Research Report

Beyond Offers and Counteroffers: The Impact of Interaction Time and Negotiator Job Satisfaction on Subjective Outcomes in Negotiation

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In this study, we examined real-world sales negotiations by collecting data in collaboration with a large Taiwanese eyeglasses company. We found, as has been established previously, that higher first offers predict higher company profits and that the impact of high opening offers can be muted by greater customer awareness of prices at other stores. When we investigated a more qualitative outcome, customers' perceptions of service quality, a different set of predictors emerged. Our results indicate that salespeople who spent more time introducing the products and services were perceived by the customers as providing higher service quality, but this effect only occurred for those salespeople who reported high levels of job satisfaction. Also, price reduction by salespeople did not improve customer satisfaction. Our results indicate that customer satisfaction does not require negotiated price concessions, but rather depends on extensive interaction with salespeople who are happy in their work. This is the first study to show that negotiator job satisfaction can affect important negotiation outcomes.

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Key words: negotiation, bargaining, buyer–seller interactions, price concessions, customer service quality, job satisfaction, Taiwan.

Introduction

Negotiation scholars have often focused on ways to improve monetary offers, counteroffers, and financial gains (Galinsky and Mussweiler 2001; Gino and Moore 2008). Recently, however, analysts have begun to examine other, more qualitative outcomes of negotiation, such as satisfaction with the outcome (Curhan, Elfenbein, and Eisenkraft 2010). In this study, we examined the impact of negotiators' behavior (specifically, the behavior of salespeople as they negotiated with customers in eyeglasses stores) on customers' perception of service quality. Such perceptions can be important for improving customer satisfaction and building long-term customer loyalty. We propose that perceptions of service quality are partly a function of price — how much the salesperson discounts the eyeglasses when negotiating with a customer — but also a function of the time spent with the customer. The sales negotiation process is not just a series of financial moves and countermoves, but also a process of relationship building. Thus, customer satisfaction need not come at the high price of negotiated price concessions, but can also be enhanced by spending more time with customers.

Given our expectation that relationship quality is critical, we suggest that it is important for salespeople to make more than a token effort to build a relationship with customers during time spent with them. Because the ability of negotiators to do their job well depends, at least in part, on their work environment, we hypothesize that merely spending time with the customer will do little good – if the salesperson is unhappy with his job and his employer, that dissatisfaction will affect the sales interaction negatively.

This hypothesis relates to another notable trend in the study of negotiation: the idea that negotiators are affected by people away from the negotiating table as well as those at the negotiating table (Ancona, Friedman, and Kolb 1991; Brett, Friedman, and Behfar 2009). This suggests that organizations can improve negotiators' effectiveness not only by teaching them negotiation techniques but also by treating them well and making sure they are committed to their jobs.

To ensure that our study context was a typical one and that we did not achieve our results because we chose an atypical negotiation setting, we also considered several standard negotiation hypotheses regarding the impact of opening offers and the impact of price comparisons by customers. (Price comparisons alert customers to their alternatives.) While offers

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and price comparisons matter, we found that time spent with customers and the job satisfaction of the salesperson engaged in the negotiation also had impacts. These effects become visible, however, only when we look beyond simple price outcomes.

Literature Review and Hypotheses Development

Price Negotiation and Profit

A primary component of the sales process is a negotiation over price. The buyer wishes to get the lowest possible price, while the seller seeks the highest. Standard negotiation textbooks suggest that the reservation price (RP), or "walk-away price," is a critical element in the price exchange between buyer and seller. The RP for the buyer is the maximum price she will pay, and the seller's RP sets the minimum price at which he will sell the product. For the salesperson employee (in contrast to a self-employed person or a business owner), the RP is normally determined by the company that employs him or her.

We define salesperson-generated "profit" here as the difference between the final price and the RP. For the company, there may or may not be additional profit or loss incorporated into the RP, but for our purposes we focus on the gain produced by the salesperson above the company's minimally acceptable sale price. The higher the gain, the better the salesperson's success in obtaining sales revenue for the company. In those cases in which the salesperson receives a commission or a bonus based on the selling price, this also means that the salesperson will himself earn more from the sale. In contrast, the smaller the gain, the smaller the surplus revenue generated by the salesperson for the company, the smaller the bonus or commission that he will receive, but the better off the customer will be, at least in terms of price.

First Offers and Anchoring Effects

When making an initial offer, a salesperson hopes to anchor the other party with a high opening offer. In theory, because this opening offer is high it will influence the buyer to make a counteroffer that is closer to the opening offer than he or she otherwise would make. The judgment and decision-making literature calls this the "anchoring effect," which refers to the assimilation of an estimate to a previously considered standard (Tversky and Kahneman 1974). To date, empirical studies have found strong evidence that first offers do act as anchors (e.g., Galinsky and Mussweiler 2001; Galinsky et al. 2002). Many theorists thus suggest that high first offers can be used by sellers to achieve strong financial results, but they also urge buyers and sellers to be wary of being anchored by the other side's first offer (e.g., Galinsky and Mussweiler 2001; Galinsky et al. 2002).

