

# ***Business Negotiation Strategies for Manufacturing Industries in Trade Activities***

**Xiaohan Xue<sup>1,a,\*</sup>**

<sup>1</sup>*Shandong University of Finance and Economics, Shandong 250000, China*  
*a. xuexiaohan@zhuoyueindustry.com*

*\*corresponding author*

**Abstract:** The manufacturing industry is the backbone of the country, so the development of the manufacturing industry is very critical. Increasing revenue and reducing costs in trade activities are very important for the development of the manufacturing industry. By using some business negotiation techniques correctly, the enterprise can win as much profit as possible in trade activities. There is still a research gap on how to analyze the macro perspective in an integrated manner so that the manufacturing industry can clarify the general process of conducting business negotiation and the key techniques of each process. Therefore, the research topic of this paper is business negotiation strategies for manufacturing industries in trade activities. In this paper, negotiations conducted by manufacturing industries in trade activities are classified according to whether they are competitive or not. The corresponding negotiation strategy analysis is given for competitive and non-competitive negotiations. In order to achieve the effect of negotiators in the manufacturing industry to strive for the maximum profit in the negotiation and promote the prosperous development of the manufacturing industry.

**Keywords:** business negotiation, manufacturing, negotiation skills, competitive negotiation, non-competitive negotiation

## **1. Introduction**

The development of the manufacturing industry is related to the development of the country and is the pillar industry of the national economy. The development of the manufacturing industry not only provides a material basis for modern industrial society, but also guarantees the national defense security of a country. The development of the manufacturing industry is directly related to the improvement of the comprehensive national power of the country. And for the manufacturing industry to develop rapidly it is necessary to ensure the profit of the industry. The total profit is equal to the total revenue minus the total cost. So, it is very important to improve the revenue and reduce the cost for the development of the manufacturing industry. The correct use of some techniques in the negotiation will enable the negotiator to obtain more favorable conditions in the final negotiation results, such as increasing the selling price of products and reducing the price of raw materials. As a result, more profits can be earned. Researchers have found that there are many studies on how manufacturing should be developed, but there is still a gap in the studies analyzed from the perspective of how to conduct business negotiations to help the manufacturing industry develop. At the same time, there are many studies on how to apply commercial negotiation skills, but most of

them are conducted with a single focus on a specific aspect, and they also lack an overall analysis from a macro perspective. Therefore, this paper divides the negotiations conducted by manufacturing industries in trade activities into two categories and analyzes the important negotiation strategies needed in the whole negotiation in each of the two cases. For competitive negotiations, the strategies studied include the preparation before the start of the negotiation, i.e., the creation of Topics Targets Tradeoffs forms. The creation of the atmosphere at the opening of the negotiation. Techniques when both sides make offers after the negotiation formally begins. And how to listen while the parties negotiate the final outcome. For non-competitive negotiations, negotiators should understand how to communicate through the negotiation so that the interests of both parts no longer conflict. The strategies involved are how to deal with deadlocks in the negotiation process and how to improve negotiation persuasiveness. The study aims to analyze how to use business negotiation skills to help manufacturing companies increase their profits and grow quickly.

## **2. The Use of Negotiation in Manufacturing**

The main direction of this research is the application of business negotiation skills in trade activities in the manufacturing industry. The manufacturing industry has long been the backbone of China's national economic development. Besides, manufacturing is an important factor that distinguishes developing countries from developed countries, because it directly reflects a country's productivity level. Cost control is very important for an enterprise, because the amount of cost is directly related to the profitability of the enterprise, thus affecting the further development of the enterprise. Therefore, businesses could negotiate correctly to reduce costs and increase profits is essential. Research shows that enterprise cost management in the manufacturing industry includes five aspects: product research and development, raw material procurement, manufacturing, product sales, after-sales service, and data feedback [1]. The above activities often require the use of commercial negotiation methods. The trade activities that use more negotiations are mainly: raw material procurement with suppliers, business dealings with the same industry, and product sales with buyers. Among them, most of the negotiations in raw material procurement and product sales are zero-sum games. The benefits gained by one party and the benefits lost by the other party add up to zero, and the two parties are in a competitive relationship rather than a cooperative relationship [2]. On the contrary, it may be a competitive relationship with the same industries, or it can be transformed into a cooperative relationship through negotiation. This requires understanding the needs of both parties, striving for maximum benefit, and achieving a win-win situation [3]. For the negotiation of these two situations, there are different negotiation techniques that can be used respectively.

