

Chapter 4:

Eleven Effective Negotiating Tactics and Four Concession Rules

Effective Negotiating Tactics

One of the abilities possessed by a great negotiator is found in their skill in spotting and using different negotiating tactics. Usually, negotiating tactics are used to gain an advantage over the other party. These tactics can be unethical, manipulative and are often deceptive. They can also be hard to spot. In other words, these tactics don't come with some sort of announcement or flashing sign. If they did, the other party would take a step backwards, realize what was happening and the tactic would lose its effectiveness.

It is my belief that tactics should be used but in an ethical manner; they should be used to help the movement of issues toward successful conclusions and for the purpose of bringing about effective win/win agreements in a negotiation.

Mastering these tactics will become a great strength for any negotiator.

1. The “Stay Calm” tactic

In speaking to one of the best negotiators I know, I asked him what negotiating tactics he often uses. Without any hesitation, this is what he said, “Stay Calm!” Not only is staying calm a negotiating tactic but it is also listed as one of the seven skills of great negotiators.

Stress often accompanies negotiations. Some excel under pressure. Others buckle. Most have a hard time remaining calm. When calmness disappears, negative emotions begin to emerge. Voices escalate, feelings intensify, opinions differ, and reactions can spiral out of control. Usually, this begins with one of the negotiating parties. As their emotions rise, the other party can be drawn into the dance eventually becoming enmeshed with the emotions.

Calmness is what is needed during any negotiation. Once frazzled or angry, the advantage immediately shifts to the other party.

No greater image of confidence under pressure comes to mind than that of 58 year old airline captain, Chesley Sullenberger. With 155 men, women and children on board, he successfully negotiated the landing of his helpless Airbus 320 into the Hudson River. With both engines crippled, with no safe place to ditch the plane and with the clear possibility that everyone on board was going to perish, Sully remained calm and collected.

Entering into this type of extreme negotiation, Sully did not appear to waver. He seemed extremely confident and that confidence lead to an unbelievable calmness. Moments before the crash, his voice was cool and composed as he spoke on the intercom, “Brace for impact.”

Once on the water, he got up from his captain’s seat and walked the length of the plane to make sure all the passengers were safely outside. He then turned. Water was filling the plane but he made a second pass down the aisle. He even maintained his calmness as he called his wife. He simply said, “There’s been an accident.” From the tone of his voice, she thought it was some minor incident.

Perhaps Flight 1549 was just lucky that day. Perhaps its miraculous landing had nothing to do with the calmness of Captain Sullenberger. However, if you had been a passenger on that plane, what pilot would you have wanted to negotiate on your behalf? Sully or one who’s mind would have become frazzled and blurred because of their emotions?

2. The “You’ve got to do better than that!” tactic

Has this ever been said to you? What did it communicate? This tactic can be very powerful especially if the other party does not spot it and freely begins to move toward the other party’s desired end.

Two landmen met for lunch. The potential farmee wanted to receive interest in leases from the other through a farmout agreement. The potential farmor quickly realized that the farmee wasn’t willing to give him much in exchange for the leases.

For an assignment to the leases, the farmee offered to drill a test well within ninety days (thus saving the leases from expiring), was willing to grant a 3% override on each of the leases but was not willing to grant the option for a backin at payout or a depth restriction. He also wanted a leasehold farmout rather than a wellbore farmout.

The potential farmor simply stated, “You’ve got to do better than that!” He then sat silently and waited. He didn’t say another word.

What do you believe happened next? If this was all we knew about the issue, at this point in the negotiation, who do you believe has the advantage?

When something like this is said, there are really only two options if the negotiation is to continue.

First, the farmee will give something away. They will say something like this, “How about a bigger override?” or “I suppose I could agree to a backin.”

The second option is much better. Never give something away freely. Assume the farmee had responded instead by asking, “Can you be more specific?” With a question like this, the ball is placed back into the potential farmor’s court. Assume the farmor doesn’t want a larger override or a backin. He wants up front money that would cover his current leasing costs.

If the asking party had jumped the gun and starting giving things away freely, at the end of the day, the farmor may have ended up with a 5% override, a backin and upfront leasehold costs.

3. The “I don’t have the authority” tactic

This tactic can also be very powerful. Landmen often use it when negotiating with landowners. Car salesmen often use it when negotiating with customers. The essence of this tactic is that one party does not have the authority to agree to certain terms of an agreement.

