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DO SALES OBJECTIVES GET BUYERS A BETTER BARGAIN

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Introduction

Bargaining is a major part of the professional buyer's job whether he is dealing with a new contract for a routine item such as office stationery or a one of a kind purchase such as a plant expansion. A popular sales force management text states "...negotiating for the professional buyer is the accepted way of doing business...he is doing his job in getting you down as low as you will allow" (Stumm, 1981).

This paper reports the results of both field and experimental studies conducted to determine whether sales objections are an effective means of securing bargaining advantage. The experimental study also dealt with several practical issues in using sales objections such as whether or not one should make specific criticisms and whether the use of more than one sales objection enhances the effect of those objections. Sales objections are defined here as a statement by one of the parties to the bargaining that the offer(s) made by the other party are not acceptable to the objecting party in some specified or unspecified manner. An example would be, "Your price is too high" or "We don't like that offer." To simplify the present discussion this paper describes the buyer as making a sales objection although in reality the seller could similarly object to an offer made by the buyer.

Theory and Literature

How Do Sales Objections Get a Better Bargain?

There is ample literature support for the position that the bargainers' fall back positions determine the negotiation outcome (Walton & McKersie, 1965; Ikle & Leites, 1962 and Tedeschi, Schlenker, & Bonoma, 1973). Fall back position is defined as the least favorable outcome that a bargainer will accept before quitting the negotiations. A bargainer's fall back position can be defined in terms of any dimension important to the bargainers. Price and product specification are examples. It is argued here that sales objections secure a bargaining advantage for those using them by inducing the target bargainer to accept a less favorable bargaining agreement; i.e., get the seller to accept $11.50 per unit instead of $12.00.

Mitchell and Dion conducted a bargaining experiment which established that bargainers choose a fall back position such that they can make an offer which they believe is minimally acceptable without offering more than is necessary. Bargaining involves manipulating the other side's perception of what it is

possible for him to obtain from the negotiations. The buyer secures bargaining advantage in the following manner by making sales objections. The buyer makes a sales objection in hopes that the seller will conclude that he must make an offer more favorable to the buyer in order for it to be deemed acceptable. Sales objections may then be a deliberate bargaining tactic.

Literature View of Sales Objections

In contrast to the view of objections as a purposeful tactic the present marketing, sales force management and purchasing literatures treat sales objections simply as buyer excuses or obstacles to a sale (Green & Tonning, 1977; Webster, 1979; and Russell, Beach & Buskirk, 1982). The usual recommendation of those taking this latter view is for the seller to attempt to persuade the buyer to see the offer as meeting his needs. Because this viewpoint is unrealistic in failing to recognize objections as a deliberate bargaining tactic, sellers who adopt the view that sales objections are simply excuses or obstacles may respond to them inappropriately. They may simply ignore them and frustrate the buyer's inclination to bargain. The seller may also assume that sales objections are always genuine in the sense that the buyer truly regards the offer as unacceptable. An obvious ploy for the buyer is to object to an offer that he would accept in hopes of inducing the seller to provide a more favorable one. Because the present marketing and sales force management literature do not alert the seller to the <u>manipulative</u> aspect of objections, he/she may be vulnerable to them.

Field Study

Field Study Method

In order to investigate sales objections the author conducted the following field study. Twenty-two industrial purchasing managers and eighteen industrial sales force managers in Northeastern Minnesota were interviewed by telephone. The sample of purchasing managers was drawn from the local chapter of the National Association of Purchasing Management and the buyers from the membership roster of the local Chamber of Commerce. A respondent had to assume supervisory duties in his area (sales/purchasing) to be included in the sample. This was done to ensure that the responses reflected the firm's bargaining policy or guidelines as opposed to the views of an individual. Each interview was conducted according to a written protocol and thus each respondent was asked the same questions with minor variations for purchasing and sales managers.

Appraisal of Field Methodology

The methodology can be criticized on the following grounds:

i) The respondent is asked to give reactions that he/she would make in an important negotiation. However, there may be some variation between what his/her response might be in an imaginary negotiation, the interview situation, and what he would do in a real life situation. The reason is that in the imaginary negotiation the respondent is not exposed to factors such as the particular relationship with a trading partner that would influence his/her actions. In other words, there is no good substitute for a particular real life negotiation situation.

ii) As argued above, the generalizability of the results to the larger population of negotiators is constrained by the fact that the local economy, particularly depressed at present, may not be considered typical in quantity or kinds of activity.

iii) The use of naive student subjects hinders generalizability to the practitioner population. One night argue however, for many of the field questions that if significant results are found with a naive sample significant results should be found among experienced bargainers.

