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Bazaar Dynamics: Teaching Integrative Negotiation Within a Distributive Environment

Habib Chamoun-Nicolas, Jay Folberg ♂ Randy Hazlett*

Editors' Note: These authors take a very different perspective from the previous chapter. Comparing Istanbul's Grand Bazaar to a pawnshop in East St. Louis and a wedding dress shop in Mexico, they find a great deal less that is "distributive" than is typically thought of each environment, and a great deal more of relationship-building. They outline a series of recommended steps that the supposed "one-shot" customer might adopt, or be taught to adopt in a negotiation course, which would work better for the customer than typical behavior does.

Introduction

Relationship building and establishing reputation are common to successful negotiators, irrespective of culture. Even in a distributive negotiation environment where repeat business is not necessarily expected, such as a bazaar catering to tourists, a pawnshop, or a wedding dress store, there are opportunities to generate positive relationships and value to the clients. Our experience and observations suggest that negotiation in such settings involves more than simply the exchange of money for goods. The seller may deliver a quality buying experience, even in a one-off deal, and benefit through indirect reciprocity and reputation building. Furthermore, bargaining in

^{*} Habib Chamoun is an honorary professor at Catholic University of Santiago Guayaquil-Ecuador and an adjunct professor and member of the executive board at the Cameron School of Business at University of St. Thomas in Houston. His email address is hchamoun@keynegotiations.com. Jay Folberg is a professor emeritus and former dean of the University of San Francisco School of Law and now a mediator with JAMS. His email address is jfolberg@jamsadr.com. Randy Hazlett is president of Potential Research Solutions and Christian Artist's Workshop in Dallas, Texas. His email address is rdhazlett@sbcglobal.net.

bazaars or markets can be a rich, viable external classroom experience in teaching negotiation, provided students are trained on what to look for and how value is created. We suggest an outside-of-the-classroom adventure learning exercise to a local farmers' market where students can observe bazaar dynamics and put theory into practice.

Relationship Examples

What do the Grand Bazaar in Istanbul, a pawnshop in East St. Louis, and a wedding dress store in Nueva Rosita, Mexico have in common? Perhaps more than one would think, given the variety in products, geographic separation, and cultural imprint. We examine these three mercantile examples for commonality.

Istanbul's Grand Bazaar

If one visits the Grand Bazaar in Istanbul, one finds well-trained sellers and negotiators in every corner. Not only do they know how to handle objections, but they have a time-tested system of external attractors, including barkers, sidewalk displays, and outside taste tests, as a strategy to get potential customers inside the store. Once inside, the store owner defers immediate business with hospitality, e.g., a nice cup of tea. Eventually, the customer can browse the merchandise, often of high quality and price, such as carpet and fine scarves, in a relaxed manner. Even if no goods are sold, store owners do not get mad, for they accomplished one of their goals - generating a great shopping experience. There is a culture of customer service, even though the client may never come back. Shop owners rely on the one human invention that elevates us above the rest of creation - gossip (Siegfried 2006: 87), the willful distribution of secondhand, unconfirmed information, experiences and impressions. Hospitable behavior builds a good business reputation that, together with trust, is critical to effective negotiations within a relationship (Lewicki, Saunders, and Barry 2006).

In the bazaar, there is also a sense of the business as an extension of the family. Even small bazaar owners have business cards, and surprisingly, some have professional degrees. Many businesses have been passed down from parent to offspring over multiple generations. Sons and daughters go off to college and come back to take care of the family business. This generates credibility, according to Henry Mills (2000) and Robert Cialdini (1993).

Is there opportunity for integrative solutions in such an environment? Identifying potential value creation is part of the negotiation process. When several of the Grand Bazaar owners were questioned on how they feel about haggling, their responses were similar.