There are several possible reasons this tactic is used:

First, the negotiator does not have the authority to grant certain provisions, thus they are telling the truth.

Second, the negotiator does have the authority to say, "No" to the provision but does not want to fall out of grace with the negotiated party. Instead they will say something like this, "I know this is really important to you. I don't have the authority to grant this but I will go to bat for you. Let me make a phone call and I'll see what we can do." Thus, they make a "higher up" the fall guy while still able to negotiate other items.

Third, the negotiator has the authority to say "Yes" but wants to give the impression that the item, if granted, must be conceded by his company. The negotiator makes his or her phone call and they report back, "My boss said he was willing to concede this item to you if you would concede this item for us."

Fourth, the negotiator may or may not have the authority but wants time and silence to influence the other party. The negotiating party says, "I have the authority to pay \$1,000 an acre but getting approval for an extra \$200 per acre is going to take time." One day passes, two days pass and no answer comes. The impression is that the negotiating party may have lost interest because of the item and they are willing to walk away instead of conceding. Finally, the negotiator calls back. "I'm having a hard time getting approval for the extra \$200. The fact that its taking so long makes me think it's not going to happen. If you want I can still pay you \$1,000 an acre today."

Fifth, this tactic can be used to give the impression that even simple items getting passed through the "red tape" are difficult. It can leave the other party feeling that getting all of their concessions met would be impossible.

This tactic can backfire, especially if the negotiator is painting his company or higher ups as the "bad guy." The other party may be left with the impression working with the company or higher ups in the future would be very difficult.

One way to counter this tactic is to determine who the higher ups are and, if possible, deal with them directly.

4. The “Silent Treatment” tactic

Silence can be powerful. Some people can't stand silence or at the very least become uncomfortable when it occurs.

I recently heard about a young man named Bill who was sitting in a leasing agent's office. He had gone to sign a lease on a new apartment. A week earlier, when he was first shown the apartment, a young woman said that the monthly rent of \$1,500 included all utilities.

The contract lay in front of him. With pen in hand, he was ready to sign. Just as a passing thought, Bill asked the agent, “Now my rent covers utilities, right?”

“Well, not exactly. It covers everything except electricity.” The agent answered.

“That's not what I was told.”

“Yea, I'm not sure what you were told but we don't pay anyone's electricity.”

Bill looked at the agent and put the pen on the desk. He didn't say a word – just sat there. Bill wasn't sure what to do. He was stuck. He had already given notice to his current landlord and they were expecting him to move that weekend. The monthly payment of \$1,500 was the most he could pay. Adding an additional monthly utility payment was more than he could afford. He just sat there and stared at the agent. The silence became deafening.

He didn't know that what was happening is often used as a very effective negotiating tactic.

After twenty to thirty seconds, the agent broke the silence. His voice gave a hint as to his own nervousness. “The reason we can't pay your electric payment is because the bill goes straight to you. But, I'll be happy to waive your second month's rent.”

Bill hadn't asked for anything. Yet, the agent voluntarily conceded \$1,500. Those few seconds of silence were very valuable to Bill.

5. The “I really would like to do this deal but can you help me out?” tactic

Years ago, I was given the task of acquiring oil and gas leases from landowners in a small valley in the mountains of Idaho. Entering the valley was like walking back in time. Heads would turn and eyes would stare every time you drove down the main street. The moment you walked into the small restaurant, people began whispering. It was as if strangers in the area had a neon sign hanging over their head. After checking the courthouse records I realized that no one in the valley had ever signed an oil and gas lease. If I was successful, my leases would be the first in the history of this part of the United States.

Needless to say, leasing was hard. Nobody trusted me or their idea of “Big Oil”. In the end, I was successful but that success did not come without using good negotiating tactics.

I remember one farmer particularly. He seemed like a decent man who owned a larger tract of land but refused to lease. I would go back again and again and time after time, he would tell me he wasn't interested. Every time he said “No” my response was simply, “Look, I really want to do this deal with you. I know you have concerns. Think about what we are offering. If you can help us out, we *will* help you out! Give it some time and think about it. I'll come back in a day or two. Give me your answer then.” On a late November night, after visiting the man's farm several more times, in his barn while he was milking cows, he signed the lease.” I had to hold it up against a wooden post covered in cow manure but it was signed and it was official.

Think about what I was asking. Tucked away in my consistent response to the man was this statement, “If you can help us out.” I generally believe that people want to help other people. When was the last time someone asked for your help at work and you refused? I was asking something of him. I had assessed that he was a decent human being and I was appealing to his nature that desires to help others.