## **3. Strategy of Competitive Negotiation**

### **3.1. Creating Topics Targets Tradeoffs Form**

It is very important to establish a TTT form in advance, which consists of three parts: topics, targets and tradeoffs, where topics refer to the content to be discussed during the negotiation, such as price, contract period and so on. Targets refer to the goals that are determined in advance of the negotiation and are expected to be achieved during the negotiation process. These are the acceptable concessions in the negotiation, once found that the other party's expectations are outside the acceptable range, directly end the negotiation. Establishing a good TTT form in advance can make things more organized in the negotiation, improve efficiency, save time as well as set a good threshold, so that negotiator knows when the place is the bottom line and when to terminate the negotiation and give up cooperation. It is important to note that negotiators should be wary of endowment effects affecting the judgment of negotiators when developing targets. Behavioral economics experiments show that negotiators will overestimate the value of items they own and underestimate the value of items they

do not own, a bias called the endowment effect bias [4]. Therefore, negotiators should set Targets rationally to avoid misestimating the actual price of items because of their ownership.

### **3.2. Creating the Atmosphere for the Opening of the Negotiations**

The opening of business negotiation refers to the introduction of both parties to each other, greetings and conversations on topics unrelated to the content of the negotiation after the meeting and before formally entering the content of the negotiation [5]. The creation of an opening atmosphere is mainly divided into two types: a positive and friendly atmosphere or tense and depressing atmosphere. The positive and friendly atmosphere is created mainly by praising the other party's dress and mannerisms, warm and cordial words and actions, and moderate humor to bring the two sides closer together. The creation of this atmosphere helps to further the understanding and trust between the two sides in the negotiation process, and introduces the negotiation topic in a relaxed and comfortable environment, so that the other side relaxes its vigilance and thus psychologically relaxes the conditions, allowing itself to obtain more benefits. At the same time, the creation of this atmosphere also helps to facilitate more cooperation between the two sides in the future. The opposite way of creating a tense and depressing atmosphere can be created by keeping silent and avoiding the issues raised by the other side, not making clear one's own point of view nor revealing one's own information to pressure the other side. Negotiators can also be aggressive with the other side, such as repeatedly stating and explaining a certain issue several times, aggressively, thus taking advantage of the other side's tiredness to catch the other side's exposed weaknesses, so that the opponent is willing to be defeated. How to create the atmosphere in negotiations should be selected from the specific situation of the opponent company to analyze, create a good atmosphere will make the negotiation process with half the effort.

### **3.3. Techniques for Making an Offer**

After the formal start of the negotiations, the two negotiating parties need to give their respective offers. The purpose of the offer is to let both sides know what price the other side can accept and to give room for subsequent negotiations, so the offer is also crucial to the whole negotiation [6]. Before the negotiation, both parties will collect market information and information about the opponent, if the information is not enough to make an offer first will take a certain risk. This risk often refers to the fact that the other party gives a higher budget, while their own offer is much lower than the other party's budget, thus inadvertently revealing information about their own bottom price and reducing their own profits. For example, in the 1987 story of China's sale of missiles to Saudi Arabia, China offered 100 million RMB for one missile and still worried that the offer was too high, Saudi Arabia understood it to be 100 million USD for one missile, still lamenting the low sale price, and bought thirty-five without hesitation. The veracity of the story is unknown, but the story can be a side note to the risk that a first offer might take. But while the first offer would have taken the risk of exposing the reserve price, this does not mean that the offer must be made later. If the second offer is made, it may be subject to the "anchoring effect". The "anchoring effect" refers to the tendency of people to be influenced by previously presented information when making decisions about something [7]. That is, if the backhand offer, the other party's offer information will be subconsciously left behind, which may change their expectations and thus interfere with decision-making. Therefore, the amount of information available determines the order of the offer. Whoever has more information bids first. If the negotiator has less information, he would better bid later. In addition, it is better to ask for more than one's true expectations to add a buffer for the true expectations revealed in the subsequent negotiation process. In this case, the performance of the negotiation to the other party is to give up part of the profit for the other party, so as to ensure their own interests to maximize the premise to

make the other party feel profitable, so that the price proposed by the other party is more psychologically acceptable [8].

