



Behavioural Economics - Negotiation Toolkit

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Behavioural Economics - Negotiation Toolkit

Using Behavioural Economics: 35 Steps to Unlock Your Negotiation Superpower

UNDERSTAND THE FOUNDATION

1. **Recognise 95% of decisions happen subconsciously** - Even in contract negotiations
2. **Accept that experience doesn't make you immune**
3. **Understand your brain prioritises speed over accuracy** - Survival wiring affects contract decisions

KNOW THE FAST BRAIN

4. **Prefers cognitive ease** - Takes mental shortcuts to avoid hard thinking
5. **Speed over accuracy every time** - Better to be wrong quickly than right slowly
6. **Likes to feel safe** - Defaults to familiar patterns and status quo
7. **Runs on emotion and memory** - Not logic and analysis
8. **Seeks patterns and shortcuts** - Uses past experience to predict the future
9. **Processes 11 Million bits of information** a second!!
10. **Decides what your Slow Brain can see and should focus on**

KNOW THE SLOW BRAIN

11. **Only operates 5% of the time** - Requires deliberate activation
12. **Energy-sapping and expensive** - Your brain avoids using it when possible
13. **Logical and process-driven** - Analyses data systematically
14. **Can override fast brain decisions** - But only when engaged
15. **Processes just 50 bits per second** - Versus the fast brain's 11 million

MASTERING ANCHORING

16. **Always anchor first** - Set the initial price, terms, or timeline
17. **Make your anchor bold but justifiable** - Extreme anchors are more powerful
18. **Make your anchor specific** - \$247,500 not "around \$250K"



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- 19. **Understand first offers have 80% more impact** - than any counteroffer
- 20. **Anchor multiple things** – Not just price, but timelines, service levels, contract terms
- 21. **Breakdown their Anchor** – into smaller components and then anchor those yourself

LEVERAGING SEQUENCE EFFECTS – Halo Effect

- 22. **Control the sequence, control the impression** - Lead with your strongest value proposition
- 23. **Match your opening to your audience** - Cost savings for procurement, compliance for government

HARNESSING LOSS AVERSION

- 24. **Frame benefits as avoiding losses** - Not gaining opportunities
- 25. **Concessions - check real value, not emotional impact** - Your concessions hurt you 2x more than they help them

DESIGNING CHOICE ARCHITECTURE

- 26. **Make your preferred option the default** - Status quo bias works in your favour
- 27. **Try to present exactly three options** - Basic, Standard, Premium structure
- 28. **Make one choice a decoy** - Price or features of one option close to your target option
- 29. **Minimise total choices to drive decisions** - 4 options maximum, not 47!
- 30. **Time your key asks when minds are fresh** - Before decision fatigue sets in

SWITCHING ON YOUR SLOW BRAIN

- 31. **Notice biases in yourself and others** - Real-time bias detection
- 32. **Take your time on important decisions** - Biases thrive on pressure
- 33. **Seek outside opinions** – Fresh minds see different things
- 34. **Question your first instinct** - It's usually the fast brain
- 35. **Practice deliberately** - Apply these tools consistently



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Cognitive Bias – Cheat Sheet

Bias	What It Is	How to Use in Negotiation	How to Guard Against It	How to Use: Buyer Perspective	How to Use: Seller Perspective
Action Bias	Preference for acting over doing nothing, even if action isn't required.	Create a sense of urgency or frame inaction as a loss.	Avoid rushing into decisions without sufficient analysis.	Create a sense of urgency to prompt the seller to offer a better deal quickly.	Frame inaction as a risk to the buyer to encourage a faster decision.
Anchoring Bias	Our fast brain grabs the first number or fact it hears and clings to it — everything after is judged against that anchor.	Set the first reference point. Frame it boldly so their slow brain struggles to adjust away from it.	Recognise when you've been anchored. Take a pause and reset with your own reference point.	Set a low initial offer to anchor the seller's expectations.	Set a high starting price to anchor the buyer toward a favourable deal.
Authority Bias	Tendency to trust authority figures even when they might be wrong.	Use credible statistics to support your position.	Scrutinise claims, even from experts, to ensure alignment with your interests.	Use data from credible third parties to challenge seller claims.	Leverage expert endorsements to build credibility for your offer.
Availability Heuristic	Overestimating the importance of recent or easily remembered events.	Highlight recent or vivid examples to make your proposal seem more relevant.	Ensure recent events or anecdotes do not overly influence decisions.	Reference recent successful deals where sellers overvalued assets.	Highlight recent successes to justify pricing or terms.
Bandwagon Effect	Supporting opinions or actions because they are popular.	Emphasise that others have accepted similar terms to create social proof.	Avoid following trends without analysing their fit for your goals.	Use examples of others rejecting similar deals to gain leverage.	Highlight other buyers' interest to create a sense of urgency.



