# When a Negotiation is About Price, Selling Fits Promotion and Buying Fits Prevention

# Kirstin C. Appelt & E. Tory Higgins Columbia University

## **Abstract**

We explored regulatory fit in negotiation as the relation between chronic regulatory focus and role. We hypothesized and found that, when the negotiation emphasized price, buyers adopted a loss/non-loss frame and sellers adopted a gain/non-gain frame. Given these frames, there was a fit between the buyer role and a prevention focus and between the seller role and a promotion focus. Prevention buyers and promotion sellers subjectively experienced fit with their randomly assigned roles.

# **Theoretical Background**

Regulatory focus theory (Higgins et al., 2001) suggests two self-regulatory orientations: a prevention focus concerned with losses/non-losses and a promotion focus concerned with gains/non-gains.

•A prevention focus matches a vigilant strategy ensuring the absence of negative outcomes whereas a promotion focus matches an eager strategy ensuring the presence of positive outcomes. A match between orientation and strategy creates regulatory fit, which intensifies value (Higgins, 2000).

Past research on negotiation suggests that buyers frame the money to be paid as a loss whereas sellers frame the money to be received as a gain (Monga & Zhu, 2005; Neale, Huber & Northcraft, 1987).

•To minimize monetary losses, buyers should prefer a vigilant strategy. To maximize monetary gains, sellers should prefer an eager strategy.

Combining regulatory focus and negotiator roles, in price negotiations, there is a match between a prevention focus and the buyer role and between a promotion focus and the seller role that creates regulatory fit (Appelt et al., in press). The current study was designed to test two assumptions of this "focus-role" fit.

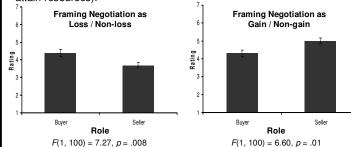
- •Buyers and sellers adopt different frames (loss/non-loss and gain/non-gain, respectively)
- •Negotiators in "focus-role" fit (prevention buyers and promotion sellers) subjectively experience a greater fit with their assigned roles than negotiators in "focus-role" non-fit (prevention sellers and promotion buyers).
- •We used a real negotiation in order to increase incentive compatibility and external validity.

#### **Methods**

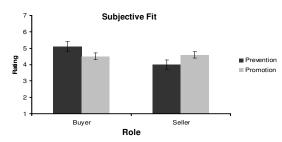
- •Participants (N = 102) completed "study 1," which included the Regulatory Focus Questionnaire (Higgins et al., 2001).
- •The experimenter then introduced "study 2" by randomly assigning participants to dyads and to buyer or seller roles within these dyads.
- •A real negotiation (vs. a hypothetical case) was used. The buyer was endowed with \$5 whereas the seller was endowed with a Columbia University notebook. The experimenter emphasized that the negotiation was real and that any outcome reached was binding.
- •Participants completed a pre-questionnaire before negotiating. Results reported here are limited to pre-negotiation measures.

#### Results

- •Participants rated the extent (1 = absolutely not to 7 = absolutely yes) to which they viewed the negotiation as a chance to create value, to minimize loss, to attain resources and to maintain resources.
- •As predicted, buyers framed the negotiation as a loss/non-loss (average of minimize loss and maintain resources) whereas sellers framed the negotiation as a gain/non-gain (average of create value and attain resources).



- •Participants rated the extent (1 = absolutely not to 7 = absolutely yes) to which their randomly assigned roles felt like a good fit, were engaging and felt "right." Because these measures were highly correlated (Cronbach's  $\alpha$  = .86), we averaged them to form one measure of subjective fit.
- •Buyers reported experiencing more fit than sellers, p = .03.
- •More importantly, the regulatory focus x role interaction was significant. As predicted, prevention buyers reported experiencing more fit than promotion buyers whereas promotion sellers reported experiencing more fit than prevention sellers.



F(1, 98) = 5.55, p = .02 (Using a median split on the difference score from the RFQ.)

# **Discussion**

The current study provided evidence for two of the assumptions underlying "focus-role" fit theory. In a price negotiation, buyers adopted a loss/non-loss frame and sellers adopted a gain/non-gain frame. Additionally, negotiators in fit (prevention buyers and promotion sellers) experienced more subjective fit with their randomly assigned roles than negotiators in non-fit (prevention sellers and promotion buyers). Because "focus-role" fit increases negotiator demandingness (Appelt et. al, in press), it may be an important tool for negotiators.

Future research will investigate whether a negotiation emphasis other than price can cause the buyer to adopt a gain frame and the seller to adopt a loss frame. In such a negotiation, the conditions of "focus-role" fit would reverse – a promotion focus should match the buyer role and a prevention focus should match the seller role.

## References

Appelt, K.C., Zou, X., Arora, P, & Higgins, E.T. (in press). Regulatory fit and negotiation: Effects of "promotion-seller" and "prevention-buyer" fit. Social Cognition.

Higgins, E.T. (2000). Making a good decision: Value from fit. *American Psychologist*, 55, 1217-1230.

Higgins, E. T., Friedman, R. S., Harlow, R. E., Idson, L. C., Ayduk, O. N., Taylor, A. (2001). Achievement orientations from subjective histories of success: Promotion pride versus preventior pride. European Journal of Social Psychology, 31, 3-23.

Monga, A. & Zhu, R. (2005). Buyers versus sellers: How they differ in their responses to framed outcomes. *Journal of Consumer Psychology*, *15*, 325-333.

Neale, M.A., Huber, V.L. & Northcraft, G.B. (1987). The framing of negotiations: contextual versus task frames. *Organizational Behavior and Human Decision Processes*, 39, 228-241.

Contact: Kirstin C. Appelt, kappelt@psych.columbia.edu