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In actual deal making, initial offers may be made by either the buyer or the seller. Whichever the case, we propose that the higher the opening offer, the higher the final price is likely to be. On the seller's side, if the salesperson opens first, a higher price will likely anchor the customer, resulting in a higher final price. Thus, a higher opening offer by the salesperson achieves the goal of anchoring the customer with a price more favorable to the store. On the buyer's side, if the customer goes first and gives a higher initial offer to the salesperson, it would also result in a higher final price by anchoring the salesperson at that higher price, producing an outcome more favorable to the company. Thus, we propose a replication hypothesis that higher first offers (made by either side) lead to a higher profit for the company and for the salesperson. Thus, Hypothesis One is as follows:

> *Hypothesis One:* There will be a positive relationship between the size of the first offer and company profit.

The Customer's Price Comparison as a Moderator

A buyer may counteract a seller's information advantage and corresponding ability to anchor aggressively by acquiring information about the specific goods that he or she would like to buy. In this way, the buyer can improve his or her best alternative to a negotiated agreement (BATNA) (Fisher, Ury, and Patton 1991). Having a favorable BATNA — and being aware of what it is — should strengthen a negotiator's bargaining position (Pinkley, Neale, and Bennett 1994; Gino and Moore 2008) and, in theory, minimize the anchoring effect of the salesperson's initial offer.

In a real-world sales context such as an optical shop, the more that customers compare prices at different stores, the more they improve their own BATNA, which makes them less susceptible to accepting the salesperson's high offers and more likely to hold out for lower prices. Price research requires an effort that usually pays off — customers often learn specific information they can use to bargain with salespeople (Grewal, Monroe, and Krishnan 1998). In Ian Ayres's (1991) study of retail car negotiations, when testers told the car dealer that they had looked at a car at another dealership, the opening offer by the car dealer dropped, on average, by more than $300. Joel Urbany's (1986) studies (Urbany, Dickson, and Kalapurakal 1996) also found that price research benefitted buyers. Thus, Hypothesis Two is as follows:

> *Hypothesis Two:* The more information that customers have about competitors' prices, the weaker will be the relationship between the size of the first offer and the final price and the less likely it will be that the seller's high first offer will correlate to a high profit.

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This hypothesis, like Hypothesis One, is not new. Rather, we tested it in order to ensure that the customer–salesperson context we studied is typical of buyer–seller negotiations.

Price Reduction and Buyer Satisfaction

As Jared Curhan, Hillary Anger Elfenbein, and Noah Eisenkraft (2010) pointed out, most studies of negotiations have focused only on price or value outcomes, to the exclusion of more qualitative evaluations of the negotiation process and outcomes, such as satisfaction. In this article, we focus on customers' "service quality" evaluations. As defined by A. Parasuraman and his associates (Parasuraman, Berry, and Zeithaml 1991), service quality refers to how well the customer believes that he or she was treated and the degree to which the salesperson's performance has met his or her expectations. Service quality is important because it represents the customer's general attitudes toward the store and the salesperson, which will affect his or her decision to shop again at the same store or from the same salesperson.

We expected that service quality perceptions would be affected by the final purchase price — and in particular, the degree to which the salesperson agreed to cut the asking price. The seller's concession is not only a tactic to promote a return concession by the opponent (Esser and Komorita 1975; Wall 1977), but may also demonstrate cooperative behavior designed to make the buyer like and trust the seller more (Kim, Diekmann, and Tenbrunsel 2003; Curhan, Elfenbein, and Xu 2006).

By contrast, adopting a "take it or leave it" strategy (i.e., an equivalent of no concession) is often considered negative and aggressive. A classic example is the case of Lemuel Boulware, the labor relations manager at General Electric in the 1940s, who thought that the most sensible approach was to just offer the union the most that the company was willing to pay right away, but then make no concessions. The practice, known as "Boulwarism," was declared by the National Labor Relations Board (NLRB) to be a practice that violated the requirement for both sides to "negotiate in good faith" (NLRB 1964).

For the seller, the degree of concession is the amount of price reduction from the initial offer. While the salesperson's ultimate goal is to earn a profit for the store and increase his or her own commissions (for those salespeople who work on a commission basis), customers often perceive price concessions to be an expression of goodwill, triggering positive feelings toward the person making the concessions (Allen et al. 1977). The larger the amount, the greater the goodwill expressed, but the smaller the profit. Salespeople will often accept a price reduction as a trade-off to enhance customer satisfaction in the hope that the customer will return for future purchases (Walters and Bergiel 1989). Typically, they will be unable to negotiate a price lower than the reservation price authorized by the company or store owner. Some sellers may also choose to accept the lowest

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possible price (and a minimal commission) in order to increase their sales volumes.

