

# Learning beyond Negotiation Tactics: The Sales Marketplace

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**Purpose of the Study:** In the past, negotiation-based, role-play sales-assignments have involved one-to-one interaction between a buyer and a seller. Unfortunately, this traditional format often overlooks the importance and presence of multiple buyers/sellers, the role of location, the dynamics of fluctuating market price, and the influential function of competitors. This exercise, *The Sales Marketplace*, teaches students to be cognizant of these variables beyond just negotiation tactics. Further, additional steps are put in place to have students reflect on their experience as a sales negotiator.

**Method/Design and Sample:** Seventy-six upper year undergraduate marketing concentration majors were given a survey to evaluate *The Sales Marketplace* exercise.

**Results:** The students reported that *The Sales Marketplace* is superior to the traditional format in 15 separate questionnaire items, including providing a better outlook of the sales marketplace, providing a realistic sales negotiation experience, requiring more problem analysis, interpersonal skills, emotional control, teamwork, decision making ability, ethical awareness, and class interaction. Students also reported that the exercise enhanced their learning experience, increased their knowledge of sales principles, imagination, and creativity.

**Value to Marketing Educators:** The advantage of the *The Sales Marketplace* is four-fold. First, the activity evolves beyond a simple lesson in negotiation tactics. Second, it allows students to reflect on their sales negotiation skills and self awareness. Third, this exercise deploys active learning techniques to immerse students in sales-negotiation scenarios. Finally, this method is customizable to any course (beyond sales-based courses) that utilizes negotiation-based learning.

**Keywords:** Sales, Negotiations, Active Learning, Sales Marketplace

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There has been a growing interest among industry leaders to emphasize sales coaching as an essential tool for their business practices.

This is especially true in response to the shortage in qualified salespeople along with a growing number of sales career positions (Cummins et al., 2013; U.S. Bureau of Labor Statistics, 2012). Hence, educators have developed an increasing interest to address this need, immersing students in real-life negotiation scenarios that will better prepare them in the sales field. Traditionally, role-play has been a common training method in sales negotiation courses. It allows students to immerse themselves in sales negotiation contexts using relatable scenarios (Widmier, Loe, & Seldon, 2007). Role-play also provides a representation of a real-life sales scenario and an opportunity for students to engage in experiential learning (Serviere-Munoz, 2010). Hence, it is no surprise that sales negotiation exercises are well-received by students; they find it to be fun, interesting, and relevant to managerial practice (Wheeler, 2006).

In its simplest form, students are typically divided into pairs with one member of the pair designated as a buyer and the other as a seller. The buyer and the seller receive their distinct background information which presents the scenario from their respective perspective (e.g., a buyer's information sheet and a seller's information sheet). Students are then given a set amount of time to negotiate and attempt to come to a consensus which satisfies both parties. The two parties engage in a conversation where they exchange information comprising of offers, counter-offers, and arguments. In general, this form of experiential role play has been adapted in many sales negotiation courses.

In the traditional format, the primary goals are to equip students with basic topics such as conflict theory, competitive bargaining, cooperative negotiations, and forming resolutions (Lewicki, 1986). Instructors also tend to focus on developing four central negotiation skills, which include preparing, communication, problem solving, and process management (Lewicki,

1986). While these provide important benefits to students, there has been an increasing interest among sales educators to improve the current format to add more realism. For example, Smolinski and Kesting (2012) argue that in-class role plays are limited in their ability to authentically replicate negotiation contexts, especially for culturally homogeneous student groups. They suggested that rather than dividing students into pairs, instructors should arrange negotiation between dyads consisting of two members for each party. Weiss (2003) encourages instructors to focus on "cultural aspects of negotiations" to encompass intra- and inter-cultural perspectives. Weiss stresses the importance of learning beyond negotiation tactics. More and more, variations to the traditional format are surfacing to better replicate marketplace characteristics in negotiation settings.

In response, this paper presents the *The Sales Marketplace*- an instructional innovation that teaches a wider set of learning objectives and creates a strong experiential learning environment for students. In subsequent sections, I discuss the exercise in greater detail. I also discuss its flexibility and its applicability. I also gather data on students' assessment of *The Sales Marketplace* vs. the traditional format. Finally, I conclude with benefits and limitations associated with this exercise, and offer suggestions for future upgrades.

### **TEACHING INNOVATION: *The Sales Marketplace***

Consistent with the experiential learning model (Kolb, 1984; Lewicki, 1986), there are four key steps which will guide the following instruction: a) *Formation of abstract concepts and generalizations*; b) *Testing implications of concepts in new situations*; c) *Concrete experiences*; and d) *Observations and experiences*. These steps provide a guiding framework for introducing the exercise (see appendix A).