Car Salesmen and this tactic

Sometime ago, I was haggling with a car salesman over the price of a new car. We were several thousand dollars apart from making a deal. He was trying every tactic in the book to get me hooked.

"Look," he said, "There's not that much mark up on the car!"

I didn't believe him.

He continued, "I know I can sell the same car for three thousand more than you're asking any day of the week!"

I didn't believe him.

Then he said, "Help me out! If we come any closer to your terms there won't be any money left to pay me my commission. I want to help you out but you've got to help me too."

With that one statement, he had me. I was ready to move off my mark. I didn't want to cheat him. I wanted to help him. My sense of good will and my desire to help others suddenly kicked in. I wasn't sure if he was being straight with me, but nevertheless, he had me.

Two aspects of this tactic

This tactic contains two very important and equal components. First, the party using the tactic believes that the deal, once consummated, will benefit both parties. I believed that the oil lease was going to benefit both the Idaho farmer and my company. In my mind, it was a win/win deal. In an odd sort of way, I think the car salesman believed the same thing.

Secondly, this tactic is asking for help. Because it appeals to the goodness of mankind, it can be very effective. Conversely, there is an evil present in mankind as well. Some use this tactic in a deceptive way in order to get what they want. Not all parties using this tactic deserve to have a positive outcome.

6. The "I think we're really close to getting this done. Oh, by the way, can you give me just 1% more on the override to seal the deal?" tactic

This tactic is used all of the time. The negotiation has been long and hard. Hours have passed and both parties are weary. You see your counterpart pick up the pen as if to sign his or her name to the contract. They pause. "Oh, by the way," they say, "before I sign, I forgot to ask for a 2% override? If you give me the override, I'll sign today."

My wife used this tactic when negotiating for our last car. We had been at the car lot for hours. Finally, the terms of the agreement were in place. The salesman had passed us off to the finance office where the papers were being drawn up. The salesman was now with a new customer and I'm sure the manager had already marked our deal as

"sold". I was happy with the outcome but my wife suddenly interrupted the finance officer. "The car does come with floor mats, doesn't it?"

"I'm not sure," was the answer.

"I don't want the car unless it comes with floor mats!" she said. Floor mats were a big thing for her.

The finance officer got out of his chair and tracked down the salesman. After several minutes, they both entered the room.

"I'm sorry," said the salesman, "floor mats are an option. They don't come with the car. If you want them they are another \$175."

"Then I don't want the car," she said, "come on, you can throw in the floor mats!"

The salesman simply said, "Okay, what color do you want?"

This tactic is powerful because of two elements. First, is the investment in time. Hours may have already been spent hammering out a deal. Time is money. Secondly, negotiating can be hard work, leaving both parties weary. At one point, there is a feeling that says, "Let's just get this over!" At that moment, one or both parties are vulnerable. If you see your counterpart picking up the pen and then ask for the 2% override, your reaction will not be the same as if the override was a matter of discussion in the first minutes of the negotiation.

A good way to counter this tactic is to say, in the beginning of the negotiation, "I think it will be important to all of us that we don't come down to the end of the negotiation and find out that something of importance has not been discussed. So, I'm asking that in the very beginning we set out the important items that need to be discussed."

7. The "Take it or leave it" tactic

Life should have taught us that we can not trust our perceptions about a matter. Seven eye witnesses that see the same accident will often report seven different versions of what happened. Which witness was right? Were any wrong? Investigations often conclude that all witnesses were right from their perspective but, because they didn't witness everything, their perceptions were incomplete.

In a negotiation, this is also true. Just because a person says, "Take it or leave it" or "This is the best I can do" does not mean that the person has no more wiggle room in the negotiation. They may but

they may not. You don't know. The statement could simply be a tactic. When this tactic is used the other party has one of two options.

First, the other party can take it or leave it.

The wiser of the choices would be to *test* the perception before acting on the perception. In other words, call the negotiator's bluff.

Assume you are selling a car. The listed price is \$3,500 but you would be willing to part with the vehicle for \$3,000. A potential buyer seems interested. They tell you, "I can only pay \$2,500. That is the best I can do."

Your perception is that the potential buyer is interested but only has \$2,500 to pay for a car. Could it be that there is more to the story than you know? Could it be that your perception is incomplete?

You have two options. First, you can take the offer or tell the potential buyer "NO Deal!"