We propose that price concessions do have an effect on customer satisfaction because buyers seek to save money. Research has also shown that "getting a good price" makes customers feel proud, excited, and accomplished (Cox, Cox, and Anderson 2005). We further predict that the happier customers are with the deal, the more likely they are to perceive that they received a high quality of service (Pugh 2001). Thus, Hypothesis Three is as follows:

> *Hypothesis Three:* There is a positive correlation between a salesperson's price reduction and the customer's perception of service quality.

Introduction Time and Buyer Satisfaction

Service quality perceptions may also be affected by other factors besides price. Conventional wisdom suggests that people will stay longer in a store if they find it pleasant and if they are able to easily obtain useful information about products that interest them. Therefore, the amount of time salespeople spend introducing the product to the customer (what we call "introduction time") may be consequential to customers' perceptions of service quality.

Michael Ahearne, Ronald Jelinek, and Eli Jones (2007) used the term "information communication" to refer to those instances in which a salesperson provides updated information on products to the customer, customizes presentations to demonstrate particular features, and makes a clear case for the product by drawing comparisons between it and competing products. Their study showed that providing information about products can boost customer satisfaction. In terms of our study context, we would expect customers to find it helpful when salespeople introduce a variety of options to customers (e.g., in our study setting, several different styles of eyeglasses at different prices) so that they can know what they really want.

Research has shown that the sharing of information can significantly affect a negotiation's quantitative outcomes (Weingart et al. 1990; Putnam 1994; Olekalns and Smith 2000; Adair and Brett 2005). By helping customers acquire and understand product information, salespeople can also shape the "subjective value" of the (potential) deal (Curhan, Elfenbein, and Xu 2006). For instance, they may be able to shift the customer's focus from one aspect of the product to another. After product explanations, the customer may end up perceiving his or her needs differently.

Although negotiators are often cautious about sharing information that could be used by the other party to his or her advantage (Murnighan et al.

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1999), we suggest that when salespeople unilaterally share information, it makes them appear "customer oriented" (Price and Arnould 1999). Engaging in a lengthier conversation demonstrates sincerity, builds credibility, and communicates patience. It also informs the customers as to how the product can satisfy their needs (Donavan, Brown, and Mowen 2004) and gives them a chance to develop additional questions, which should also increase customer satisfaction (Ennew and Binks 1999). Thus, Hypothesis Four is as follows:

> *Hypothesis Four:* There is a positive correlation between the length of the seller's introduction and the buyer's perception of service quality.

Job Satisfaction as a Moderator

While product introduction time with customers may help potentially create value for customers, they may not perceive that they have received high-quality service unless that time with the salesperson creates a pleasant purchasing experience. We thus hypothesize that their experience may be affected by the salespersons' own job attitudes.

The role of job satisfaction has received considerable attention from organization scholars for more than four decades (Smith, Kendall, and Hulin 1969; Brief and Roberson 1989). Scholars have defined job satisfaction as "a feeling or affective response to the facets of a work situation" (Smith, Kendall, and Hulin 1969: 6) or "an internal state which is expressed through affective and/or cognitive evaluations of a job experience with some degree of approval or disapproval" (Brief 1998: 86).

Research has shown that employee job satisfaction can correlate to a person's job performance. For example, one study showed that satisfied salespeople are more likely to engage in customer-focused helping behaviors (Smith, Organ, and Near 1983; Motowidlo 1984). Another study reported that an employee's job satisfaction correlated to his or her willingness to engage in voluntary workplace behaviors that enhance organizational functioning (Organ and Ryan 1995; Ilies et al. 2009).

We hypothesize that satisfied employees will be more likely to display positive emotions at work (Rafaeli and Sutton 1989), which should enhance the buyer's trust in the seller. They are also more likely to create a pleasant environment, which can enhance the customers' mood through a process known as "emotional contagion" (Pugh 2001). As S. Douglas Pugh (2001) suggested, customers may "catch" the salesperson's affect, subconsciously mimicking and synchronizing his or her facial expressions and gestures, and thereby acquiring the same positive affect. As a result, these happy customers are more likely to perceive the quality of service they have received as good.

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Recent negotiation studies suggest that negotiators' affective states influence their perceptions, bargaining strategies, and final negotiation outcomes (e.g., Forgas and George 2001; Anderson and Thompson 2004; van Kleef, De Dreu, and Manstead 2004; Kopelman, Rosette, and Thompson 2006). Shirley Kopelman and her colleagues (2006), for instance, found that negotiators' displays of positive, negative, and neutral emotions had differential effects on the process. Negotiators who displayed positive emotions, in contrast to negative or neutral emotions, were more likely to incorporate a future business relationship into the negotiated contract. In other words, a "happy" negotiator may care less about the success of a single deal, but more about building long-term relationships with his or her opponents and maintaining a good impression with them. Kopelman and her colleagues (2006) also found that displaying positive emotions was an effective strategy for gaining concessions from the other party in a distributive negotiation.

