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The personal relationship between the buyer and the seller during the negotiations of big retail companies and their suppliers

Ca' Foscari
Dorsoduro 3246
30123 Venezia

Relatore
Ch. Prof. Vladi Finotto

Laureando
Giuseppe Sacchetti
Matricola 816773
Anno Accademico
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To my family

And the people I love.

Abstract

This research is focused on the personal relationship that comes between the two persons, the buyer and the seller, during their activity of negotiation on the transactions within the big distribution channel of trade. This work is the result of a research based on a theoretical preparation base and mostly on a practical investigation inside the field. The methodology has been based on interviews with professional buyers and sellers within the field of big distribution.

Thanks to the high value of the interviewees I have been able to make useful statements about the subject I studied.

This work will be helpful not only for the category of professionals that do the kind of job here analyzed, but for the human resources and recruitment department too. They will know well what kind of personal profile they should select for these kinds of jobs.

Key words: *retail, negotiation, buyer and seller relationship*

Abstract

Questa ricerca è focalizzata sul rapporto che si instaura tra le due persone, il buyer ed il seller, durante le transazioni commerciali all'interno del settore della grande distribuzione organizzata. L'elaborato è il risultato di un lavoro basato su una solida preparazione teorica e soprattutto su una pratica ricerca all'interno del campo di attività di riferimento. La metodologia utilizzata è composta di interviste a buyers e sellers operanti nel settore della grande distribuzione.

Grazie all'alto profilo degli intervistati sono stato in grado di affermare con fermezza alcune utili dichiarazioni sul soggetto studiato.

Questo lavoro si rivela utile non solo per la categoria di professionisti che svolge il lavoro analizzato, ma anche per i dipartimenti di risorse umane e recruitment interni alle aziende. Questi ultimi, infatti, potranno ben comprendere quale sia il profilo adatto da ricercare nella selezione di persone dirette alla mansione di buyer o seller.

Parole chiave: *retail, negotiation, buyer and seller relationship*

Abstract

Cette recherche est centrée sur la relation qui vient entre les deux personnes, l'acheteur et le vendeur, au cours de leur activité de négociation pour les transactions au sein du canal de la grande distribution du commerce. Ce travail est le résultat d'une recherche basée sur une base de préparation théorique et surtout pratique sur une enquête à l'intérieur du domaine. La méthodologie a été basée sur des entretiens avec les acheteurs et les vendeurs professionnels dans le domaine de la grande distribution.

Grâce à la valeur élevée des personnes interrogées, j'ai pu faire des déclarations utiles sur le sujet que j'ai étudié.

Ce travail sera utile non seulement pour la catégorie des professionnels qui font le genre de travail analysée ici, mais pour les ressources humaines et du département de recrutement aussi. Ils savent bien ce type de profil de personnel qu'ils doivent choisir pour ce genre d'emplois.

Mot cles : *retail, negotiation, buyer and seller relationship*

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Introduction

This work takes place in the frame of the two big subjects of marketing and negotiation. Going more in detail, it is focused on the negotiations between big retailing companies and their suppliers, which are other companies that sell their products through the channel of the big distribution. What is interesting for me within these transactions, and what actually is the theme of this research, is the personal relationship that comes between the two persons, the buyer and the seller, while they conduct their activity of negotiate.

The subject of this work is mainly about a practical activity so, according with my tutor, professor Leslie Shaw, I set the research following a practical approach. After a first part of theoretical research on the two main subjects of retail and negotiation, I conducted my research interviewing ten professionals operating in the activity I analyzed.

The first chapter gives a complete explanation about what the retail is. Since it represents a wide subject to threat, I decided to talk about some main aspects of it. First of all I explained what are the main functions of the retailing system, thanks to some definitions of important researchers of this field. Then, I described all the different typologies of distribution channels, with a detailed description of all of them. After this, following my intent to be as practical as possible, I contextualized the work giving a complete report of the retailing industry in France, referring to 2011.