Second, you can say something like this, "Well, the reason I am selling the car is to help pay for my child's tuition this year. Sorry, but we can't take less than \$3,200." You've just called the other person's bluff. If they have more to spend than the \$2,500 and they are really interested, they will reveal more of their hand.

8. The "Wincing or Flinching Move" tactic

I will often use this tactic especially when I don't trust what the other person is telling me or when an offer is made that doesn't take into consideration my interests. Showing no reaction can give the other person a false impression. They may interrupt your non-reaction as a "green light".

Body language becomes very powerful during a negotiation. Simply gathering your papers and putting them back into your brief case speaks very loudly. Continually looking at your watch or raising your eye brows won't go unnoticed. When it becomes appropriate, gestures can and should be used. Remember, body language often speaks much louder than words.

I remember a leasing negotiation with a couple. I could tell that he wanted to sign the lease but she was opposed. They sat there on the sofa with the lease in their hands. He was afraid to say anything except what his wife wanted him to say. So, they both said, "I don't think so. Not at this time." That is what came out of their mouths but that is not what came out of the man's non-verbal speaking voice. He was holding the paper with a very strong grip. I could tell he didn't

want to let go of the offer. His voice said “no” but the look in his eyes had regret. I realized that the deal was still on. So, I began reading her body language. I made the offer again and I saw her wince. Something in the deal was not good enough. I knew she would sign if I could only figure out what was holding her back.

Recently, I was renting a car. The second I met the rental agent, I noticed that he was “over-the-top” friendly. At first I was impressed; however, as we proceeded through the agreement it became crystal clear that his friendliness was not about me. It was all phony. He thought that his friendliness could manipulate me into buying some of the rental company “add-ons”. He was wrong.

As soon as I recognized his phoniness, I was turned off to any possibility of negotiating anything other than what I originally wanted. He would try to put the hook in my mouth and I would winch. I didn't want to seem impolite but I definitely wanted to give him the message to back off. He tried again. I squinted my eyes, flinched and said non-verbally, “Are you kidding me? Why would I pay for that extra?” Finally, he got the message and I got the car.

9. The “I’m sorry but that’s not our Policy” tactic

This can be a very powerful tactic.

Assume you walk into a retail store and see the price tag of \$49.95 on an item. Do you think, “I’ll bet I can get this item for less” or do you think, “This item costs exactly \$49.95”?

Assume you take your car in for repairs and a sign hanging over the door says, “We charge \$70 per hour for all repairs.” Do you think, “I’ll bet we can haggle over the hourly rate” or do you think, “I’m going to be paying \$70 an hour for my repairs”?

Have you ever had someone say to you, “We can’t do that, it’s not our policy!” Besides being irritated, aren’t you thinking, “I guess they can’t do what I am asking.”

The reason this tactic is so powerful is because it ties the negotiation to a “higher authority”, one that seems out of reach and beyond anyone’s control.

Successful negotiation will take many of us out of our comfort level, especially in this arena. When this tactic is used, test your perception. Respond in such a way that the other party will reveal how flexible or inflexible they are with the policy.

Recently, someone told me "I'm sorry, we can't negotiate the price. It's not our policy."

I responded by saying, "You know I have a policy too, whenever someone tells me it's not their policy, I ask to speak with their manager. Would you mind getting them for me?"

After speaking to the manager I realized that there was flexibility in their policy. I made them an offer which was accepted.

10. The "I'm not sure I'm that interested" tactic

Assume the motor in your car froze and the cost of fixing it would be several thousand dollars. You need transportation and you need it by Monday morning.

Saturday, you show up at the local car dealership. You see a used car that might be perfect for you except the price seems too high. The salesman approaches you. Which would be the better negotiation tactic to use? Explain your situation to the salesman and appeal to his sense of fairness and good will or to act a little detached? Which would be the better statement for you to make? "This car is exactly what I was looking for" or "I'm not sure this car is what I am looking for but I could be interested depending on price"?

Too much enthusiasm shown during the beginning of a negotiation can reveal too much. Once seen, the other side will set their goal higher rather than lower. Remember, those who set their expectation higher usually achieve higher results.

On the other hand, you might find yourself in a negotiation with someone using this tactic on you. Showing disinterest might be a ploy. Just because a person acts less than enthusiastic doesn't mean they are not interested. Test your perception. Call their bluff. The other party might say, "I don't know. I suppose I could make you an offer but you're going to have to concede on several issues." Respond by saying, "If you're interested, I think we can make a deal but I'm not willing to concede all of the other issues. I'll concede on the first one if you agree to throw in a little extra cash."