In addition, research has shown that individuals often use their counterparts' emotional expressions to gauge their motivation, intention, and needs (van Kleef 2009). When one party shows positive emotions, it increases the likelihood of a win–win agreement that can fulfill both parties' needs (Pietroni et al. 2008). For example, those with high job satisfaction are likely to smile more often, show greater concern for others, and display more favorable attitudes during interpersonal interactions than their low-job-satisfaction counterparts. These overt behaviors can be seen as gestures of good faith and trustworthiness. In other words, positive emotions convey a signal of cooperation to the other side. Salespeople's positive job attitudes are likely to be manifested in affect and behaviors that convey credibility to customers, making them feel more comfortable in reaching a deal.

We therefore expect that a salesperson's satisfaction with his or her job and organization will enhance the correlation between introduction time and customers' perceived service quality. Job satisfaction sets the tone, creating a warm climate that makes the salesperson's introduction of the product more interesting and credible to the customer (Hareli and Rafaeli 2008). In contrast, when facing a dissatisfied salesperson, customers may perceive that the product introduction is insincere and may consequently have doubts about the product's quality or price. In sum, we expect that satisfied salespeople will provide product information more effectively, which will enhance customer satisfaction, while dissatisfied salespeople will do so less effectively and therefore generate less customer satisfaction. Thus, Hypothesis Five is as follows:

> *Hypothesis Five:* The salesperson's job satisfaction moderates the relationship between introduction time and perceived service quality, such that the higher the job satisfaction, the stronger the relationship between introduction time and customer perception of service quality during a negotiation.

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Methodology

Sample

We collected data for this study in collaboration with a large eyeglasses company that has more than 130 retail stores in Taiwan, with 44 stores located in the Taipei metropolitan area. The company's top manager informed its stores in the Taipei metropolitan area that all salespeople were encouraged to participate in the survey by filling out the salesperson questionnaire following their first successful deal of the week. We asked respondents to report the first deal of the week to ensure that they were unable to choose a particularly good sale to report on, thus making the sample more random and representative of all sales. Immediately after finishing the deal, salespeople were also instructed to ask the customer to fill out a questionnaire. The two questionnaires were each sealed in separate envelopes and then placed together into a larger return envelope.

Altogether, we distributed ninety pairs of questionnaires, and eighty-two pairs were returned. Four salespeople respondents, however, failed to provide the company-authorized reservation price, and another twenty-five pairs failed to provide the amount of their first offers, leaving us with fifty-three pairs of complete salesperson–customer responses in our data set.

Measures

Introduction time was reported by both the customer and the salesperson. We asked customers to report demographic information, and information about comparison prices and service quality. All other information came from the salesperson.

First Offer. We calculated first offer by first subtracting the salesperson's authorized reservation price from the opening offer price, and then expressed it as a percentage discount from the list price. This measure applied to situations in which either the salesperson or the customer made the first offer.

Profit. We calculated profit as final sales price minus the salesperson's authorized reservation price for the product (see Liu, Friedman, and Chi 2005, for a similar approach).

Compare Price. To assess the compare price, we used the process used by Urbany and his colleagues (Urbany, Dickson, and Kalapurakal 1996): we asked customer respondents to report the number of times they searched prices at competitive stores. The item was: "How many times did you compare prices at other stores?" The score indicates not only the number of times they actually walked into a store but also the times when they made phone calls to a store to research prices.

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Price Reduction. We calculated price reduction by subtracting the final price from the first price that was offered (expressed as a percentage of the list price).

Introduction Time. Similar to the study conducted by Todd Donavan, Tom Brown, and John Mowen (2004), we used one item to assess the length of introduction time from the salesperson's perspective ("For how long did you explain your products to the customer?") and another item to assess time from the customer's perspective ("Did you stay a long enough time to listen to the details of the salesperson's introduction?").

For the salesperson, the possible responses were 3 ("long enough for me to thoroughly explain the details"), 2 ("not too much time, I gave him/her a brief introduction"), or 1 ("a short time, because he/she bought the product directly"). The possible customer responses were 3 ("long enough for me to listen to the salesperson's thorough explanation"), 2 ("not too much time, the salesperson gave me a brief introduction"), or 1 ("a short time, because I bought the product directly"). The Cronbach's alpha for the two items was 0.74.

Job Satisfaction. We used four items to assess the salesperson's job satisfaction. The items were taken from Robert Quinn and Graham Staines's (1979) job satisfaction scale. We asked each salesperson to indicate his or her degree of agreement with certain statements using a seven-point Likert scale (7 = *strongly agree*, 1 = *strongly disagree*). A sample item is: "On the whole, this job fits my expectations." Because this scale was originally written in English, we translated it into Chinese, then back-translated it into English (Brislin 1973) to ensure correct meaning.