If a foreigner haggles, they enter the game. The merchants, however, never lose sight that they have a fixed minimum price point. If the buyer feels good bargaining, the merchants participate, because they want the buyer to leave with the item feeling good about the price and the experience. Still, they prefer to give customers value rather than focus only on price. Prices are generally not posted, because pricing is not fixed. The shop owner makes an effort to build a relationship with the customer, since as Roy Lewicki et al. (2006) point out, relationship issues can dramatically change the approach to negotiation and tactics. Once an item interests a customer, they can discuss terms of sale as friends. Thus, sellers in Istanbul's Grand Bazaar engage in a relationship even with a short term sale client, implying that the parties expect a future relationship or at least want to be civil in the present relationship. The merchant may also seek some "intangible" value of a pleasant interaction in addition to a decent price. These are not exactly the same. We can argue that what is going on here is a mixture of both the "good feeling" (i.e., not beating the other up, not making the other angry, and acting in a way in which one can judge oneself as fair, honorable, etc.), which Lewicki describes as "short term relationship mode" (STRM), and also long term relationship building. Even in many short term transactions, both buyer and seller seek to assure STRM satisfaction; the interesting question is how much of the need to assure a positive STRM is actually traded off against incremental price improvement.

An East St. Louis Pawn Shop

In a second example, we examine the inner workings of a pawnshop in East St. Louis, owned and operated by the father of one of the authors. Jay Folberg recalls his father as a good "schmoozer" who listened more than he talked. This is a cornerstone in interpersonal relations, and it helped him establish a personal connection with customers. Jay's father would suggest that customers visit the jewelry store down the street and then do the BABULEW – which stood for "Best Alternative to Buying Used from Lew." The pawn broker sometimes made "exploding offers" by introducing deadlines into a negotiation as a way to create a perception of a vanishing opportunity.

In a pawnshop, repeat business is a possibility, but cannot be counted on. Clientele may, as in a bazaar, be transient. However, customers usually thought they did well, were treated with respect, and had some fun bargaining with the pawnbroker. Even if they did not come back again, they spread a good word about the pawnshop.

A Wedding Dress Store in Nueva Rosita, Mexico

Another author recalls standard practice in his mother's wedding dress store in Nueva Rosita, Mexico. Mrs. Chamoun had invested resources in a quality inventory, but she always listened carefully to the bride's family and especially to the bride's demands, knowing that tailoring to needs and expectations was always a possibility. She would entertain the customer with a beverage and light snacks and not rush to sell. After showing her wares, she stressed that this was one of the most important occasions for a bride and recommended that the client visit the seller's competitors to make sure the bride was getting the right dress at the right price. Most brides returned to make the purchase. She could do this because she believed in her product and knew her competition. What she was selling, however, was not just a nice wedding dress for that special occasion. In what is surely a stressful planning period, the client could trust the details of customization and alteration to be done according to specifications in a timely and professional manner. Furthermore, when the bride was ready to pay, Mrs. Chamoun would give them a wedding ornament as a token of appreciation for the sale.

This bride would not be a return customer anytime soon, so why place so much emphasis on a customer relationship? Her strategy was building a reputation by giving things without expecting anything further from this client directly. However, a satisfied client has friends and family who will someday be in the market. Social networking (Durlauf and Young 2001) brings new clientele based upon independent experience. This is a form of indirect reciprocity (Nowak and Sigmund 2005).

Sending clients to competitors shows high confidence in her products and services and further builds credibility. Not only does the client have a positive experience to relate to her social network concerning Mrs. Chamoun's shop, she also has formulated lesser opinions regarding alternatives. From her small Mexican town, Mrs. Chamoun even exported dresses to very prestigious stores in the United States. Today, long after her death, people remember her as a great business woman with a caring heart, leaving a reputation that persists into the next generation. Reputation fuels business.

Reputation and Indirect Reciprocity

Direct reciprocity is repayment in kind for past behavior. Indirect reciprocity is the repaying of a debt owed by someone else. Robert Trivers (1971) calls this reciprocal altruism. According to Martin Nowak and Karl Sigmund (2005: 1291-1298):

Cooperation through indirect reciprocity, captured by the phrase "I help you, someone else helps me," requires the evolution of reputations and communication of those reputations among the larger group (as in the human instinct to gossip), cognitive abilities beyond being able to identify relatives (required for kin selection) or the individuals who have cooperated with you in the past (required for direct reciprocity).