#### **Step 1: Formation of Abstract Concepts and Generalizations**

Prior to leading up to the activity, the course instructor should have covered the appropriate lecture materials relating to sales negotiation topics. Typically, a basic one-semester sales course may cover topics such as (but is not limited to) bargaining tactics, basic economics, conflict theory, game theory, dynamics of interpersonal conflict, competitive/cooperative tactics, psychological trust, emotional intelligence, and time management (e.g., Lewicki, 1997). In addition, the instructor may cover topics such as leadership, team management, geographic markets, price wars, emotions (e.g., regret, emotional intelligence), and stereotypes (i.e., gender stereotypes). In essence, the topical area of emphasis is based on the instructor's discretion. This form of knowledge dissemination may come from readings, lectures, or both.

#### **Step 2: Testing Implications of Concepts in New Situations**

Before conducting the live role-play (Step 3), students should have an opportunity to reflect on the terms and concepts covered within the course. Few days before, students should prepare a personal "sales negotiation profile" where they outline their strengths and weaknesses in negotiation settings. For instance, a student may reveal that they get extremely nervous in time-pressured situations. A student may reveal that they like to work alone rather than in teams. A student may reveal that they are skeptical of other people. Here, students are asked to write a short paper describing their personal profile. The purpose of developing this profile is two-fold. First, by asking students to engage in a self-reflection task, it generates greater self-awareness and knowledge of the lecture material before heading into the live role-play. Second, the profile will be useful for instructors in forming diverse negotiation teams. The instructor should devise teams of two as suggested by Smolinski and Kesting (2012). When forming these teams, the instructor should pair up individuals with differing personalities and/or demographic characteristics (i.e., gender) to add diversity within teams. This also allows students to experience what it is like to work in a team rather than as an individual.

#### **Step 3: Concrete Experiences (*The Sales Marketplace*)**

In preparing for the *The Sales Marketplace*, the instructor must first create or obtain negotiation-based scenarios (see appendix B for an example). The instructor may find these scenarios in textbooks or case studies or create scenarios that mimics real-life sales scenarios. Typically, these scenarios will have an instruction for the buyer and a separate instruction for the seller. Then, the instructor should divide the class so that there are equal number of sellers and buyers (in teams). For example, in a class of 40 students, there will be 10 teams of sellers and 10 teams of buyers (given that there will be two students per team).

From the onset, the instructor hands out the buyer instruction sheet to the buyer teams. All teams will receive the exact same information. This will ensure that a team does not have a distinct advantage over other teams. Subsequently, the instructor hands out the seller instruction sheet to the seller teams. Then, a contract sheet is given to the sellers where the negotiating parties dictate their terms and conditions (e.g., price). This contract is important as it will be used to determine their performance scores. Then, the instructor provides the instruction that the buyer is free to buy from any of the sellers. Similarly, the sellers may sell to any of the participating buyers. Next, a time-limit is set to ensure that students complete the task within a particular time period. In the past, 15-20 minutes have been a adequate amount for students to interact, field multiple offers, and complete the contract. Once a contract is set, the students return the completed contract back to the instructor. This completes one round of negotiations. Afterwards, if there is more time, the instructor can facilitate another

round of negotiation with a different scenario. In round 2, the instructor should assign students who were sellers to become buyers and buyers to become sellers. This gives students an opportunity to experience both sides of the negotiation party.

As a variation, the instructor can modify the assignment to use uneven number of teams. For example, if there were more sellers than the number of buyers (e.g., 11 vs 10), then it increases the competition among the sellers as supply would outpace demand. The instructor can dictate certain stipulations (e.g., sellers cannot move). In the past, this exercise revealed interesting patterns that are different from the patterns of a traditional format. These include:

- Despite having the same scenarios, students dealing in one side of the room sold their products at a different price than those in the other side of the room. Hence, the geographic location of where the deal was reached had an impact. This reveals that the market price for the product may be different even though the product offering is exactly the same.
- Working with multiple teams created bidding wars among the groups, especially when the time was scarce.
- Because everyone had the same scenario, students were forced to think of creative methods to differentiate their offering. For example, students have used flattery or have placed greater emphasis on trivial attributes to differentiate from their competitors.
- Time played a role. There have been instances where the market price of the product were much lower (or higher) at one point compared to another point in time. This reflects how prices are susceptible to change and fluid based on time.
- Students are prone to experiencing regret. Because students are bound to encounter multiple offers from multiple parties throughout the negotiating round, students may experience action regret (regretting the decision that they have made) and/or inaction regret (foregoing a decision that would have been better).
- Because there are multiple rounds, students experience the value of developing and maintaining relationships with others.
- There have been internal conflicts within the team that hindered their ability to make a deal. Some teams were unable to make a deal as a result.

