MICHAEL R. DILIBERTO, ESQ.

The Right Opening Will Close It

A relevant opening offer acts as an anchor, as it can pull our judgment of the offer's value towards that number. In constructing your first offer, there are generally two values on which you should focus:

First, consider your alternatives to agreement and create a reservation price (the number at which you'd prefer to walk away rather than reach a deal). Now you're prepared to accept a number that exceeds your reservation price and reject a number that falls below it.

Second, determine your ideal outcome, or target price (the number or values that fulfill your negotiation goals). Knowledge of your reservation price is crucial, but it's your target price that you should pay attention to when constructing a first offer.

Your first offer should keep your opponent engaged, so consider your opponent's alternatives to agreement and try to determine her probable reservation price (while being cognizant of trends in your field of law). Your first offer should be beyond your opponent's reservation price, but not so far outside as to disengage the recipient. Be prepared to allow your opponent to extract concessions from you, a necessary part of the negotiation dance.

By making concessions, you avoid having your opponent experience "Winner's Curse," in which an offer is accepted too quickly. Victims of "Winner's Curse" are left with the unsatisfactory result of questioning their negotiation strategy, or wondering whether they misjudged the value of the case. People feel more satisfied with their negotiation outcome if they extract concessions (gains), and they are more likely to honor the final agreement and not seek additional concessions.

You can protect yourself against the anchoring effects of someone else's first offer by basing your counteroffer upon the same information you would use to construct a first offer: Your ideal outcome and your opponent's alternatives to settlement and likely reservation price.

Plan your opening right, and your close will not be far.

1900 Avenue of the Stars, Suite 250 • Los Angeles • CA 90067 • Tel (310) 201-0010 • Fax (310) 201-0016
www.adrservices.org