### **3.4. The Way of Listening**

In the process of negotiation, it is necessary to listen when the other party expresses its own views and attitudes, but how to listen is also a discipline. There are two ways to listen: blank listening and active listening. Blank listening means that when the other party expresses his opinion, he does not do any thinking and keeps his brain blank. This way of listening can ensure that they are not disturbed by the other party's information, especially when the other party probes their bottom price, or when the other party uses the influence of speech, expecting to make their own party change the psychological expectations of the price. Active listening means that when the other party speaks, through nodding, gaze and other body movements to show that they are listening carefully, at the right time to the other party's sentence to repeat or rhetorical questions, to ensure that they understand each sentence of the other party. This approach is suitable for when the negotiator intends to find a breakthrough in the negotiation. Active listening can learn the other party's grasp of market information, which can help to further guide the negotiation later, and can also express to the other party their sincere attitude towards the negotiation and the importance of the other party.

## **4. Strategies for Non-competitive Negotiations**

When it is discovered during the negotiation process that a competitive negotiation can be transformed into a non-competitive negotiation, a different set of negotiation methods is used. In this case, non-competitive negotiation can also be called Interest Based Negotiation, and as the name implies, the key to the transformation is what the negotiation is based on. As a simple example, there are two people who both want to compete for an orange. At this point, they are negotiating competitively, because there is only one orange. The more one person gets means the less the other person gets, and the two parties are playing a zero-sum game. But through the negotiation found that the two people's positions are different, one wants to drink orange juice, and one wants to drink orange peel tea. The two people have different positions but do not have conflicting interests. These two people can choose to give the orange flesh to the person who wants to drink orange juice, and the orange peel to the person who wants to drink tea. Both sides get a satisfactory result, reaching a win-win situation. Of course, it is not easy to tap into the potential points of interest of both sides so as to constitute a non-competitive negotiation, and may encounter some obstacles, such as a deadlock in the negotiation, or the negotiators could not persuade the other side, which also requires the use of certain negotiation skills.

### **4.1. Handling Negotiation Deadlock**

Business negotiation deadlock refers to the process of business negotiation in which all parties are unwilling to make concessions, making the conflict deadlocked and unresolved, mainly divided into emotional deadlock, strategic deadlock and substantive deadlock [9]. Emotional deadlock refers to the conflict caused by one party's inappropriate words that cause the other party's resentment, making it impossible to continue the negotiation. Strategic deadlock refers to the strategy of one party deliberately creating deadlock to pressure the other party in order to gain a negotiation advantage. Substantive deadlock refers to the difference of opinion between the two parties from the negotiation content itself, and the negotiation cannot continue. Research suggests that only one possibility of emotional deadlock is involved in switching from competitive to non-competitive negotiations. Since the negotiating parties are emotionally unstable, it is difficult to communicate deeply, so it is impossible to dig out the interests of both parties and find a win-win solution. First of all, negotiators

should learn how to avoid emotional deadlocks. During the negotiation process, they should avoid looking at the problem only from their own perspective and learn to think differently. When negotiating also pay attention not to be swayed by emotions, or even forget their own starting point for negotiations. Always regulate words and actions to avoid emotional conflict. After the negotiation deadlock, the negotiator can stabilize the other party's emotions and gain the other party's trust by passing some important information to the other party in moderation, but be careful not to disclose business secrets. At the same time, when dealing with the deadlock, the negotiator should think calmly and objectively to prevent the negotiation from failing directly due to over-excited words and improper actions.