Service Quality. As a part of our research collaboration with the eyeglasses company, we consulted with the company's top management to develop the ten-item service quality scale (see Appendix One). We referenced the SERQVAL Scale developed by A. Parasuraman, Valarie Zeithaml, and Leonard Berry (1985) as well as the scale created by Pratibha Dabholkar, Dayle Thorpe, and Joseph Rentz (1996) when developing items for this scale. We used a seven-point Likert scale (7 = *strongly agree*, 1 = *strongly disagree*).

Control Variables. In addition to the above measures, we asked both the salespeople and the customers to report their sex and age, and asked each customer whether it was the first time that he or she had visited this store (coded as "first time") as a control variable. We controlled for first visits because we hypothesized that salespeople might treat repeat customers differently than first-time customers; for example, the discounts or bonus packages offered to them might be different (Buttle 2008).

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In addition, when predicting service quality, we controlled for whether the salesperson made the first offer. We labeled this dummy variable "salesperson first." By controlling for this, we made sure that the predictions of service quality were not based on who made the first offer, which might be an indicator of a salesperson's aggressiveness, which could affect customer satisfaction (Herrmann et al. 2007).

Results

The descriptive statistics, reliability estimates, and correlation coefficients of our study measures are shown in Table One. The Cronbach's alpha coefficient for job satisfaction was 0.85 and for service quality was 0.97; both were above the preferred 0.70 level (Nunnally 1978).

To examine the relationship between whether the salesperson made the first offer and the amount of the first offer, we conducted a *t*-test analysis. The salesperson made the first offer in thirty out of fifty-three cases. As expected, we found that when salespeople made the first offer, the amount of the first offer was typically larger than when customers made the first offer ($t = 3.95$, $p < 0.001$).

Before we tested the hypotheses, we conducted an additional, exploratory analysis. We wanted to make sure that our findings were not affected by the list price of the products, because there might be a difference between name-brand eyeglasses and economy glasses in terms of the size of the bargaining zone. After controlling for the list price of the product in each deal, we found that the effects of the first offer on profit remained substantially the same.

We tested our hypotheses using multiple regression analyses. We normalized the independent variables when creating interaction terms, as recommended by Leona Aiken and Stephen West (1991). In the regression models for predicting profit, we first entered the control variables (salesperson sex, salesperson age, customer sex, customer age, and first time). We then inserted the independent variable (first offer, simplified as FO) and introduction time (simplified as IT), followed by the moderator (compare price, simplified as CP). Finally, we inserted the interaction term, FO × CP.

As shown in Table Two, we found a significant positive coefficient for the effect of first offer on profit (beta = 0.47, probability [p] < 0.001). That is, the larger the first offer, the greater the profit for the company. This result provides evidence of anchoring effects, supporting Hypothesis One.

Furthermore, we found that compare price had a significant, negative effect on the impact of the first offer (beta = –0.30, $p < 0.05$). That is, the relationship between the size of the first offer and profit was weaker when customers learned more information about competitors' prices. We examined the interaction effect by looking at the regression weights (simple slopes) of the first offer at one standard deviation above and below the

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Table One
Means, Standard Deviation, and Correlations among Variables

Variables	M	SD	1	2	3	4	5	6	7	8	9	10	11	12	13
1. Salesperson sex	0.71	0.45	—												
2. Salesperson age	31.73	6.89	−0.14	—											
3. Customer sex	0.43	0.50	−0.16	−0.01	—										
4. Customer age	30.81	10.64	−0.03	0.40**	−0.06	—									
5. First time	0.47	0.50	−0.06	−0.05	0.24+	−0.12	—								
6. Salesperson first	0.57	0.50	−0.13	−0.30*	0.08	−0.16	0.14	—							
7. First offer	0.16	1.06	0.08	−0.18	0.18	−0.08	0.18	0.51***	—						
8. Introduction time	2.60	0.47	−0.14	−0.04	−0.03	0.13	0.07	0.19	0.06	(0.74)					
9. Price reduction	−0.03	0.89	0.12	−0.10	0.22	−0.09	0.00	0.57***	0.78***	0.04	—				
10. Compare price	0.25	0.78	0.05	0.12	−0.03	−0.13	0.24	−0.12	−0.28*	−0.10	−0.36*	—			
11. Job satisfaction	5.20	1.05	−0.07	0.17	−0.13	0.15	−0.26+	−0.11	0.00	0.00	−0.03	−0.13	(0.85)		
12. Profit	1149.62	4461.67	−0.03	0.00	0.14	0.23	0.29*	0.02	0.50***	0.12	−0.05	−0.02	0.08	—	
13. Service quality	6.24	0.90	−0.23	0.08	−0.21	0.02	0.15	0.22	0.13	0.40**	0.07	0.01	−0.05	0.11	(0.97)

Note: Gender was coded as 1 = male and 0 = female; age was coded by actual age in years; first time was coded as 1 = first time and 0 = not the first time; salesperson first was coded by 1 = the salesperson made the first offer and 0 = the customer made the first offer. $+p < 0.10$, $^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$. Figures in parentheses in diagonal are alpha coefficients.

