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What's in a frame? (or the power of emotions and subliminal messaging)

Nadja Alexander (Editor) (Singapore International Dispute Resolution Academy)/August 26, 2012

Mediators often talk about the power of framing their own language and reframing the language of parties and others in mediation settings. For example, mediators may frame their comments in neutral, constructive and future-focused language. They may reframe party statements to detoxify offensive or destructive language or to create a shift from the negative to the positive, from the past to the future, from interests to positions, and so on.

In this blog I want to offer three examples of the power of (re)framing from the perspective of negotiators in a mediation setting, that is parties and their professional advisers. While my comments are equally as relevant to (re)framing by mediators, I want to emphasise that (re)framing is not a skill reserved for mediators alone. Skilled negotiators know that how they frame their interests, arguments, objections and offers — and reframe those of the other negotiator — will directly influence how the other negotiator responds.

The importance of framing and reframing is well illustrated by the Kahneman effect (1979, 2011), also known as the endowment effect, which states that more is required to compensate someone who thinks that they are losing something in negotiations compared to someone who perceives that they are gaining something. Negotiators can therefore work around the Kahneman effect by appropriate framing and reframing to induce the other party to change their reference point and see settlement as a gain in terms of peace of mind, the opportunity to begin new business projects or investments with the settlement sum, and the end of litigation, stress and uncertainty — rather than a loss in giving up a right to pursue a monetary claim.

Another factor relevant to framing is knowing that people like to have choice. Providing the other negotiator with a range of options makes it difficult for them to say no to all of them. Furthermore, offering one option that is less attractive makes the other options look even better than they might otherwise appear. For example, let's imagine a dispute involving damaged industrial cleaning equipment in which the cause of the damage (and responsibility for it as between the supplier and purchaser) is contested. The purchaser originally paid \$2000 for the equipment, which has now been superseded by a newer model. As the parties move towards options and offers, the supplier of the equipment offers the

purchaser the following choice:

1. Repairs to the equipment (old model) for \$800, calculated on the cost of replacement parts only and no labour costs, or
2. New equipment (new model) for the discounted price of \$1500, or
3. New equipment (new model) with 2 years worth of regular servicing for the discounted price of \$1500.

According to Ariely (2010) most people faced with this choice, would take the third option (new equipment with 2 years worth of service parts for the discounted price of \$ 1500). He explains that there are a number of factors at work here. First people always compare things when making decisions AND they prefer easy comparisons. So in this example, options 2 and 3 are easy to compare, and option 1 is the odd one out. It's not that it's impossible to compare option 1 with the others; it is just not as easy as comparing options 2 and 3, both of which offer new equipment. Next, when people compare options 2 and 3, it is clear that 3 is the more favourable option. In fact option 2 effectively becomes a non-option and Ariely refers to it as a decoy option because it makes option 3 look even better than it otherwise would. For this reason most people would select option 3 even though it is more expensive for them than option 1.

However, if the choice was just between options 1 and 3, that is between:

1. Repairs to the equipment for \$800 (calculated on the cost of replacement parts only and no labour costs), and
3. New equipment with 2 years worth of equipment servicing for the discounted price of \$1500,

far fewer people would select the latter option and the pattern of selection by disgruntled purchasers would be split as between the two options. This simple example shows how powerful framing can be when putting together offers.

The frame of certainty also has a strong impact on decision-making. People feel safe (emotive value) with certainty and attach considerable importance to it.

Accordingly, if you can frame your offer with no conditions attached and in terms of guarantees, warranties, no risk, certainty and safety nets, not only will it be easier to sell but also most people will make extra concessions in order to have the peace of mind that certainty promises. For this reason, house purchasers who offer cash contracts usually can push the price down a little more. This principle is reflected in an old proverb: 'A bird in the hand is worth two in the bush'. It is known as the Allais Paradox, after Maurice Allais who demonstrated the phenomenon.

Similarly the frame of "free" can have an extraordinary impact on decision-making. If you can throw something for free into the offer, people find it very hard to resist. Why? Ariely (2010) suggests the following reasons: in every transaction there are pros and cons and negotiators are constantly weighing the

pros against the cons before making a decision. However with “free” there is no apparent disadvantage. Rather there is an “emotional charge” associated with free that makes us think we would be foolish not to take the “free” item. Think of all the “free” gifts with purchase that we collect and extra bonus mugs that tempt us to purchase a particular brand of coffee (even if we don’t really like that brand). While these are sales examples, they easily translate into negotiation and mediation spaces. For example, in refinancing deals a bank might offer “free” perks associated with certain credit options e.g. free credit card, higher credit limit, interest-free for a limited time. In disputes involving the sale or repair of goods, one party might offer the other “free” shipping of goods or “free” bonus goods if they (re-)order a certain amount. Combined with the power of offering choice (above), the “free” factor is a particularly powerful frame.

These three examples represent just a few of the many insights from neuroscience and behavioural psychology that can be useful for negotiators and mediators.