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Bias	What It Is	How to Use in Negotiation	How to Guard Against It	How to Use: Buyer Perspective	How to Use: Seller Perspective
Choice Overload	Too many options overwhelm people. When choice feels hard, people delay or do nothing.	Limit to 2–3 strong alternatives. Make decisions easy, not exhausting.	Notice when options paralyse you — simplify the field.	Simplify evaluation by narrowing supplier options early.	Curate a small set of tailored proposals — don't drown the buyer in choices. Even better – make one a Decoy!
Cognitive Dissonance	Discomfort from holding conflicting beliefs or ideas.	Challenge assumptions subtly to push toward your viewpoint.	Be prepared to counter similar tactics.	Introduce facts that contradict the seller's stance.	Emphasise alignment between the buyer's priorities and your proposal.
Commitment Bias	Sticking to past commitments even when presented with contrary evidence.	Gain small initial agreements to encourage more significant obligations.	Avoid escalating commitments to unfavourable positions.	Get the seller to agree to small concessions early.	Highlight previous buyer commitments to maintain momentum.
Confirmation Bias	Favouring information that supports existing beliefs.	Provide information that aligns with the other party's beliefs.	Seek diverse perspectives to avoid being locked into one narrative.	Present data that supports the buyer's preference for lower pricing.	Reinforce the buyer's belief in your product's superiority.
Decision Fatigue	As mental energy depletes, decisions get lazier. The fast brain defaults to "no" or sloppy concessions.	Schedule challenging issues early in the day. Use breaks to reset energy.	Don't rush big calls at the end of long sessions. Take a pause instead.	Tackle complex or costly issues first thing in the day.	Push to close when energy is high — avoid making concessions at the end of the day.
Decoy Effect	Adding a third, weaker option changes the choice — it makes your preferred option look like the obvious winner.	Offer three packages. Design one as a decoy to make your target option look best.	Spot when a decoy is steering you and re-compare only the real alternatives.	Introduce unattractive options to pull the seller toward your preferred terms.	Add a decoy offer so that your preferred package appears to be the best value.



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Bias	What It Is	How to Use in Negotiation	How to Guard Against It	How to Use: Buyer Perspective	How to Use: Seller Perspective
Empathy Gap	Difficulty understanding how emotions influence decisions.	Address the other party's emotional state to influence their decisions.	Be mindful of your emotions and their impact on judgments.	Appeal to the seller's emotional needs to influence terms.	Understand and address the buyer's emotional triggers.
Framing Effect	The same facts can lead to different decisions depending on how they're presented — your fast brain reacts to the presentation, not the numbers.	Frame offers risk avoidance, certainty, or security delivery. Avoid dry "feature/benefit" language.	Reframe the issue — deliberately look at the same fact from the opposite perspective.	Frame the supplier's offer as a risk exposure if they fail to meet standards.	Frame your proposal as protecting against risk, not just adding benefit.
Halo Effect	First impressions colour everything that follows. A positive start amplifies your strengths; a negative start magnifies weaknesses.	Lead with your strongest credential or value proposition. Sequence your arguments so the good news comes first.	Be alert to your own snap judgments. Don't let one attribute (good or bad) distort your whole view.	Open by emphasising risks you've already mitigated — it frames later asks more favourably.	Start with credibility — certifications, references, and resilience — so the rest of your proposal is viewed positively.
Loss Aversion	Losses feel about twice as painful as gains feel good, so negotiators fight harder to avoid loss than to chase gain.	Frame concessions and proposals as <i>losses avoided</i> rather than <i>gains added</i> .	Pause before reacting — check what you're really giving up, not just how it feels.	Emphasise what the seller risks losing if they delay or reject.	Show the buyer what they'll lose (budget, time, efficiency) if they don't act.
Mental Accounting	Money or resources are treated differently depending on their source or use.	Frame costs or benefits to fit how the other party categorises value.	Consider the total value, not just the framing.	Frame the cost as part of a larger savings proposition.	Highlight affordability by breaking down pricing into smaller, more manageable units.