11. The "If I do this? Will you do that?" tactic

This tactic pre-supposes that concessions will be made by both parties and becomes very powerful when used in win/win negotiations.

Often, several items will emerge as problematic issues. Prioritize these issues, listing the less important issues first and the most critical

issues last. When the time for concession arrives, pick one of the priority issues and tell the other party, "If you agree to concede on that point I will agree to concede on this point. If the negotiator plays his or her card correctly, they may end up exchanging lower priority items for higher priority items. With each concession, both parties move closer to an agreement.

Be aware. Some use this tactic in a deceptive manner. From the very outset, a person may state, "Before we even start negotiating, you need to know that I have two main items that I must have." The person then lists the items in a specific order. One of the items is really not that important to the person but they use it as a ploy. When concession time arrives they "grudgingly" concede that point but only on the condition the other issue is left in tact.

Four Effective Concession Strategies

Most negotiators recognize that a successful negotiation will be a matter of both parties making concessions. Concessions as well as negotiating tactics should be strategic. The following are four effective concession strategies that can be used in order to negotiate a successful outcome.

1. Make your concessions well known to the other party

Assume a party has just conceded an issue. Letting go of this item did not come without some thought and evaluation and might involve loss of a significant amount of money, time, or other articles of worth. Even though the conceding party had placed high value on what was lost, the other party may not recognize its importance or significance. In fact, in almost all cases, the other party will not have placed the same value on the concession. Because the other party may not want to reciprocate with their own concession, their motivation would be to overlook or dismiss the concession.

Keep in mind; it is always the conceding party's responsibility to make known the perceived value of what they have given up. Concessions can become powerful tools when negotiating other items but are powerless if the other party has failed to place any perceived value on the item.

Assume you are negotiating a farmout agreement with a counterpart. You are asking for a 5% override on all leases but the other party is holding firm and will only give you a 3% override. To concede this issue is no small matter. Giving away 2% of all production tied to the leases can be a considerable amount of money. When conceding the 2% you might say, "Okay, I'll agree to a 3% override but what I am giving up is no small matter to me. It's like taking \$20,000 out of my pocket on every million dollars those leases bring in!"

Secondly, when concessions happen, one party loses and the other party gains. Using the previous illustration, I would recommend that something like this also be stated, "Keep in mind, that the \$20,000 taken out of my pocket is being placed in yours!"

Making known the perceived value of the concession helps to solidify the notion of receiving a like valued concession from the other party. Therefore, the conversation might continue like this, "As a result of my concession on the override, I am expecting you to add language that would entitle me to a backin after payout."

2. Concede small, concede slow and concede in decreasing increments

Assume you are negotiating a contract and realize that one of the most important issues stated by the other party is really a minor issue for your company. You know there will be no problem conceding this issue. The worst thing you can do is to immediately concede the issue, come across as the hero, "We can do that for you! No problem. Consider it taken care of!"

Concessions must be made slowly and with purpose. The perceived value of the item being conceded rests entirely in the hands of the party conceding the item. If it is conceded too quickly its value has been diminished. On the other hand, if it is conceded with reluctance, its value has been increased.

In his book, *"In Business As In Life-You Don't get What You Deserve, You Get What You Negotiate"* Dr. Chester L. Karrass writes, "the record is clear. People who are stingy with concessions come out ahead. They hoard concessions by giving in slowly and making the other party work for all they get."

Never concede too quickly and always concede small. The perceived value of the concession is again what is at stake. Consider each of these two scenarios. Which of the two scenarios would you consider as having more value to you?

Scenario 1:

Last Friday night you were playing a friendly hand of poker with your friends. The net result was that you won \$50.

Scenario 2:

Every Friday night you play a friendly hand of poker with your friends. Five weeks ago you won \$10. Four weeks ago you won \$10. Three weeks ago you won \$10. Two weeks ago you won \$10 and last week you won \$10.

Which of the two scenarios would you consider as having more value to you? Both netted the same amount of cash. Yet, one happened in one setting and the other happened in smaller increments over a period of time. Often, the perceived greater value is attached to several smaller concessions rather than one large concession.

Extensive research has been done on this subject. Both Stanford professor Amos Tversky and Princeton professor Daniel Kahneman concluded that while most people would rather receive "bad news" all at once, they would rather receive "good news" in smaller installments.