Field Study Results

The results are organized by question and are summarized in Table I.

Table 1
Field Results

Are Sales Objections Effective in Securing Negotiation Advantage?

	Buyers (n = 22)	Sellers (n = 18)
Objections Effective	9 (41%)	8 (44%)
Objections Effective Under Certain Conditions ex, "market soft"	13 (59%)	7 (39%)
Objections Do Not Work	0 (0%)	2 (11%)
No Answer		1 (6%)
	22 (100%)	18 (100%)

Are Sales Objections Used as a Deliberate Negotiation Tactic?

Yes	22 (100%)	18 (100%)

Do Bargainers Deliberately Misrepresent Their Bargaining Position to Their Opponent?

Yes	10 (45%)	12 (67%)
Qualified Yes; i.e., "Sometimes"	2 (9%)	2 (11%)
No	9 (41%)	1 (6%)
No Answer, No Comment,	1 (5%)	3 (16%)

Do Negotiations Using Sales Objections Attempt to Target Them to a Particular Salesman Personality Type?

No	7 (32%)	2 (11%)
Yes	7 (32%)	6 (33%)
Deal With Same Salesman All the Time	7 (32%)	7 (39%)
No Answer	1 (4%)	3 (17%)
	22 (100%)	18 (100%)

Do Sales Objections have to be Credible to the Target to be Effective?

Yes	19 (86%)	14 (78%)
No, under conditions ex, "if you need the work"	0 (0%)	2 (11%)
No Answer	3 (14%)	2 (11%)
	22 (100%)	18 (100%)

What Aspects of a Sales Objection Make it Credible?

Objector has Market facts	9 (41%)	8 (44%)
Objector not known to "cry wolf"	4 (18%)	3 (17%)
Other	7 (32%)	4 (22%)
No Answer	2 (9%)	3 (17%)
	22 (100%)	18 (100%)

Are sales objections used as a deliberate bargaining tactic? Sales objections were defined for each respondent and an example provided. The difference between a sales objection used as a bargaining tactic and one offered as an excuse to put off a seller was explained. Buyers were asked if they made purposeful objections and sellers if they received them. It was thought that sellers could distinguish between objections as excuses and as deliberate tactics because their experience was largely composed of dealings with familiar local buyers. All respondents reported that sales objections were used as a deliberate tactic.

Are sales objections effective in securing bargaining advantage? The respondents were asked if others in their industry used objections successfully. If this question were asked directly, the buyers would tend to respond affirmatively and the sellers negatively to appear competent to the inteviewer. Virtually all the respondents reported that objections were used effectively although some listed contingencies for effective use. These results are in agreement with the common sense notion that if objections were not successful they would not be used.

Do negotiators deliberately misrepresent their bargaining position? The respondents were asked whether negotiators who have an acceptable offer in hand make objections. They would thus be objecting about an acceptable offer in hopes of receiving a better one and would thus misrepresent their position. Table I indicates that 54% of the buyers and 78% of the sellers believe this tactic is used. The interesting point is that the relevant literature neglects this manipulative aspect of objections.

Do buyers attempt to target their sales objections at a particular salesman personality type? If buyers could identify a particular salesperson type or types who were known to be suspectible to objections it would be in their interests to direct their objections to them. The question was complicated by the fact that sales managers usually assign one salesperson to a given account. Nevertheless approximately one third of the sample, seven buyers and six sellers reported that this tactic is used. Given the small samples involved, all that can be concluded is that this tactic is used if the opportunity arises.

When the respondents were asked what salesperson personality type might prompt the use of a sales objection only three sellers and five buyers responded. The results do not pinpoint a definite personality type but only suggest an ill defined inability on the part of the target to maintain a bargaining position. Also mentioned by one buyer and one seller was market experience. This last finding could be managerially useful if supported by future research.