A can do well to B and not get anything in return; however, the transaction may not remain private. C may choose to conduct business with A because of that information string, whether C has relationship ties with B or not. If A continues a pattern of behavior, A builds a history known to the whole community. A builds a reputation, though A does not control its use directly. A reputation can be either positive or negative. As seen in our examples, the only way to establish and maintain a reputation is to treat each customer as a carrier of information derived from the present shopping experience. Our information age has further empowered the consumer and heightened the role of reputation. The internet makes reputation as a "long term relationship mode" (LTRM) element far more valuable. Social networking sites and "rate this seller" features create strong, but indirect, reputational consequences.

Gerald Ferris and his colleagues (2003) have performed a systematic examination of reputation as it has been investigated in the accounting, sociology, economics, marketing, and organizational theory and strategy fields. The authors offer the following definition of personal reputation:

Reputation is a perceptual identity reflective of the complex combination of salient personal characteristics and accomplishments, demonstrated behavior, and intended images presented over some period of time as observed directly and/or as reported from secondary sources (Ferris et al. 2003: 8).

We note the Arab proverb, "Do good things and throw them in the sea." This has four dimensions of meaning. First, the sea is so wide that no one will see you doing well unto them. Second, because of the extensiveness of the sea, you will not see them either. Third, the openness of the sea will make you always do well through the end of your life. Last, the sea is always dynamic in movement; without expectation, a wave of happiness and wellness will come back to you.

This business philosophy creates indirect reciprocity, and thus, is part of creating a reputation.

Reputation and Credibility

According to Harry Mills (2000), there are two things that build credibility: expertise and trust. The current work on trust suggests that there are three critical dimensions on which parties judge trustworthiness: the other party's ability (skills, knowledge, capability), benevolence (how nicely he/she treats me), and integrity (does he walk his talk, keep his word, etc.). All three work to strengthen credibility. Perhaps we all can name a relative whom we trust. However, we still may not endorse a hiring decision for this relative if his credentials and expertise do not match the job description. Likewise, a person with expertise whom you do not trust is unlikely to get a good recommendation. Credibility is produced by adding the parts. In the story of the wedding dress store, creating a trusting environment by sending customers to competitors would fail if they found better quality goods at reasonable prices elsewhere. That customers would return affirmed the shopkeeper's expertise. Similarly, we are reluctant to assume the risk of transacting business in an atmosphere of distrust, regardless of the perceived expertise. The combination builds credibility.

Offering product samples before buying likewise generates credibility. The hospitality fosters trust, while the customer is allowed to assess quality with his own personal taste. A token gift before the sale yields credibility, while a gift after the sale affirms it. Such gifting, however, must be of reasonable quality or meet a client need; otherwise, the gift loses its value and can even generate negative feelings (Chamoun and Hazlett 2009). Two of the authors, as students of history, are quick to point to the ancient Phoenicians as a model for repetitive sales based on a reputation of fair trades, quality products, and interest in long-term client needs (Chamoun and Hazlett 2007).

Teaching Negotiation and Bazaar Dynamics

According to Leandro Barretto (2009), Ontological Coaching is a very effective way of teaching, since the coach promotes the student's ability to discover on his own what he needs to learn in order to achieve a specific skill. Along these lines, classroom teaching can be enhanced by high-level, interactive, marketplace experiences with coaching. When we asked Istanbul Bazaar store owners how they learned to negotiate, the answer was overwhelmingly by watching and observing their parents and relatives from an early age. This is, likewise, true for the authors with pawn shop and wedding store

experience. Despite cultural and geographic differences, the similarities in successful styles are remarkable. Sending students into the marketplace to observe, catalog, and practice behaviors from the buyers' perspective augments classroom teaching and promotes ownership of principles. A template to aid students in such an adventure learning experience at the marketplace is included in the appendix.

Bazaar Negotiation Process

Student observation and participation at a bazaar can demonstrate that long-term benefits can be created by attention to the following steps.

