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## **Is Round Sound?**

When you make an opening offer, do you usually use round numbers with lots of zeros, or a more precise number without so many zeros? Most people tend to use round numbers, whether negotiating a lawsuit, the sale of a home, a car, or otherwise. The opening offer serves as an anchor that grounds the discussion to follow. Anchors can significantly affect the final agreed upon price in a negotiation, by shaping our perception of the offer's value towards that number.

New research shows that precise first offers act as more potent anchors than round first offers (such as a precise offer of \$143,500 instead of a \$150,000 round number). Malia F. Mason (Columbia University) and her colleagues found that study participants, whether acting as buyer or seller, responded with counteroffers farther away from round numbers than precise offers. One experiment showed this to be true even with a precise offer that was less aggressive (lower) in comparison to a slightly higher round offer.

They concluded that that the potency of an anchor depends on its credibility. Participants who received precise opening offers (compared to round offers) perceived the offer as more reasoned and informed, leading responders to make more conciliatory counteroffers. Precise offers may also afford the offer maker more credibility with the other side, by conveying knowledge of the commodity.

However, be aware that overly precise first offers might signal inflexibility. Subsequent moves can be used to send a message that you are not unyielding. The best strategy is to start with a high number (or low counteroffer) that is precise but not too extreme.

Of course, round numbers have their appeal. They are easier to manipulate and remember, noncommittal, and require relatively less effort to formulate. But you risk upsetting people if you are too extreme. These results show that you can be less extreme if you are precise and still get better results.