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Table Two
Predictors of Profit

Variables	Profit		
	Model 1	**Model 2**	**Model 3**
Control variables			
Salesperson sex	0.00	–0.04	–0.03
Salesperson age	–0.11	–0.02	–0.05
Customer sex	0.09	0.01	–0.02
Customer age	0.31*	0.30*	0.35*
First time	0.29*	0.23+	0.14
Independent variables			
First offer (FO)		0.47***	0.62***
Introduction time (IT)		0.03	0.05
Moderator			
Compare price (CP)			0.04
Interaction term			
FO*CP			–0.30*
Model F	1.79	3.63**	3.65**
R^2	0.17	0.37	0.44
Change of R^2		0.20**	0.07+

Note: Sample size (N) = 53; the entries in the table are standardized betas.
+$p < 0.10$, *$p < 0.05$, **$p < 0.01$, ***$p < 0.001$.

mean score of competitors' prices (see Figure One). As predicted, for those with high levels on compare price (i.e., they researched a greater number of competing stores), we found less of an increase in profit per a given increase in the size of first offer than we did for those customers who had made fewer price comparisons. That is, the anchoring effect was weaker. By contrast, when customers did not have high comparison price (i.e., they did not conduct much research on price), there existed a larger increase in profit per a given increase in the size of the first offer. In this case, the anchoring effect was stronger. In sum, Hypotheses One and Two were supported. Replicating past work (Galinsky and Mussweiler 2001; Galinsky et al. 2002), we found that the initial offer's effect on the final negotiated price is attenuated when buyers are more aware of their alternatives.

In the regression models predicting service quality, we first entered the six control variables (salesperson sex, salesperson age, customer sex, customer age, first time, salesperson first offer) then inserted the independent variables for price reduction (PR) and introduction time (IT), followed by the moderator, job satisfaction (JS). Finally, we inserted the interaction term IT × JS.

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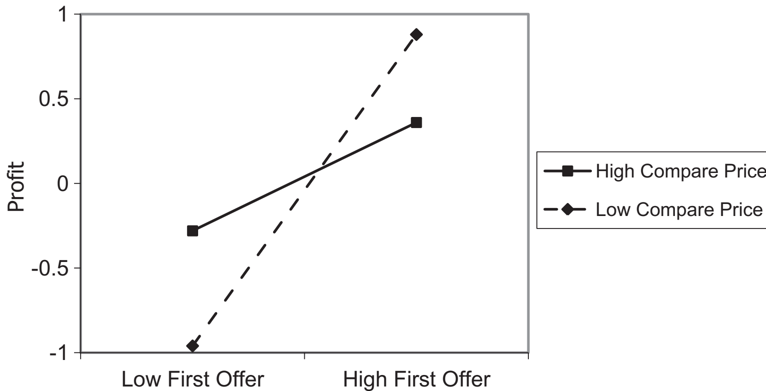
Figure One
Interaction Effects between First Offer and Compare Price



As shown in Table Three, we found a significant positive coefficient for the effect of introduction time (beta = 0.34, $p < 0.05$) on customer's perceptions of service quality, but the coefficient for the effect of price reduction on perceptions of service quality was not significant ($p > 0.05$). Thus, Hypothesis Four was supported, but Hypothesis Three was not supported.

Furthermore, we found that the introduction time by job satisfaction interaction term was significant (beta = 0.40, $p < 0.01$). We examined the interaction effect by looking at the regression weights (simple slopes) of introduction time at one standard deviation above and below the mean score of job satisfaction (see Figure Two). As predicted, for those salespeople with high job satisfaction, we found more of a correlation between introduction time and service quality than we did for those salespeople who were less satisfied with their jobs. Indeed, for those with low job satisfaction, we found no relationship at all between introduction time and service quality. Thus, Hypothesis Five was supported.

Discussion

This study examined a sample of real-world price negotiations between salespeople and customers in the stores of an eyeglasses company in Taiwan. To confirm that our study took place in a typical negotiation context, we tested several standard negotiation predictions, such as the effects on profit of the size of the opening offer and the customer's knowledge of alternatives (e.g., Pruitt and Carnevale 1993; Pinkley, Neale, and Bennett 1994; Galinsky and Mussweiler 2001; Gino and Moore 2008).