Prospecting

Consider a good value outcome for you and the other. For this, identify potential customers and culture, including being able to communicate in the customer's own language, if at all possible. The ability to select and identify prospects who are most likely to buy will give the shop owner leverage early in the negotiation. On the other hand, the buyer should not disclose his level of interest prematurely. The buyer should be empowered by the seller to bring something more than money to the table, such as the joy of negotiating and getting the deal. The store owner's initial objective is to get buyers into the store without being annoying. Buyers should realize that once inside, there will be a shift in strategy. With multiple prospects, owners will pay more attention to those perceived as buyers over browsers. Buyers can give cues or withhold them, depending upon their readiness to negotiate.

Creating and Claiming Value

Creating and claiming value are the challenges to the negotiator. At the Grand Bazaar, one store posted a sign outside the entrance indicating "FIXED PRICE" on a pile of displayed products. When asked, "How fixed was the fixed price?" the store clerk replied, "Very fixed." When asked if purchase of a substantial quantity would merit a better price, the answer was negative. The store owner was firm that quantity was not a viable negotiation tactic for this merchandise. However, if combined with a purchase inside the store, the price of displayed items was no longer immoveable. The outside products were hooks with little or no room to negotiate price. Once inside, the zone of possible agreements (ZOPA) for the items there was suddenly wider. By changing the environment, the prospective buyer can change the negotiation situation. Educated buyers must realize price ranges are already set by the owner and be prepared to

claim the value through negotiation. However, in cross-cultural exchanges within tourist markets, buyers are usually totally naïve as to price and cost, unless they have systematically shopped this particular item across several different merchants, which is generally rare. Buyers generally have little insight into how much price flexibility a seller has.

Store hooks can be seasonal or situational. Outside the Chamoun general merchandise store, toys and candies were placed outside for Christmas holidays to motivate parents to go inside, where many more products were available for their family. Similarly, the Folberg pawnshop used nylons and jeans, price-controlled items in short supply after World War II, as storefront hooks (Folberg 2008). Buyers should look for ways to widen the scope of negotiations, realizing there may be non-uniform margins across shop merchandise.

Relationship Building

Tasting products in the Grand Bazaar can induce feelings of obligation and a need to reciprocate with a purchase. If samples are offered freely, it can simply be a hook or a means to generate credibility. As cited, accepting samples fulfills an objective of the store owner. However, in the Grand Bazaar, if a sample is requested, rather than offered, and the customer moves on to sample similar wares of competitors, feelings of disloyalty are generated, and we have observed that the shop owner prefers not to sell to the returning customer. Their attempt to build a relationship with you was thwarted. Buyers must recognize relationship building overtures on behalf of sellers and respond in a culturally sensitive manner so as to maintain trust while establishing the value of a seller's goods. The seller is trying to establish credibility with expertise and trust. The interests of the buyer and seller extend beyond the immediate transaction. The seller's best deal will be through relationship, as it offers pricing to the customer that will support the shopkeeper's goal of reputation building, while the buyer, although looking for the best price, also has an interest in a quality experience.

Questioning

While the Socratic method of questioning is traditionally upheld as an effective method to learn about a counterpart and understand their needs, in Istanbul's Grand Bazaar, excessive questioning can generate hostility. Some cultures view questions as challenges, particularly to the credibility of the person being asked. In Turkey, buyers must be creative in getting information without aggressive questioning techniques commonplace in Western culture. As an example

of when asking questions can be a deal breaker, one of the authors was trying to sell in the Grand Bazaar, rather than purchase. After trying unsuccessfully to place his trade books with multiple bookstores at the Grand Bazaar, one of our authors finally got a deal with one store owner to purchase five books. When the author returned with the inventory the next day at the mutually agreed upon time, the owner was absent. His brother-in-law indicated the shop owner would be back in an hour. With motive of being congenial while filling the wait time, the author engaged the brother-in law in conversation with ice-breaker questions concerning his home town, family size, and current business climate. Suddenly, the brother-inlaw terminated the terms of the book exchange and escorted the author out of the store. The author consulted an eyewitness, the son of a neighboring shop owner, to gain insight into what transpired, who said the brother-in-law grew weary of too many questions. What can be a deal-maker in one culture could be a deal-breaker in another. We noticed at the Great Bazaar that asking questions when purchasing something is not considered as aggressive to the Turkish people as when you are selling to them.