Does the target of a sales objection have to believe the objection for it to be effective? The word "believe" refers to the perception by the target that the objector genuinely finds the offer unacceptable and is not simply claiming it is unacceptable in hopes of inducing his bargaining opponent to provide a more favorable one. All but two seller respondents felt that an objection had to be believed to be effective. It must be remembered however that sellers would tend to say that objections must be believed as this would enhance their self-perception of competence. Also, logic would support a positive answer.

What aspects of an objection make it credible? If objections must be believed by the target a logical question for managers is how to make them

credible. The most frequent response was a knowledge of market facts followed by not being perceived as "crying wolf" or complaining unnecessarily. The results suggest a desire to not be seen as misrepresenting one's bargaining position. This is consistent with the finding that most respondents felt that sales objections had to be credible to be effective.

One should keep the methodological limitations discussed above in mind when drawing conclusions from these results.

Experimental Study

In addition to the field study an investigation of sales objections was conducted in a setting where many of the usual influences on bargainer behavior could be controlled. The research objectives were:

i) To determine whether sales objections are effective in gaining bargaining advantage under controlled conditions where the causal links between objections and bargainer behavior could be investigated. The self-report field data was deficient in this respect.

ii) To establish under experimental control whether sales objections must be credible to the target to be effective. The field data on this question was deficient in that the respondent's desire to appear competent would be likely to influence the self-reports made.

iii) To determine whether two objections are more effective than one and whether objections that make specific reference to a feature of the offer are more effective than those which do not.

Experimental Methodology

A fictitious bargaining case was constructed involving a one year sales contract for an industrial chemical. The competitive situation was described as one where there were a small number of sellers and a small number of buyers. The case described the participants and the outcome of one bargaining round. In this one round the seller makes a sales offer to the buyer. The buyer does not accept the offer nor does he explicitly reject it. The buyer makes a counter offer and one or two specific or non specific sales objections. In the control condition no sales objections are made. A specific sales objection was defined as one where reference was made to a particular feature of the offer; price for example.

The experimental sample consisted of 188 business undergraduate students. The case assigned the reader the role of a negotiation advisor to the seller management. The reader was asked to evaluate the bargaining position planned for the second bargaining round by the seller management. By "bargaining position" is meant the choice of a specific fall back position, counter offer amount and concession rate (amount yielded to the buyer on each bargaining round). The respondent then indicated whether a given decision, fall back position, for example, was too high or too low on a seven point scale running from "extremely high" to "extremely low". The respondent also indicated whether he thought the buyer's sales objection was credible or not. As a measure of reliability the case was administered to 57 respondents a second time. The test-retest correlation coefficients ranged from 0.47 to 0.72; low but

acceptable in this situation where the trait of interest was generated on two separate test occasions (Dion, 1985). The test-retest results corresponded enough to conclude that the scales tapped a real respondent state of mind as opposed to random variation.

Experimental Results

Are sales objections effective in securing negotiation advantage? In order to test this question it was necessary to hold sales objection credibility constant as this variable is thought to influence objection effectiveness. Thus the fall back position, concession rate and counter offer variables were regressed on the treatment conditions and the credibility of the sales objection. Separate analyses were performed for the credibility of the first and second sales objection (see Table II).

Table II
Regression of Dependent Variables or Treatment Conditions and the Credibility of the First Sales Objection n=122

Dependent Variable	Independent Variable	F to Enter or Remove	Sign Level	Change in R Square
FBP	Credibility of	0.401	0.528	0.002
Counter Offer		7.870	0.006	0.056
Concession Rate		7.614	0.007	0.043
	Two Specific Treatment Condition	6.560	0.012	0.046
	Credibility of Second Sales Objection n=73			
FBP	Credibility of Second Sales Objection Treatment	0.000	0.988	0.000
Counter Offer	"	3.041	0.086	0.042
Concession Rate	"	3.550	0.064	0.046
	2 Specific Sales Objection Treatment	7.111	0.010	0.051

The results indicate that the two specific sales objection treatment condition alone is significantly effective and only on the concession rate variable. It is difficult to account for the fact that the concession rate variable alone was significantly effected. Perhaps the student respondents understood this variable more easily than the others. The effectiveness of the two specific sales objection treatment may be understood in terms of specific criticisms of an offer being perceived as stronger objections.

