

# Press Information

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## How managers make their employees optimal price negotiators

*Joint press release of the Ruhr-Universität Bochum and ESMT Berlin*

**Many customers are good hagglers. The right management style is needed for the salesforce to counteract this.**

If managers want their employees to be skillful in price negotiations, they themselves must be convincing role models. This is the conclusion of a study by marketing and sales researchers at Ruhr-Universität Bochum, ESMT Berlin, and the Bocconi School of Management in Milan. The researchers surveyed sales representatives and customers in the automotive sector and evaluated price negotiations. The results are forthcoming in the *Journal of the Academy of Marketing Science*.

### **Cutting prices too much often causes problems**

In many sectors, such as in car dealerships, it is customary to negotiate the price. A company can remain profitable only if employees do not grant the customers too great price reductions. "In practice, companies often have problems making sure their salesforce defend their firms' price levels," said Prof. Sascha Alavi, one of the authors from the Sales and Marketing Department in Bochum.

Managers leading the salesforce have to demonstrate convincingly how they defend and enforce prices. Employees then emulate their behavior. This is particularly successful when the leadership is charismatic. "Managers who are open to their employees, take their concerns seriously, and use positive motivation are especially successful in exemplifying price negotiation tactics," explained [Prof. Johannes Habel](#), ESMT. It is also helpful when leaders can convey a long-term vision for the company.

### **Leading by example does not help all employees**

"However, leading by example does not work for all employees," said Bochum researcher Prof. Jan Wieseke. "It only works when the employees are motivated to learn and also have the ability to negotiate with the customer." Therefore, the authors conclude, some employees need more than just having negotiation skills demonstrated to them. Those who are not very motivated or unable to negotiate confidently need more support and a stricter management style.

Surveys of 92 sales representatives as well as observations from 264 customer discussions were included in this study.

### **Original publication**

Sascha Alavi, Johannes Habel, Paolo Guenzi, Jan Wieseke: The role of leadership in salespeople's price negotiation behavior, 2017, DOI: 10.1007 / s11747-017-0566-1

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