Make Connections

People use gestures, questions, looks or touch to connect with others. According to John Gottman and Joan DeClaire (2001) there are five steps to strengthen your relationship with others:

- 1) Analyze the modes you use to connect and how you respond to attempts of others,
- 2) Discover how your brain's emotional command system affects your engagement process,
- 3) Examine how your emotional heritage impacts your ability to connect with others and your style of engagement,
- 4) Develop your emotional communication skills, and
- 5) Find shared meaning with others.

Each of the settings described included means to make a personal connection with clients, whether the customer bought or not. Relationship is first and foremost, even for a short term sale. In fact, the mindset of these negotiators was that each deal, even if a one-time transaction, has long term ramifications and potential ongoing value. Recalling Roy Lewicki's comments, there is intangible value to negotiators in believing you got a good deal (often not an objective determination), treating the other well, behaving fairly, etc. In fact, these dynamics may be greatly enhanced in "cross-cultural" negotiations, for many reasons. The buyer (let us presume, an American) is often outside of his own country, outside of his comfort zone with language and cultural familiarity, and, moreover, on the seller's turf.

The buyer is less comfortable with negotiation, because in *his* culture, merchants are not as aggressive at bringing buyers into their shop (the Grand Bazaar experience). The buyer is unable to objectively determine whether he is getting a good deal (who knows how much that box of chocolates should really sell for?), facing someone who negotiates for a living, and does not want to be seen (in his own eyes or that of his spouse or friends) as the cultural stereotype of an "Ugly American." Given this psychological mindset, you can imagine how vulnerable a culturally different negotiator really is in these transactions. Not all of this matters to every buyer, but enough does that it introduces significant psychological discounting into the process.

We recommend following the five steps described by Gottman and DeClaire (2001) to make sure we connect. Sellers may make quick gestures to initiate trust, but these overtures can be fragile. Buyers should be aware that the objective was to make the customer happy regardless of whether a purchase results.

Showing Respect

Owners may politely walk you to the door of the store regardless of sales. There is an overall air of loyalty to customers, including courtesy, smiling, sincerity, and enjoying the process. Buyers should reciprocate in a similar manner, although non-native buyers often see this as more aggressive compared to their own culture, in which merchants may only approach buyers once they are in the shop. How does a naïve buyer distinguish this from "aggressive hustling" (leading to defensive protectiveness on the part of the buyer)? These are the types of questions we should be raising to students in preparation to negotiate with other cultures.

Leveraging Expertise

Often, end-users are not equipped with either the time or information necessary to properly evaluate opportunities. While trust could be generated with any number of shop owners, the expertise element to establishing credibility may be lacking for both buyer and seller for specialty items. For example, one of our colleagues wanted to fix or replace a broken watch at the Grand Bazaar. Rather than deal directly with individual shop owners and be subject to decisions regarding shop expertise and reliability, the buyer decided to hire an expert from the Bazaar to find the best solution. At the end of the day, the expert concluded a replacement option was best and brought several watches to the hotel for the buyer's final choice. Buyers must discern when and when not to enter a negotiation directly. Sometimes the best choice is to delegate to another knowl-

edgeable individual, though this creates agency problems well known in the literature (Docherty and Campbell 2006a; Nolan-Haley 2006).

Elevating the Relationship

The relationship does not always end at the point of sale. After a purchase, you may be invited for a cup of tea, or owners will give you an extra gift. This is what Chamoun and Hazlett (2007) call Tradeables, not to be confused with pre-sale nibble tactics. This can elevate the relationship above the present deal.

Suggested Outside-the-Classroom Adventure Learning Exercise

While cultural immersion is a key element in the Istanbul Grand Bazaar experience, a microcosm of bazaar dynamics amenable to student learning can be found in many local farmers' markets where multiple vendors sell fresh produce in a designated area. In some places, these may be alternatively called people's markets. In a farmers' market, shoppers will typically find a mix of posted-cost and unlabeled items. There may be freely offered samples of many items. Shoppers may also find a blend of hired workers, family members, produce growers, and middlemen who buy from others to resell. Frequently, shoppers may find an increase in cultural diversity among sellers at such markets, lending an additional dimension to the negotiating exercise.