The second chapter goes through the subject of negotiation, another huge field where a lot of bibliography has been written. After a first part of pure theory about the activity of negotiate, with both economic and psychological analysis, I decided to keep the practical approach. So, I provided some communication techniques for conducting a good negotiation and then I explained the phases that precede the final negotiation with the other party. For doing this I used the knowledge I learned from the course of "Negotiation: a bargaining workshop" that I attended at the ESCP-Europe. To conclude this chapter I wanted one more time to contextualize what I wrote, describing the negotiation style of the two most representative countries of this work: France, since it is the country where this work has been written and Italy, since it is my country of origin.

The third chapter wants to be a mix between the previous two. It refers to the relationships that exist between big retailers companies and industry. Once explained the evolution of their relationship, with the fundamental steps that brought them at the

actual state, I talked more specifically about the negotiating power of the two players and its evolution. As a conclusion of the chapter I treat the phenomenon of private labels, that is a perfect example of the conjunction between industry and retailers that creates different negotiating power balances.

After this first consistent theoretical part, it comes the heart of the whole work: the interviews analysis.

It has been done starting from three hypotheses made upon three research questions. After a selection of the most relevant answers about each hypothesis to verify or not, I have been able to reach some interesting conclusions, verifying two hypothesis upon three.

CHAPTER ONE:

THE RETAIL

1.1. The retail

The word of trade is characterized by a process in which two main actors operate: producers and consumers.

This extreme simplification, however, does not take into account the fundamental role of another actor as a protagonist: the retailer. This is a professional who has specialized in its activity to mediate between the two worlds that are at two opposite sides of it. Because of the varied facets of the production and of the growing complexity of companies and markets, the system of distribution is changing fast. It tends to be driven by the manufacturers, but in many cases it has been the promoter of innovation itself.

The distribution system may be defined as the set of connected persons and institutions involved in the transfer of product from producers to the consumers.

But what are the functions that commercial distributors have to play? What are the essential characteristics that allow the development of a healthy and lasting relationship with the producers? And what then, based on different characteristics, the different types of actors who have been born in distribution over time?

1.2. Functions

The commercial distribution structures differ one from each other for the combination of the functions performed and for the intensity with which they carry out these functions.

The main functions of retailers are:

- physical goods: grouping, fractionation, storage, transportation, conditioning;
- sale or exchange: trade link, purchase, sale, assistance, risk-taking business, commercial guarantee;
- economic-financial: pricing and financing;
- communication: information, sales promotion, merchandising;
- psycho-sociological: business environment, human relations and socialization. (Collesei, '06)

Within the distribution process, however, are also involved companies for trade services such as transport, storage, insurance and banking companies. Then, there are also organizations responsible for the regulation of the direct access to the trade, for the control on the methods of conducting commercial activities, such as local public institutions. The consistency of these exchanges put the base for the existence of very delicate but solid fluxes, summarized in the following classification:

- properties flow;
- order flow;
- logistics flow relating to the physical movement of products;
- financial flow of payments;
- information flow by the consumer to the distributor and from the producer to the distributor to towards the consumer. (Armstrong, Harker, Kotler, '09)

1.3. Intermediaries

Systems with intermediaries are often more efficient and are able to sell at lower prices than to those distribution systems with no intermediaries.

One reason is that the commercialization structures carry out their function in a specialized and efficient way, exempting the industrial companies by the costs that would result if they were forced to internalize the commercialization activities.
Another explanation is that, by concentrating in one actor the activity of distribution of products of various companies, the total number of transactions is drastically reduced, reducing costs in this way.
Moreover, by delegating the distribution activity it reduces the risks associated with selling and reduces the seasonality of demand. (Allias, Orsoni, Fady, '92)

1.4. Retail companies

The retail companies do the main activity of buying and reselling products.
Their functions are different: homogenous goods fractionation and assortment, storage, risk, commercial warranty, pricing, information, sales promotion, human relations and socialization functions.
The structures of the retail sector deal directly with consumers of the companies whose products they sell. They should be extremely flexible to adapt to the complex and changing needs of the market demand.
This capacity for adaptation and the forms that are present in a specific country, are influenced by different factors such as:

- the population distribution in the territory;
- the historical distribution of commercial functions;
- the organization of cities and services;
- the urban structure;
- the economic and administrative constraints related to the transfer in space or the establishment of commercial facilities. (Moore, Pareek, '10)

1.5. Stores classification

You may find, in general, six criteria for the classification of retail outlets:

- wideness of offer: large or small;
- deepness of the offer: deep or shallow;

- variety of offer: food and non food;
- store size: small, medium or large size;
- sales techniques: with customer assistants or self-service;
- location: urban or suburban.