#### **4.2. Improving the Power of Persuasion in Negotiations**

There are certain ways on how to solve the problem of the other side not being able to convince itself to improve its persuasive power in negotiations. The first step to improve persuasion is to understand the audience. In terms of negotiation style, the other party can be classified as introverted and cautious, extroverted and decisive, and rational and judgmental [10]. The introverted and cautious negotiator will spend more time weighing the pros and cons, will be more cautious in making decisions, and will investigate and research more information background to ensure the feasibility of the event. Such negotiators should be more sincere in their words and actions, and avoid exaggerating and bluffing to avoid negative results. The extroverted and decisive decision-maker is more assertive and less likely to consider the feelings of the other party, and is committed to maximizing his or her own interests. When meeting this type of negotiator, state position directly, propose the idea of reaching a win-win situation, and discuss openly and honestly how to maximize the interests of both sides. The rational judgmental negotiator often uses data analysis to make judgments. This type of person likes to control the details and is demanding about the accuracy of numbers. When dealing with a rational-judgmental negotiator, it is important to speak precisely and rigorously. Use more objective data for analysis and avoid using uncertain words such as "approximately" and "perhaps" in the negotiation. Adopting a targeted negotiation approach for different types of negotiators can effectively enhance the persuasive power of negotiation. After obtaining the cooperation of the other party, communication can be deeper and more accurate to arrive at the interest of both parties, so as to find a more appropriate solution to resolve the conflict of the same positions and achieve a win-win situation.

#### **5. Conclusion**

This paper divides business negotiations conducted in the manufacturing industry into two categories, competitive negotiations and non-competitive negotiations. For competitive negotiations, this paper examines and analyzes four aspects: establishing TTT forms, creating an atmosphere for the opening of negotiations, applying techniques for making offers, and ways of listening. Establishing TTT forms before the start of negotiations helps negotiators to organize their thoughts, clarify negotiation objectives and improve negotiation efficiency. At the beginning of the negotiation, negotiators can create a relaxed or depressing atmosphere through techniques to intervene in the other party's emotions and guide the other party's thinking. At the beginning of the negotiation, the offer stage, depending on the amount of information available to the negotiator, chooses to take the lead or after the offer. At the same time, it is better for the buyer to offer a price lower than his own expectations and for the seller to offer a price higher than his own expectations, leaving room for the subsequent negotiation process. Furthermore, in the subsequent process of agreeing on the final negotiation result, listening can be active or blank listening according to the actual situation to help maximize the benefits of the final negotiation result. For non-competitive negotiations, it is important to find the

points of interest of both sides in the negotiation. If the essential points of interest of both sides are found not to be in conflict, the negotiation can be transformed into an interest-based negotiation in which both sides negotiate together to find a win-win solution. In this process, negotiation deadlock may occur, and the section of the article makes an analysis of how to avoid negotiation deadlock and how to deal with it when it occurs. Non-competitive negotiations can also occur when the negotiator is not persuasive enough. Negotiators should classify their audiences and take different responses according to different types of audiences to improve negotiation persuasiveness. This paper hopes that the study of business negotiation strategies in the manufacturing industry can effectively help the manufacturing industry to improve its negotiation ability and apply the negotiation skills studied in this paper when negotiating with raw material suppliers, retailers, as well as competing or cooperating with fellow industry players. It is hoped that this paper will help the manufacturing industry to further develop.

## References

- [1] Jiapei Zhang: *The current situation of cost management in manufacturing enterprises and analysis of countermeasures*. *Business Watch* (03), 113-116 (2023).
- [2] Bojun Ge: *An investigation on the method of using models to explain difficult points in finance teaching - taking zero-sum game as an example*. *Science and Technology Information* (36), 111-112.1672-3791.2019.36.111. (2019).
- [3] Ning, Zhang: *The Art of Win-Win - A Brief Discussion of Procurement Negotiation in the Procurement Process*. *Investment and Entrepreneurship* (01), 223-225. (2022).
- [4] Qi Shen, Buhailiqieguli , Qiheng Ruan: *An analysis of communication and persuasion skills in business negotiation*. *International Public Relations* (19), 77-79. 2022.19.042. (2022).
- [5] Aimin Sun: *Exploring the opening strategy of business negotiation in international trade*. *Foreign trade and economics* (03), 83-87 (2022).
- [6] Chongchong Wang: *Techniques and application of offer in international business negotiation*. *Journal of Lanzhou Institute of Petrochemical Technology* (02), 75-79(2021).
- [7] Manru Liu: *The anchoring effect: Types of anchors and the influence of genes* (Master's thesis, Southwest University). (2021).
- [8] Xiaobo Lv: *Exploring how to create procurement benefits for enterprises in business negotiation work*. *Quality and Market* (19), 133-135 (2022).
- [9] Tianxing Guo: *Exploring the principles and techniques of dealing with business negotiation deadlock*. *China Collective Economy* (16), 76-77(2020).
- [10] Haixia Huang: *An introduction to the skills and basic connotations of business negotiation*. *Business Watch* (21), 81-84(2022).