#### **Step 4: Observations & Reflections**

After step 3 (whether immediate or in a subsequent class), the instructor should hold a debriefing session to go over some of the challenges that the students experienced. In the past, students in these debriefing sessions have spoken about the challenges of keeping up with the dynamic market price, coping with regret

(either the decision that they may have made or deals that they have passed on), teammate conflicts, communication challenges, etc. In addition to the debriefing session, the instructor should also ask students to complete a reflection paper on what they have learned about themselves (and cross-compare it with their reflection paper in step 2). Once again, these papers are designed for students to reflect on their self-awareness.

Students are evaluated in two different areas. First, the students are assessed on the performance metrics related to the sales-negotiation scenario. For instance, if a student achieved higher performance than their peers (e.g., more money), then they will subsequently receive a higher grade. An instructor can rank the students based on how much money they made or give specific grades based on the actual amount that they achieved. Second, students are assessed on their reflection papers that they have written in steps 2 and 4. Here, the instructor should look for integration and understanding of the course concepts, as well as what they have observed and experienced. Once again, it is within the discretion of the instructor to determine what scoring methods are best suited for their course.

#### **Student Assessment of *The Sales Marketplace* vs. the Traditional Format**

Seventy-six junior/senior undergraduate marketing concentration majors across two sections of a consumer behavior class were given a survey to evaluate the *The Sales Marketplace*. For one section, students participated in two rounds of negotiations. To allow for proper comparison, in round 1, I implemented the traditional format where students were divided into pairs and they negotiated one-on-one with another classmate. In round 2, I implemented *The Sales Marketplace* where students were free to negotiate and bargain with any participating member. To rule-out order effects, round 1 and round 2 were reversed for the other section.

Then, student responses were recorded using a seven-point Likert scale in which 1 = "strongly disagree" and 7 = "strongly agree". Students evaluated on the effectiveness of the two methods. More specifically, students completed a 15-item survey following the exercise which relates to the session's learning objectives and their experience with the exercise. Table 1 details the results. After collecting the data, a paired sample t-test was conducted to assess the differences between the two instructional methods. A comparison between the two sections revealed no order effects. Overall, students seemed to have a more favorable impression towards *The Sales Marketplace* (vs. the traditional format). Moreover, what they seemed to appreciate the most was the realism that it brought to the classroom. Table 1 details the results.

**Table 1: Comparison between Sales Negotiations 1.0 vs. 2.0**

The exercise... (Strongly Disagree 1 - Strongly Agree - 7)	Traditional	<i>The Sales Marketplace</i>	t-value	Cohen's d (effect size)
1. Provided a better outlook of the sales marketplace.	M=5.33 (SD=1.33)	M=6.32 (SD=0.90)	5.54***	.87
2. Provided a realistic sales negotiation experience.	M=5.38 (SD=1.31)	M=6.33 (SD=0.94)	5.31***	.83
3. Required more problem analysis.	M=5.26 (SD=1.31)	M=6.26 (SD=0.81)	6.00***	.92
4. Required more interpersonal skills (communication).	M=5.07 (SD=1.25)	M=6.25 (SD=0.83)	7.22***	1.11
5. Required more emotional control.	M=5.20 (SD=1.30)	M=5.87 (SD=1.23)	3.16**	.53
6. Required more teamwork.	M=5.20 (SD=1.32)	M=5.99 (SD=1.06)	3.98***	.66
7. Required more decision making ability.	M=5.18 (SD=1.34)	M=6.04 (SD=0.93)	4.44***	.75
8. Required more ethical awareness.	M=5.07 (SD=1.27)	M=6.07 (SD=0.98)	5.72***	.88
9. Encouraged class interaction.	M=5.14 (SD=1.32)	M=5.84 (SD=1.22)	3.24**	.55
10. Made me feel more comfortable about speaking out in class.	M=5.12 (SD=1.46)	M=5.93 (SD=1.12)	3.73***	.62
11. Enhanced my learning experience.	M=5.18 (SD=1.27)	M=5.91 (SD=1.01)	3.91***	.64
12. Increased my knowledge of sales principles	M=5.17 (SD=1.29)	M=5.89 (SD=1.07)	3.83***	.61
13. Helped me to get to know other students in the class.	M=5.04 (SD=1.45)	M=6.03 (SD=1.07)	4.97***	.78
14. Inspired my imaginative side.	M=4.64 (SD=1.66)	M=5.99 (SD=1.05)	6.42***	.97
15. Increased my creative input.	M=4.86 (SD=1.66)	M=5.97 (SD=1.12)	5.24***	.78

Source: Items 1-10 were developed by the authors to focus on the specific learning objectives related to the exercise. Items 11-15 were adapted from Lee & Hoffman (2015).