  (Lugli, Pellegrini, '02)

Taking into consideration these distinctions, we now see in detail all the various types of shops existing in the market:

- *convenience stores*: traditional retail, do not professionalized, with a family management. They sell commodity goods, they have very short ranges, one or a few lines and they use the technique of counter sales. They hold large stocks, they are rather low developed and they reach low rotations; they are focused on the advantages of convenience that are provided to users in terms of proximity to the place of their residence. Their dimensions are quite small and the range can vary from fairly deep to shallow. This kind of shops still constitute a large part of the retail distribution structure;

- *specialty shops in small or medium size:* the new specialists. They may be convenience stores that deal with commodity, shopping or specialty goods. Some of them are discount stores or category killers, and in these cases they have larger dimensions and are located in city centers or suburban commercial centers that provide a consistent number of clients and potential ones. The offer range is normally limited, but very deep and the professional competence is rather high;

- *limited assortment stores*: they sell commodity goods, with a deepness ranging from little to moderately high and with a moderate size. They are focused on low-price and on the choice of lower quality products and brands or on commercial brands. Some focus more on services, on the choice or on the technique of sale. This sale format is similar to the supermarket or department store, but by far more modest scale. It offers a more limited selection in terms of number of products and it exploits some well known brands to stimulate the

sales of commercial brands. Its attraction is reduced and prices vary from low to high. These types of stores are present at the neighborhood and are generally located big malls;

- *large-dimension stores*: these are supermarkets and department stores. We talk about large retail units, typically organized in the form of store chain. The assortment is large with many lines and it is not as deep or slightly deep only in some departments. The management policies are professional, the sales techniques are mainly self service, with a trend toward specialization in certain departments or lines;

- *the supermarket*: the supermarket food is a sale retailing commercial activity, operating in the food organized sector, mainly with a self-service customer service and with a payment of items purchased at the exit, which has a sales area between 400 square meters and 2.500 square meters. It has a wide range of commodity goods, mostly pre-packaged, and, perhaps, some non-food items of household current. Are about this kind of shops: supermarkets of proximity, super-market chains, supermarkets and discount high quality level supermarkets;

- *hypermarkets*: the supermarket is a large retail unit with at least 2500 square meters of sales area, usually located on one floor, placed in suburban areas. It is organized mainly self-service, it offers a wide assortment of food as well non food goods; it adopts a very low margins policy and it has a wide parking area. Normally it provides four product groups, within the following areas:
    - perishable;
    - non-perishable;
    - textiles and footwear;
    - bazaars;

- *the discount*: they are shops of average size or larger, with a permanent reduction for the price. They can opt for four management solutions to combine together:
    - little wide and little shallow product range;

- choice of second level brands, of commercial brands and generic goods;
- radical minimization of services and shop environment;
- efficient management conducted by a rigid selection of brands which realize high rotations;

- *the large stores*: their spread is less. Their organization is by departments and each department is primarily responsible for the sales activities. Their basic principle is the meeting under the same roof of a not-specialized product offering, predominantly of shopping goods, with peaks of specialization in some departments. The category of customer base is medium, medium-high. Today, this type of shop is fairly small, because of the difficulty in containing the prices of items and of the increasingly tight competition from other large retailers. Today, department stores are different from the traditional ones, especially for the sold items and for the locals with a few less prestigious services;

- *the large specialized store*: the assortment of such stores is large, of a well-characterized product sector, with sets built around a theme; sales are assisted with sophisticated services. The clientele is made up of final users and small retailers and artisans. Management is professional and the size varies from 700 square meters to about 300.00 square meters. A recent form of this new type of shopping is represented by the factory outlet store usually acting as a single brand outlet stores, located in decentralized locations, which offers products out of fashion, and rendered surplus product;

