting your financial commitments. One account you owe equals your shortfall by itself, and the check must be mailed tomorrow. Two other accounts combined also equal your shortfall, and both checks need to be mailed the day after tomorrow. You cannot afford to create a poor credit history because of a pending loan approval with all three accounts being critical credit references. Analyze the power factors, set up your negotiation strategy, walk through a scenario with your partners (observers).
3. You have interviewed a prospective new employee who could be a key member of your team. The new person's required salary would compromise the integrity of your salary structure, because it is 20% higher than your most senior performer who has been with the company for over 10 years. Finances are tight, yet you believe this person could make a significant impact on future profits. If you paid the required salary for the new person, it would eliminate bonuses for all your staff that you feel they've earned this year. You've been searching for an individual with this skill level for three months. Analyze the power factors, set up your negotiation strategy, walk through a scenario with your partners (observers).
4. You are negotiating terms with a supplier of a critical component in your manufacturing process. You receive 100 units monthly. You project needing 150 units for the next 6 months and perhaps as many as 200 units ongoing after that. You've been satisfied with the supplier's quality, however there have been two occasions where late deliveries have forced overtime to meet customer commitments. An out of state vendor has offered you a 20% discount for the 200

units per month for a one year contract. Analyze the power factors, set up your negotiation strategy, walk through a scenario with your partners (observers).

You have 10 minutes for each exercise then you will sum your findings for the group.