In addition to these expected and well-documented negotiation results, we proposed that customer satisfaction reflects not just the seller's

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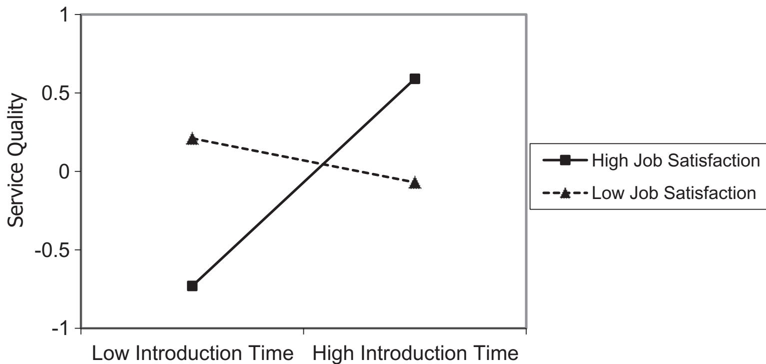
Table Three
Predictors of Service Quality

Variables	Service Quality		
	Model 4	**Model 5**	**Model 6**
Control variables			
Salesperson sex	–0.23	–0.21	–0.20
Salesperson age	0.12	0.13	0.12
Customer sex	–0.31*	–0.31*	–0.26 +
Customer age	0.00	–0.06	–0.02
First time	0.19	0.17	0.11
Salesperson first	0.22	0.10	–0.06
Independent variables			
Introduction time (IT)		0.34*	0.26*
Price reduction (PR)		0.10	0.20
Moderator			
Job satisfaction (JS)			–0.07
Interaction term			
IT*JS			0.40**
Model F	1.86+	2.36*	3.13**
R^2	0.20	0.31	0.44
Change of R^2		0.11*	0.13*

Note: N = 53. The entries in the table are standardized betas. +$p < 0.10$,*$p < 0.05$, **$p < 0.01$, ***$p < 0.001$.

Figure Two
Interaction Effects between Introduction Time * Job Satisfaction



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willingness to make price concessions and the size of those concessions but also the amount of time that the seller spends introducing potential products to the customer. Salespeople's introduction time did exert a positive main effect on customers' perceptions of service quality. When we looked more closely, however, only those salespeople who reported being highly satisfied with their jobs were effective at using their introduction time to enhance customers' perceptions of service quality — this did not occur when salespeople had low levels of job satisfaction. At the same time, reducing the asking price from the first offer was not found to be a significant predictor of customer satisfaction.

Our results have implications for the development of both negotiation theory and sales management practice. First, our results indicate that spending time introducing a product can exert a significant impact on service-quality perceptions but will typically have less of an impact on profit. Given these divergent effects, we suggest that negotiators should not think just in terms of shorter-term monetary results but also in terms of potential social and psychological outcomes (Curhan, Elfenbein, and Eisenkraft 2010).

This study shows how variables that can predict *objective outcomes* (i.e., the initial offer and availability of alternatives) may differ from those variables that can predict *subjective outcomes* in negotiation (i.e., job satisfaction and introduction time). Our results show that both price negotiation tactics and candid product introductions are crucial, but it appears that effective sales introductions could serve an integrative function by enhancing long-term sales outcomes for the company and by building customer loyalty, rather than just a distributive tactic that produces short-term profit (Weingart et al. 1990). Therefore, management should devote attention to training their sales force to use these long-term strategies as well as short-term strategies.

Second, our data indicate that employee job satisfaction can boost the impact of spending time introducing a product on customers' perceptions that they have been well served by a salesperson. That is, when a negotiator (i.e., a salesperson) is more committed to the job and displays a more positive affect when introducing products and services, this attitude can enhance the impact of time spent with customers on customer satisfaction. In this way, employee affect and emotions play important roles in relationship building during sales negotiations (e.g., Pugh 2001; Kopelman, Rosette, and Thompson 2006). Positive job attitudes help set the tone for the interpersonal dynamic between the salesperson and the customer (Anderson and Thompson 2004) and communicate the salesperson's credibility (van Kleef, De Dreu, and Manstead 2010). In this way, a higher level of job satisfaction can increase the likelihood of reaching an agreement that satisfies both parties (Pietroni et al. 2008).

Interestingly, we found no link between price reduction and perceived service quality. This finding surprised us because conventional wisdom tells

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us that customers always prefer bargains and that product price reductions will enhance customer satisfaction. Our data, however, failed to support such a relationship.

One explanation is that price reductions triggered customers' counterfactual thinking, making them question the trustworthiness of the salespeople and the quality of the product (Molz and Gielnik 2006). Such attitudes toward the salesperson could undermine whatever feeling of satisfaction might be generated by lower prices. Also, paying a reduced price for eyeglasses might not generate savings large enough to generate a significant sense of pride, excitement, or accomplishment for customers (Cox, Cox, and Anderson 2005). Moreover, research findings in marketing have shown that the effects of price reductions on brand choices differ between high-quality and low-quality brands, depending on whether those price reductions are sufficient to allow people to move up from lower-quality brands (e.g., Sivakumar and Raj 1997). A price reduction on high-quality brands can be effective at enhancing sales because it allows customers to "switch up" to higher brands. But the impact of price reductions is not as strong for established high-quality brand customers or for price reductions of low-quality brands. Customers' psychological responses to price reduction can be complex.