- *retail shopping centers and retail parks*: they have a typical suburban location and they are characterized by the presence of several not-specialized business units of large dimensions. Within the shopping centers are located service facilities such as banking, travel agency and restaurant services. The basic idea is the coexistence of different shops that insist on a single building structure, which is planned and managed in a unified manner, in particular for common services, for the promotion and for the entertainment center plunger. The retail park however, are generally composed of three or more retail outlets specializing in

the sale of non-food products, which address to large clientele, united by a common interest;

- *non-store retailing*: the commercial sales of this form are made without the benefit of local commercial enterprise open to consumers and users. Among them are examples the mail order business, the selling door to door, the sales by the use of telephone, television and through vending machines;

- *e-commerce*: this trade is becoming increasingly important worldwide. In this type of commerce, business to business has developed rapidly, since it has increased the chances of sales for sellers and to purchase for buyers. It has also reduced the time and cost of searching for suppliers, of stores management and of cargo handling. As for the business to consumer, it is far more complicated, but its development is underway with new scenarios for electronic sell, so stimulant for entrepreneurs. (Lambin, '04)

1.6. Mass distribution

To this category belong the large retail chains with unique properties of its stores and centralized management of marketing, purchasing, human resources, administrative and financial functions. The various types of mass distribution are:

- *chain structures of the capitalist market*: they have more than five stores that deal with the same product lines, belong to the same property and have a centralized management. The advantages of this type of structures are to achieve effectiveness and efficiency with regard to supply chain and management;
- *chain of cooperative structures*: there are two types: the closed cooperatives, where the goods are purchased by the cooperative for members only, and open cooperatives, who decide to open stores to non-members. In the second case, prices are calculated so as to obtain not only the costs of supply and store management, but also an adequate margin of profit. (Pride, Ferrell, '10)

1.7. The organized distribution

As a huge spread, there can be seen three distinct forms, with growing integration of grade:

- *buying groups*: group of enterprises that come together to purchase a good or a service. In a buying group, the price of the offer products decrease with the improvement of the demand. The objective is to generate savings for the buyers and volume for sellers;
- *the voluntary associations*: they consist of agreements between wholesalers and retailers, standing with the aim to compete with large distribution companies on prices and services. A wholesaler is associated with a number of retailers who organize their purchases in a common way, in order to reduce costs and improve services offered to customers;
- *franchising*: is a form of cooperation between entrepreneurs for the distribution of services and / or goods, for who wants to start a new business but will not start from scratch, and prefers to be affiliated to a company's brand name already well known. The franchising is in fact a partnership agreement that sees from one side a company with a consolidated commercial format, (the franchisor), and from the other a company or an individual (franchisee) that adheres to this formula. (Forsyth, '09)

1.8. The role of technology

For all forms of distribution, computer technology offers the possibility to obtain more information concerning the management of the commercial structure.

The development of computer technology now makes it possible and convenient:

- to obtain information via networks;
- to design and customize products by sending technical specifications;
- to make purchases directly on the production or distribution without having to use the exhibition space, but using a virtual store;

- to obtain and exchange information on the assortment, inventory, etc., so controlling the store automation and logistics, reducing the cost of procurement and storage;
- to transfer funds via credit cards;
- to understand the purchasing behaviors of customers.

Technological progress allows the distribution to reduce the costs of its activities and to play a more effective management, by knowing the customer better, also being able to control more efficiently the resources allocated to different activities, thus obtaining a better use (Kotler, '07).

1.9. *Distribution-industry relationships*

The distribution-industry relationship is now being influenced by new factors, resulting from technological, organizational, economic and social changes, made by the new economy that finds in the spread of information and communication technologies (ICT) a central aspect. The Electronic Commerce Business to Business, the Business to Consumer one, the communication tools offered by Internet, the Customer Relationship Management (CRM) and the Supply Chain Management (SCM) represent the phenomena related to the new economy that can affect more on the vertical relationship, with a consequent impact on the repartition of the market power, on the creation of new areas of conflict or on vertical collaboration (Penco, '04).

