MOGLI's PARADISE
NEGOTIATION

Teaching Note

Mogli's Paradise is a simple two-party distributive negotiation, primarily about a price for the purchase and sale of land. It was one of three negotiation simulations I created long ago for a negotiation workshop for a company that developed exurban communities. I've changed the name of the company and updated some of the numbers to create the negotiation simulation seen here.

The set-up is that Indigogreen, Inc. has been negotiating with a representative of the Mogli family, owners of 300 acres of prime lakeside land in South Carolina. Indigogreen sees the Mogli land as ideally suited for a retirement community there. The family has been represented by Chris Mogli, one of four adult Mogli siblings and a well-regarded lawyer in a downtown law firm. They have negotiated easements, timing, tax issues, warranties, indemnities, and the like: all issues except price.

Chris Mogli is unavailable for the price negotiation and his sibling T.J. Mogli has stepped in. T.J. and the siblings see Chris as less aggressive about price than he should be, possibly because Chris and his spouse have plenty of money. The same is not true for T.J., to whom maximizing the price matters.

The ZOPA is quite large due to the respective parties' different predictions about the future economy and land values in the area. Indigogreen is a developer: if they didn't predict strong growth in value, they wouldn't be building there. The Mogli family is more pessimistic and has less risk tolerance. They worry that property values could decrease, and regret having turned down a $1.5 million dollar offer some years ago. The Mogli family would sell for as little as $1.5 million and Indigogreen would buy for as much as $2,150,000 ($7,166 per acre) but want to pay no more than $1,800,000 ($6,000 per acre). The $1,800,000 would yield a profit margin of 60%, though they would like to buy for even less and a higher profit margin.

There is some pressure on both sides. Indigogreen's representative does not want to let this property get away. While there are always other deals to seek, the Mogli land is the only property of its kind in the immediate area. Research indicates it is the parcel most suited to retirement community development in the entire state. From the Mogli family's perspective, they are determined to make a deal after having missed out on a $1,500,000 offer a while ago.

This debriefing can surely follow the standard playbook for a distributive negotiation exercise. You might begin with questions about people's aspirations, about who put the first serious number on the table, and what impact that had. You should be able to demonstrate the power of anchors and the importance of information. Participants will do well to seek discussion about how each side sees the circumstances. You can make the point that, in real life, each should and likely would have done some outside research for comparable land values, the financial standing of Indigogreen, the prices they charge for land and buildings in similar communities, etc. None of that is available here, but it's surely worth the effort to try to learn how the other side views this project. The better distributive strategy is to anchor well (near or just outside the end of the bargaining zone most favorable to you) AFTER you have some idea of what the value of the deal is to the other side.

The Mogli family's confidential information does allow for one potential opportunity for mutual gains: they might be willing to take less $ if they each get a house in the planned community. This is not fleshed out, but it's worth discussing how this might create a gain for both parties (if the cost of houses for the Moglis would be less than additional profits from a reduced land sale price).