At a farmers' market, students can practice how to look for and generate value in negotiations with a relatively modest investment. We suggest that students be allocated a fixed sum, perhaps \$10, and given a predetermined shopping window, say one to two hours, depending on market size. Students should be sent in pairs or triads with common purchasing criteria. For example, students could be instructed to purchase at least one red, green, and yellow item. Their purchases could be expected to include at least one fruit and one vegetable. Only one item can be negotiated directly, focusing on price. Others must generate and create value aside from price. One student negotiates purchases, while the others observe. At appointed time intervals, they switch roles. Returning to class, students will compare results and bring their lessons learned from these experiences. In the debriefing session, students will collectively determine who made the best deal.

Students should be encouraged to develop criteria for vendor selection, to establish a relationship, to sample the products they purchase, and to find creative solutions to sweeten the deal. Students must look not only for the best deal, but also recognize who has the

authority to negotiate better terms. Students may create value other than their monetary buying power to leverage a win-win scenario, such as making referrals.

While we encourage those teaching negotiation to develop an indepth checklist to guide students through their farmers' market negotiation experience, the beginning pieces of one are offered in the attached Appendix. This checklist should include how to create and seek value generation, what to look for in a negotiation, and how to approach the counterpart, among other things. The farmers' market can provide a low budget opportunity rich in bazaar dynamics to put classroom teaching into hands-on practice.

Conclusion

Integrative, long-term negotiation strategies can be created in a distributive environment, such as a bazaar, a pawnshop, or a wedding dresses store. As Antoine de Saint-Exupéry (1943) in his famous book *Le Petit Prince* mentioned, "the essential is invisible to the eyes." In a distributive negotiation, we do not see the essentials, because we focus on the trade. We can find the essentials of the integrative negotiation by empathizing, understanding our bids and others, entering and respecting relationship-building overtures, and looking for ways to increase the scope and vision of negotiation to a bigger dimension – a long term one. Buyers and sellers should contemplate every transaction as though it has longer term consequences and use an integrative mindset, even if no future direct interaction is envisioned.

Classroom teaching of more effective integrative negotiations can potentially be bolstered by giving students more real experiences. Students should be coached on expectations, strategies, and behaviors, with particular attention to cultural context, in order to maximize lessons learned from negotiation exercises outside the classroom. Outlined bazaar dynamics apply across many cultures and geographic locations, suggesting that augmenting student curricula with marketplace experiences is a globally attractive addition to teaching negotiation for a working knowledge of integrative and distributive negotiation theories. The authors suggest an outside-of-the-classroom adventure exercise to include in the negotiation curricula to engage students into active learning by doing.

Notes

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Appendix

Template/Checklist for Marketplace Adventure Learning Experience

Advanced Preparation and Market Observations

Y	N					
		Was there a purchasing objective (i.e., to get at least two different type of fruits for less than x dollars)?				
		If so, what?				
		Did the buyer set a target price, wish price and a walk away price?				
		Did the buyer set a BATNA and WATNA?				
		Did the buyer consider the other's BATNA and WATNA?				
		Did the buyer make the first offer?				
		At any point, did an anchor (nonnegotiable terms) form?				
		Did the buyer identify and deal directly with the decision maker(s)				
		with power to negotiate?				
		Did the buyer identify cultural differences/sensitivities?				
		Did the buyer develop empathy?				
		Did the buyer sample products?				
		Was there a seller's entrance strategy (to get potential buyers in the store)?				
		If so, identify tactics used:				
		Were there tactics to close the sale?				
		If so, identify tactics used:				
		Did the seller ask questions to obtain the buyer's needs?				

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П	If so, identify tactics used:		
	Did the seller demonstrate credibility? Did the seller successfully handle buyer objections? Were there concessions made? If so, were they: Made by the seller (vs. buyer)?		
	☐ Made quickly (vs. slowly)?☐ Large (vs. small)?		
	Was there a sense of value added?		
	Was there a sense of relationship established beyond the immediate deal?		
	Was there an attempt to widen the scope of the deal?		
	Was there an attempt to increase the negotiation pie towards a win-win scenario?		
	Was the buyer happy with the purchase? Would the buyer return to this place of business? If no, why not?		