The largely nonsignificant experimental results are in sharp contrast to the field study results. Factors which may have contributed to the difference were the following:

i) The sales objections in the experimental study were simply lines of text embedded in the case description. They would be a weak substitute for a real life encounter with an unsatisfied buyer.

ii) The respondents were undergraduate business students who likely had no negotiation experiences. They may not react as professional managers would.

It could be argued that finding any significant relationships in the data, given the experimental methodology weaknesses, suggests that sales objections work. Obviously more research is needed to establish firm conclusions.

Are two sales objections more effective than one? If one sales objection is effective in securing bargaining advantage one would expect two to be even more effective. To approach this question the two nonspecific treatment condition was compared with the one nonspecific condition with respect to fall back position, counter offer and concession rate. The experimental results contradicted this contention (see Table III). When the level of specificity was controlled for, there was no significant difference between the influence of one sales objection and two. One could conclude that the influence that sales objections have on bargaining position plateaus after the initial objection. It is possible that the initial objection leads the seller to regard his offer as unacceptable to the buyer and a second objection does not cause him to enlarge this conclusion any further. Conversely, if one objection has no effect a second is unlikely to be effective.

Table III

Difference of Means Comparison of Dependent Variable Means

for One Non Specific and Two Non Specific Treatment Conditions

Dependent Variable	One Nonspecific n=59	Two Nonspecific n=41	Sign Level
Fall Back Position	4.136	4.122	0.944
Counter Offer	3.373	3.400	0.900
Concession* Rate	4.17	4.12	0.838

*Separate variance estimate used as the standard deviations were significantly different.

Are Specific Sales Objections More Effective than Nonspecific Sales Objections? When the two specific condition was contrasted with the two nonspecific condition there were no significant differences (see Table IV). However, the regression analysis presented in Table II reveals that the two specific condition alone had a significant influence on the concession rate

variable. Thus the results are mixed but suggest that specific objections are more effective than nonspecific objections.

Table IV

Difference of Means Comparison of Dependent Variable Means for Two Non Specific and Two Specific Conditions

Dependent Variable	Two Specific n = 35	Two Non Specific n = 41	Sign Level
Fallback Position	3.800	4.122	0.131
Concession Rate	4.571	4.125	0.069
Counteroffer	3.393	3.400	0.835

Do Sales Objections Have to be Credible to be Effective? The regression results presented in Table II indicate that the credibility of the first objection enhances its effectiveness for the concession rate and counteroffer variables. The small R square values suggest that its role is minimal however. The credibility of the second objection is slightly short of statistical significance if the criterion is the 0.05 level. An important factor here might be the smaller sample size, 713 versus 122.

Summary

The experimental results may be summarized as follows:

i) There is evidence that objections at least influence the target's concession rate.

ii) Two objections were not found to be more effective than one.

iii) Specific objections are more effective than nonspecific objections.

iv) The credibility of sales objections is a significant influence on their effectiveness.

In general, conclusions from the experimental findings should be made with the following limitations in mind. There are problems in generalizing from the experimental situation to real life bargaining. One would expect that many contingencies would exist for the real life effectiveness of objections. For instance, the organizational status of the objector would influence effectiveness. Thus the present study should be considered only a first step in answering the questions addressed.

Managerial Implications of the Field and Experimental Findings

The findings reported here can be translated into the following recommendations for sales force and purchasing managers.

i) The use of sales objections in bargaining is indicated as there is evidence that they are useful in securing advantage.

ii) Bargainers misrepresent their positions as a tactic. The sales manager is advised to view buyer sales objections critically. In many cases a more favorable offer need not be made. Work done by Christie and Geis (1970) suggests that those who score high on measures of Machiavellianism may be particularly adept at misrepresenting their position. If further research of this relationship reveals a positive link, then a measure of Machiavellianism might be a useful tool in the selection of buyers who will succeed in bargaining relationships.

iii) Effort should be expended to make objections appear credible to their target as there is evidence that this will increase their effectiveness. Managers should also remember that noncredible objections may have an influence on the target's bargaining position.

iv) The field results pointed to market knowledge, and a reputation of not credibility. One implication is that misrepresenting one's position is a double edged sword. If the deception is discovered by the target, the resulting loss of credibility will dampen the effectiviness of future sales objections.

v) A further recommendation is that buyers should offer specific criticisms of an offer to achieve a greater effect. Finally, there appears to be no advantage in making more than one sales objection.

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