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Bias	What It Is	How to Use in Negotiation	How to Guard Against It	How to Use: Buyer Perspective	How to Use: Seller Perspective
Reciprocity	Feeling obliged to return a favour after receiving one.	Offer concessions or favours to encourage reciprocal behaviour.	Avoid being overly influenced by minor concessions from the other party.	Offer flexibility in payment terms to encourage a concession.	Make small concessions to encourage the buyer to accept the main terms.
Representativeness Heuristic	Judging the likelihood of something based on its similarity to other examples.	Use relatable analogies or case studies to influence evaluations.	Rely on objective data, not assumptions based on similarity.	Use case studies of similar sellers offering better terms.	Show success stories of buyers benefiting from your product.
Status Quo Bias	Our brains tend to prefer the default — doing nothing often feels safer than making a change, even when the change is better.	Present your proposal as the natural/default path. Make rejecting it feel like extra effort or extra risk.	Ask: “Am I resisting because this is worse — or just because it’s different?”	Highlight risks of sticking with the current contract or outdated solution.	Position your offer as the safe, low-friction
Zero Risk Bias	A preference for certainty and eliminating risk altogether.	Highlight how your proposal minimises risks or uncertainties.	Recognise when you're overvaluing a "risk-free" option at the expense of benefits.	Request guarantees or risk-free trial periods.	Highlight how your proposal eliminates uncertainties for the buyer.

Core Negotiation Biases – Quick Reference Card – Take to your next negotiation!

Bias	Quick Tip
Anchoring	Set the first bold anchor – don't let them anchor you.
Halo Effect	Lead with strengths – first impressions shape everything.
Loss Aversion	Frame concessions as losses avoided, not gifts given.
Framing	Facts don't change – frames do. Frame for risk avoided or certainty.
Status Quo Bias	Position your offer as the safe default. Change feels risky.
Decoy Effect	Use a weaker third option to make your target offer shine.
Choice Overload	Limit to 2–3 strong options. Too much choice = no decision.
Decision Fatigue	Tackle big issues early. Tired brains default to 'no' or bad deals.



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Further Reading - Behavioural Economics & Negotiation

Book	Overview	ISBN
Thinking, Fast and Slow – Daniel Kahneman (2011)	Seminal work on dual-system thinking: System 1 (fast, intuitive) vs System 2 (slow, deliberate). Explains biases like loss aversion, anchoring, and framing.	978-0374533557
Predictably Irrational – Dan Ariely (2008)	Entertaining intro to behavioural economics. Quirky experiments show how people systematically make irrational decisions.	978-0061353239
The Elements of Choice – Eric J. Johnson (2021)	Deep dive into choice architecture – how the way options are designed shapes outcomes. Highly relevant to negotiation.	978-0593418498
Nudge – Richard Thaler & Cass Sunstein (2008, updated 2021)	Introduces nudging – small changes in presentation that shift behaviour. Foundational for policy makers and negotiators.	978-0143137009
Misbehaving – Richard Thaler (2015)	Part memoir, part history of behavioural economics. How the field challenged traditional economic theory.	978-0393352795
Influence: The Psychology of Persuasion – Robert Cialdini	Classic on persuasion and influence: reciprocity, authority, scarcity, commitment, and social proof.	978-0062937650
Noise – Kahneman, Sibony & Sunstein (2021)	Explores unwanted variability in human judgment – why experts can disagree with the same facts.	978-0316451406
Negotiation Genius – Deepak Malhotra & Max Bazerman (2007)	Blends negotiation tactics with behavioural science. Real-world case studies for outsmarting bias.	978-0553384116
Never Split the Difference – Chris Voss (2016)	FBI hostage negotiator insights. Focus on tactical empathy and fast-brain reactions. Highly practical.	978-0062407801



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Contact Deal iQ

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