Assume you are negotiating an oil and gas lease. Your company has asked you to make initial offers of \$200 an acre for each signing bonus. They have also said they would be willing to pay up to \$400 per acre. You make an initial offer of \$200 to a landowner. He objects and says he wants \$350. You have the authority to pay the \$400. What strategy should be used?

I believe you should concede small, slow and in decreasing increments. Remember the findings of professors Tversky and Kahneman.

The wise strategy is to up your offer. You counter with a \$250 offer. This is a \$50 increase in the original offer. The landowner counters your counter with \$325. You counter again, this time with a decreasing amount. You offer \$275. This is a \$25 increase. He says, "I'm not going below \$300. Take it or leave it." You ask him if the two of you could split the difference. This would be a \$12.50 increase in what you would pay or \$287.50.

At this point in time, is the landowner feeling good about the negotiation? Is he happy? In most cases, his perception is that his negotiating skills have caused you to concede three times. If he accepts your last offer, he has made you move \$87.50 toward his asking price. His perceived value of your concessions may be higher than they actually are.

Conceding in decreasing increments has several values. First, they demonstrate that the party is flexible and willing to consider the interests of the other party. Each concession demonstrates “good will”. The decreasing increment concessions also send a clear message that you are running out of negotiating room.

Also, in the illustration, if the landowner does agree to split the difference, the oil company has only paid \$287.50 per acre for the lease. They were willing to pay \$400. The net result is a savings of \$112.50 per acre for the oil company.

This illustrates another important aspect of concessions. *Every concession should move both sides closer to the agreement.*

3. Get something in return for your concession

Another important concession strategy is that of reciprocation – getting something in return for what is being given away. If the item being conceded has been given perceived value, the other party, in most cases, feels an obligation to reciprocate. Again, a reciprocating concession will, in most cases, only have a perceived value that equals the perceived value of the original concession. Therefore, use this concept as a strategy. Place great value on all conceded items.

Assume you are negotiating a farmout agreement with another landman. He or she is asking for certain concessions. Your response might be “I don’t have the authority to concede on an issue of that magnitude. I’m going to have to get approval from my boss. What are you willing to give us in return – something of like value that would show good faith?”

At times, the other party may be hesitant to reciprocate with their own concessions. Assume you are negotiating a Purchase and Sale Agreement on several producing properties and non-producing leases. The potential buyer continues to negotiate for a lower price and other major considerations but seems unwilling to concede much in return. Your response might be, “Look, we’ve been haggling over these issues for weeks. All the time the clock has been ticking on our non-producing leases. This hasn’t been an easy process for us. We’ve already made large concessions on the price to accommodate you. We need you to do the same thing for us! Increase your asking price by five million and agree to those terms we originally set out in the indemnification language.”

Notice the phrases, “We’ve already made *large* concessions on the price. This hasn’t been an easy process for us.” Dangling the value of a concession in front of the other party can have great affect.

Notice the phrase, "We need you to do the same thing for us!" Insisting on reciprocation can have great affect.

Notice the phrase, "Increase your asking price by five million and agree to those terms we originally set out in the indemnification language!" Clearly identifying what reciprocating concessions you want can have great affect.

4. Never concede first on a major issue

This is an important concession strategy. Never concede first on a major issue because generally, the worst concession is the first concession. Perceived value again comes into play here.

Assume you are negotiating a Joint Venture Agreement with another party. The negotiated issues are as follows:

- A. The percentage of ownership you will receive in every lease. You want 50% ownership; the other party only wants to assign you a 37.5% ownership
- B. Your buy-in costs. You want to pay four million; the other party wants you to pay six million.
- C. The overriding royalty interest the other party wishes to reserve on all leases. They want a 5% override; you only want to give them a 3% override.

Which of the three items would you think is the most important issue for the other party? Place them in a priority order. Assume you think the most important item is B (the money); however, they concede this issue first. Now, what is your perception of the value placed on that conceded item? Most of us would see it as having the least value.

Secondly, since the other party conceded first, on what you originally perceived as a major issue, how are you feeling? Do you feel that the advantage is in their favor or in your favor? Are you feeling pretty upbeat about what is happening? Are you ready to ask for additional concessions?

With the first concession, comes a different type of anchoring. The first concession, especially if it concerns a major issue, sets the tone for future expectations. Therefore, a great concession strategy is to prioritize the list of concessions that can be made. Place the least important at the top of the list.