1.10. *Wholesale commerce*

For wholesale trade we mean the activities carried out by any professional that buys goods on for his own account and resells them to other wholesale dealers, or retailers, or professional users, or other users at large scale. Such activities may take the form of domestic trade, import or export.

There are different types of wholesalers:

- wholesalers with complete functions: they perform a wide range of functions and they just tend to provide a complete service to the retailer and the manufacturer;
- wholesalers with limited function: they are specialized in a specific activity;
- cash and carry: this is a distribution formula in which food products are sold and/or non-food products to professional users with a VAT. This distribution formula was born in the U.S. and has spread to Europe, especially with the help of Otto Beisheim, the founder of the "Metro" chain, born in Germany in 1964 and arrived in Italy in 1972;
- *rack jobber*: wholesaler company that provides non-food products to supermarkets in general. It is characterized by the fact that retains the ownership of the goods even after they have been placed on the shelves of retail stores and it acts as an intermediary with its own name and it may charge the goods to the retailer only when they have sold them.

1.11. Independent sellers

The sales person is a person who takes in a stable manner, without being subordinated, the task of drawing up commercial contracts between the company and customers, according to an agreement, called the agency agreement, which binds to carry out this mandate on a specific geographic area. The sales agent then, performs a commercial activity in behalf of the company that represents and is thus distinguished from business seekers for the stability of its mandate. The company pays the agent by using a policy of commissions, remunerating the seller in base on the sales that it produces.
Sometime, between company and sales person, states that a part of his retribution is fixed and a part is variable, so anchored to the turnover.
The sales agents are distinguished:

- *mono-task agents*: they represent only a company, thus virtually constituting a territorial extension of the sales of this company;
- *multi-tasks agents*: they represent multiple companies, becoming then figures closer to a trader rather than to an employee, as in the case of the mono-task agent;

- *agents with representation*: individuals or companies steadily responsible from one or more companies to conclude deals on behalf of their same name, in a limited area. They are used by industrial companies and they allow them to exploit economies of management by grouping small orders that relate to individual products / brands, sharing between more different companies the cost of the contact;
- *agents without representation*: individuals or companies steadily responsible from one or more company to promote the conclusion of contracts in a given area. They are often supplanted by agents with representation. However, being generally paid on a commission base, they have as main advantage to be strongly motivated to achieve high levels of sales. (Lamb, Hair, McDaniel, '04)

1.12. Analysis of the Distribution sector in France

France is considered one of the traditional homelands - together with the United States, United Kingdom and Germany – of the mass distribution, and in fact is one of the countries where this has been further developed, especially in the last thirty years.

The French distribution network, which includes 320,000 points of sale, is particularly modernized. There are in fact 1370 hypermarkets, 5570 supermarkets and 3,740 convenience stores.

The concentration in distribution is very strong: the top four firms field (Lecerc, Carrefour, Auchan and Intermarché) represent the 52% of the market. Behind them, the voluntary union Système U (9% share).

Is important to remark that the Carrefour Group is the principal food retailing group in Western Europe, ahead of Tesco (UK) and Metro (Germany).

Regarding the degree of internationalization in entrance of the segment, in the food sector it is restricted to the three major German companies of discounters (Lidl, Aldi and Rewe) and Metro Cash & Carry group. For the non food are present, among others, Ikea, Inditex, H & M and Otto.

For the exit, we have to stress the heavy investments abroad of Carrefour (more than half of turnover outside of France), Casino (40%) and Auchan (48%).

(www.italtrade.com)

1.13. The mass distribution in France - The main historical stages

I will now give some information about the history of the development of the retail structure in France. After this, I will give more detailed information and data about the actual status of the retail industry, with the description of future trends about retail channels and some main product categories.

So, after a long series of steps (from the opening of the first department store - Le Bon Marché in 1852) the "modern" mass distribution was born in the late 50s after the expansion of the suburbs of large cities and in particular Paris, in a few years developing highly competitive strategies.

The increase in sales has allowed the most favorable conditions of sale, in particularly due to the grouping of orders with suppliers (the central purchase) that put domestic producers competing with foreign products.

