

The Power of Information in a Car-Buying Negotiation

Before the age of the Internet, many consumers approached buying a car with the same enthusiasm as visiting the dentist. Customers knew their role was to scoff at the asking price, threaten to walk away from the vehicle, and generally engage in tough negotiation postures in order to get the best deal. Still, after they drove the car off the lot, nagging doubts remained about whether or not they paid too much for their new car.

Savvy customers have always known that they should determine their real requirements for an automobile, find several cars that meet their objectives, determine the book value of each car, contact current owners to determine their satisfaction, and keep from becoming emotionally attached to a particular automobile. These strategies certainly have helped people prepare for negotiations with

their local dealer. However, customers still had to rely largely on guesswork to determine what price offers would be acceptable to the dealership.

Today, however, price information on new and used cars is readily available through the Internet and other sources. Customers can enter negotiations with car dealers armed with accurate facts and figures about the car's cost to the dealership, the actual price for various options, prices in neighboring states, and the customer and dealer incentives in place at a given time. Car buyers who take the time to gather information about "real" prices report saving hundreds or even thousands of dollars on automobiles. This wealth of information gives consumers more power in negotiations with dealers. Ultimately, that power leads to lower prices on new automobiles (Lewicki and Hiam, 2006).

Sources of Power—How People Acquire Power

Understanding the different ways in which power can be exercised is best accomplished by looking first at the various sources of power. In their seminal work on power, French and Raven (1959) identified five major types: expert power, reward power, coercive power, legitimate power, and referent power. Most of these are relatively self-evident in nature:

- *Expert power*: derived from having unique, in-depth information about a subject.
- *Reward power*: derived by being able to reward others for doing what needs to be done.
- *Coercive power*: derived by being able to punish others for not doing what needs to be done.
- *Legitimate power*: derived from holding an office or formal title in some organization and using the powers that are associated with that office (e.g., a vice president or director).
- *Referent power*: derived from the respect or admiration one commands because of attributes like personality, integrity, interpersonal style, and the like. A is said to have referent power over B to the extent that B identifies with or wants to be closely associated with A.

Many contemporary discussions of power are still grounded in this typology (and Raven has elaborated the typology several times since it was first proposed). In this chapter, we take a broader perspective on power as it relates to negotiation and aggregate the major sources of power into five different groupings (see Table 8.1):

TABLE 8.1 | Major Sources of Power

Source of Power	Description
Informational	<ul style="list-style-type: none"> • Information: the accumulation and presentation of data intended to change the other person's point of view or position on an issue. • Expertise: an acknowledged accumulation of information, or mastery of a body of information, on a particular problem or issue. Expertise power can be positive (we believe the other because of their acknowledged expertise) or negative (we so distrust the other that their claimed expertise leads us to pursue a course of action opposite to the one they advocate).
Personality and individual differences	<p>Power derived from differences in</p> <ul style="list-style-type: none"> • Psychological orientation (broad orientations to power use). • Cognitive orientation (ideologies about power). • Motivational orientation (specific motives to use power). • Dispositions and skills (orientations to cooperation/competition). • Moral orientation (philosophical orientations to power use). • Moods and dispositions.
Position-based power	<p>Power derived from being located in a particular position in an organizational or communication structure; leads to several different kinds of leverage:</p> <ul style="list-style-type: none"> • Legitimate power, or formal authority, derived from occupying a key position in a hierarchical organization. However, legitimate power can also influence social norms, such as <ul style="list-style-type: none"> – Reciprocity, or the expected exchange of favors. – Equity, or the expected return when one has gone out of one's way for the other. – Dependence, of the expected obligation one owes to others who cannot help themselves. • Resource control, or the accumulation of money, raw material, labor, time, and equipment that can be used as incentives to encourage compliance or as punishments for noncompliance. Resource control is manifested in <ul style="list-style-type: none"> – Reward power, the use of tangible rewards or personal approval to gain the other's compliance. – Punishment power, the use of tangible punishments or withholding of personal approval to gain the other's compliance. • Power based on location in a network structure
Relationship-based power	<ul style="list-style-type: none"> • Goal interdependence—how the parties view their goals • Referent power—based on an appeal to the other based on common experiences, group membership, status, etc. • Referent power can also be positive (we believe the other because we respect them) or negative (we so disrespect the other that we pursue a course of action opposite to the one they advocate).
Contextual power	<p>Power derived from the context in which negotiations take place. Common sources of contextual power include</p> <ul style="list-style-type: none"> • Availability of BATNAs. • Organizational and national culture. • Availability of agents, constituencies, and audiences who can directly or indirectly affect the outcomes of the negotiation.