Notes: Cohen's d > .80 is considered to be large effect sizes. .4 - .6 is considered to be medium effect sizes. \*\*\* p < .001, \*\* p < .01, \* p < .05

## CONCLUSION

The advantage of *The Sales Marketplace* is four-fold. First, the activity is more than a simple lesson in negotiation tactics. In the sales field, salespeople are constantly dealing with multiple buyers, engaging from multiple locations, dealing with fluctuating market price, and competing against their competitors. By using the marketplace format (as opposed to the traditional format), students must consider these external variables which better mimics real life sales contexts. Hence, it is not surprising that *The Sales Marketplace*

exercise was superior to the traditional format in providing a better outlook of the sales marketplace, providing a realistic sales negotiation experience, requiring more problem analysis, interpersonal skills, emotional control, teamwork, decision making ability, ethical awareness, and class interaction. Students also reported that the exercise enhanced their learning experience, increased their knowledge of sales principles, imagination, and creativity.

Second, by implementing steps 2 and 4, it allows students to reflect on their negotiation skills and self-awareness. It is important to acknowledge that this

exercise is not just about performance, but also about the learning experience that one has gained by participating in the process. Naturally, not everyone may be adept or be proficient at negotiations. Thus, by dedicating a large portion of the grade on the reflection process, it allows students to appreciate the entire experience. Third, this exercise deploys "active learning techniques" (Shanahan, Hermans, & Haytko, 2006; Lee & Hoffman, 2015) to stimulate student interaction. Active learning refers to the experience in which students are thinking about the subject matter as they interact with other students (Wright, Bitner, & Zeithaml, 1994). Given that students are required to interact with others to gather information and to make negotiation resolutions, such technique promotes problem solving, time management, and healthy competition (Laverie, Madhavaram, & McDonald, 2008). The use of a role play and getting students to immerse themselves in a sales scenario is beneficial in increasing the applicability of course concepts. Finally, this method is applicable to courses outside of sales. For example, a Human Resource course could adapt this format to run a worker's pay negotiation scenario. Instead of having a one-on-one negotiation, the exercise can mimic a job market scenario where there are multiple employers with multiple job seekers. Overall, this adaptation can be applicable to any course that involves negotiation-based scenarios.

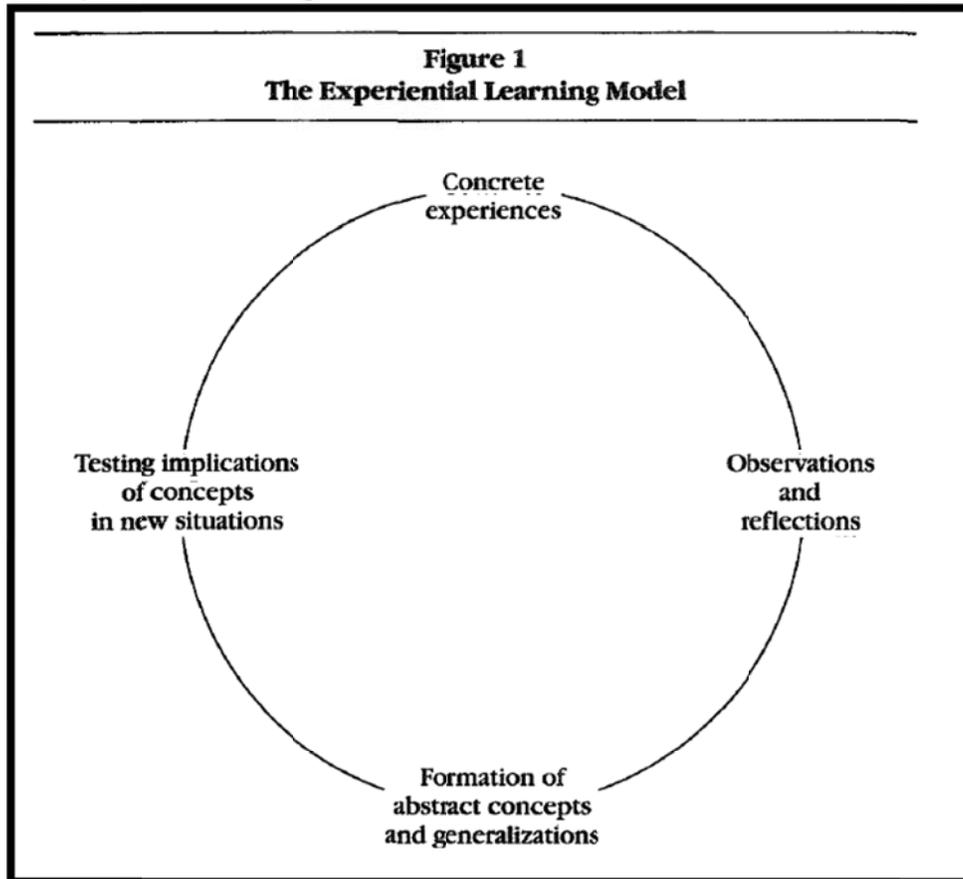
Despite these benefits, there are some limitations to this exercise. First, the exercise may not be suitable for a large-size class (100+). With a class size of more than 100, it may be difficult for the instructor moderate