Practical Implications

We draw several practical implications from the results of this study. First, our results underscore the conventional wisdom that salespeople benefit from sufficient training. Based on our findings, utilizing active listening and communication skills provides a payoff for salespeople in terms of customer satisfaction.

More importantly, our findings also support the idea that happier employees are more successful employees. Retail companies benefit when sales employees are satisfied with their jobs; without sufficient job satisfaction, effective sales training is less likely to have a beneficial effect. In fact, at least in this setting, employee satisfaction was a better predictor of customer satisfaction than were price reductions. Company managers are well advised to make employee job satisfaction a key element of efforts to transform distributive buyer–seller relationships into more integrative, long-term relationships with customers.

Study Limitations and Future Directions

This study has several limitations. First, our sample consisted of employees from only one eyeglasses company in Taiwan, limiting the generalizability of our results. Future research should include employees from retailers selling other products. Nevertheless, our results paint an interesting picture of real-world sales negotiations, keeping constant industry variables as well as other organization-level variables.

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Second, because it was difficult to assess customers' reservation price, we were only able to investigate the relationship between first offers and profit in terms of salespeople's reservation price. A more complete picture would include the buyer's reservation price as well as the seller's.

Third, we used a cross-sectional design to collect the data, limiting our ability to confirm the causal direction of the hypotheses. Finally, our study had a relatively small sample size. It would be advisable to have a larger sample size in future studies.

The findings of this study have several implications for future research. First, we found that service-quality perceptions were enhanced when salespeople were satisfied with their jobs or organizations. We examined this hypothesis using a sample within a specific industry in Taiwan. It would be interesting to explore the generalizability of our findings. That is, future research should examine the extent to which the effect of employee job satisfaction is effective in boosting service-quality perceptions in contexts other than salesperson–customer interactions.

In addition, different possible mechanisms may underlie the impact that introduction time has on service-quality perceptions, such as customer orientation (Price and Arnould 1999; Donavan, Brown, and Mowen 2004), salesperson's willingness to listen (Clopton, Stoddard, and Clay 2001), customer involvement (Shaffer and Sherrell 1997), and customers' quantity of questions (Jap, Manolis, and Weitz 1999). That is, salespeople might effectively use their introduction time to help their customers make purchase decisions that satisfy customer needs or to demonstrate their willingness to listen carefully to the customer. Our research also supports the conventional wisdom that customers benefit from learning about the product and actively asking questions during the sales interaction. Future research could further test the mechanisms that make a sales introduction work most effectively.

It would also be interesting to examine outcomes beyond service quality. Future research could, for example, examine such outcome variables as customer worth-of-mouth (Heskett and Sasser 2010) or the development of long-term relationships (Anderson and Thompson 2004). For this study, we found that the salesperson's level of job satisfaction had an impact on a nonmonetary outcome variable: it would be interesting to see whether that finding holds when other outcome variables are considered.

These findings could be further explored in a manipulated experimental laboratory setting. Study subjects could, for example, be prompted to think of times when they experienced high levels of job satisfaction and then engage in a simulated negotiation examining interaction time and counterpart satisfaction.

In addition, we did not include personality traits as potential predictors of negotiated outcomes. Additional research could investigate how personality traits and employee job attitudes interact to affect negotiators' subjective value perceptions (Liu, Friedman, and Chi 2005).

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Sixth, our results may be different in other cultural contexts because each culture values relationship building differently. In some cultures, a salesperson's product introduction may not bring an equivalent positive impact on service-quality perceptions as it did in Taiwan.

Finally, future research should examine not just whether customers have looked at other stores, but exactly what the prices were at those other stores; for example, what is the customer's BATNA and what is the impact of having a strong or weak BATNA on the sales interaction?

Conclusion

This study is one of the few to empirically test the dynamics of price negotiations and service quality in a real-world selling context. By capturing the responses of both salespeople and customers at the same time, we could compare the impact of the size of the first offer, the time that salespeople spent introducing the product, and salespeople's job satisfaction on both profit and service quality. For the former, price anchoring was the key variable, while for the latter, salespeople's introduction time and job attitude made the difference.

NOTE

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Appendix One

Service Quality Scale

1. He/she told me exactly when services would be performed.
2. He/she showed sincere interest in helping me at any time.
3. He/she was consistently courteous to me.
4. He/she had the knowledge needed to answer my questions.
5. He/she was never too busy to respond to my requests.
6. I felt comfortable with him/her because of his/her clean and neat appearance.
7. This store gave me individual attention.
8. I felt the salesperson highly respected my interests.
9. On the whole, he/she gave me a good impression of his/her service.
10. On the whole, this store performed the service right the first time.

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