the marketplace. Thus, the exercise is bound by the number of students that participates in this exercise. Second, the assignment tends to favor those students who have extroverted or assertive personalities. Hence, there is a natural disposition for some students perform well. Third, students are bound to face moral dilemmas when engaging in this exercise. For example, students may engage in unethical practices such as lying about their offers to other students or collude with others to get better results. In one particular case, a team inadvertently deceived another team regarding the nature of the contract which gave them an instant edge. Based on the nature of the assignment, it is difficult to enforce what is acceptable and what is not, and how it may affect students' grades. Fourth, some students may dislike that their grade is tied to a zero-sum game. Some students have indicated that they feel uncomfortable that an improvement in their grade may result in lowering of someone else's grade. Finally, the data were collected from two sections in a consumer behavior course covering a sales-related topic. In the future, it would be fruitful to examine how this exercise will generalize to a sales-specific course. While this may be an improvement to the traditional format, there are opportunities for additional upgrades. For instance, this exercise may be adapted for online courses. Similarly, most online negotiation exercises has also been limited to one-to-one battles. By expanding the option for students to negotiate with any member in the class, it will likely stimulate more interaction among students.

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Appendix A: The Experiential Learning Model



Notes: Kolb's Experiential Learning Model Adapted from Lewicki (1997).

## Appendix B: A Sample Assignment and Assessment

Title: THE "FACADE"

### CONFIDENTIAL INFORMATION FOR THE BUYER

The value of antique arts have risen rapidly North America over the last few years, and you are interested in investing in a piece of art. Given your current state, you would like to find a rare art in the \$32,000 to \$35,000 range, which you could keep for a few years, then resell at a greater profit. Recently, you attended an showcase for fine arts in the city. You identified an art piece ("The Facade") that seemed perfect for your collection. Based on the description, "The Facade" was exactly the type of investment that you were looking for. The asking price for the art was \$36,000, which was slightly over your budget.

You have since collected more information regarding the art market. After careful consideration, you have decided that you would like to buy the artwork, but not at a price in excess of \$35,000. In fact, you would like to buy the art at a price closer to \$32,000. However, you were willing to shell out up to \$35,000 if it was necessary to purchase the art piece. Few days ago, you have called several owners and submitted an offer of \$32,000. The owners agreed to meet with you today to discuss the offer. If you choose the buy the art, **your performance will be evaluated based upon how close you negotiate with the seller to your goal of \$32,000.**

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### CONFIDENTIAL INFORMATION FOR THE SELLER

You have owned a rare art piece called "The Facade" for 20 years. You originally purchased this art piece at a very low price. Now that time has passed, you decided that it was best to sell the art yourself. You decided to sell it yourself to save on commission. After doing some research, you figured that "The Facade" was worth the asking price of \$36,000. This art has been on the market for 4 weeks, and you have yet to receive an offer. You have always believed that you owned a unique art piece. You also think that this art has the potential to appreciate even more. In addition, the artwork has been well maintained, and you believe that the asking price was quite fair based on the market for antique arts. However, since your art has been on the market for several weeks, you have decided that you would settle for any offer that yielded \$33,000. However, you would prefer to sell the art as close as \$36,000 as possible. Any offer below \$33,000, you would rather not sell the art.

Fortunately, several interested buyers called and wanted to set up a meeting. The initial offers for the art was \$32,000, which was well below your minimum. However, you decided to meet with the prospective buyers in hopes of negotiating a better deal. If you choose to sell the art, **your performance will be evaluated based upon how close the final price you negotiate with the buyer to your goal of \$36,000.**

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### CONTRACT

Name of Buyer: \_\_\_\_\_

Name of Seller: \_\_\_\_\_

If you reached a deal, what was the final price? \_\_\_\_\_