The mass distribution has gained considerable weight, first on the market food and then on an increasing number of areas (sports, bricolage, home decor, etc. ...). In France it represents around the 60% of the entire retail trade turnover made up of hypermarkets, supermarkets, hard discounters, department stores, chain stores specialized sole owner or franchise, popular magazines, etc..

Some important steps on the development of distribution in France:

- 1852 opening of the first department store (Le Bon Marché);
- 1866 appearance of the first branches;
- 1907 creation of the General Society of Consumer Cooperatives;
- 1929 opening of the first People's Department Store (Uniprix);
- 1948 Goulet-Turpin in France introduced the system of the 1949 opening of the first self-service center Leclerc Landerneau;
- 1957 Opening of the first supermarket in Paris (Docks de France);
- 1963 opening of its first hypermarket in Sainte-Genevieve-des-Bois (Carrefour);
- 1973 the first legislation enacted to curb the development of large retail (Royer Law);
- 1996 additional measures to contain the expansion of large retail chains.

(www.ice.gov.it)

1.14. Actual scenario

After having introduced all the different channels and operators of the retail activity, I will know provide detailed information about the actual trends of the retail sector in France.

In order to be more update as possible I will refer to the "Consumer goods and retail-2011" of The Economist Intelligence Unit Ltd.

Retail sales, international comparison
(US$ bn)

	2006[a]	2007[a]	2008[a]	2009[a]	2010[a]	2011[c]	2012[c]	2013[c]	2014[c]	2015[c]
France	433.4	490.1	537.3	510.1	506.1	539.4	526.0	513.9	530.5	569.4
US	3,408	3,543	3,624	3,439[b]	3,637[b]	3,785	3,919	4,072	4,245	4,432
Japan	1,163	1,147	1,318	1,424[b]	1,545[b]	1,684	1,728	1,746	1,746	1,725
China	958	1,173	1,561	1,842[b]	2,283[b]	2,829	3,481	4,193	5,004	5,940
Germany	421	460	502	466[b]	440[b]	428	419	423	429	447

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Sources: Planet Retail; Economist Intelligence Unit.

From this forecast we can notice a good result: France will be the EU's largest consumer market in 2011-15. In 2011 total retail sales are expected to be worth €395. The outlook for French retail sales is for a deceleration in retail sales volumes in 2011-15, to growth of around 1% per year on average.

Income and demographics

	2006[a]	2007[a]	2008[a]	2009[a]	2010[a]	2011[b]	2012[b]	2013[b]	2014[b]	2015[b]
Nominal GDP (US$ bn)	2,270.4[c]	2,598.8[c]	2,863.0[c]	2,657.3[c]	2,582.0[c]	2,762.8	2,713.4	2,670.9	2,780.9	3,011.8
Population (m)	61.6	61.9	62.3	62.6	62.9	63.3	63.6	63.9	64.2	64.5
GDP per head (US$ at PPP)	31,755	33,471	34,012	33,231	33,864	34,765	36,064	37,504	39,111	40,747
Private consumption per head (US$)	20,946	23,741	26,211	24,756	24,123	25,552	24,839	24,273	25,064	26,909
No. of households ('000)	25,238[c]	25,403[c]	25,544[c]	25,665	25,795	25,926	26,058	26,196	26,337	26,505
No. of households with annual earnings above US$5,000 ('000)	25,238	25,403	25,544	25,665	25,795	25,926	26,058	26,196	26,337	26,505
No. of households with annual earnings above US$10,000 ('000)	25,238	25,403	25,544	25,665	25,795	25,926	26,058	26,196	26,337	26,505
No. of households with annual earnings above US$50,000 ('000)	11,805	14,529	16,453	15,903	15,258	16,357	15,880	15,441	16,104	17,516
No. of households with net wealth over US$1m ('000)	232	311	198	250	232	243	250	250	273	315

[a] Economist Intelligence Unit estimates. [b] Economist Intelligence Unit forecasts. [c] Actual.

Source: Economist Intelligence Unit.

What are the main features of the success of French retail industry?

Hypermarket sector will continue to be the country's dominant one on the retail industry, but this format will see little to no growth. Discounters may have to give back some market share that they took from supermarkets. There is growth potential for city-centre box store, supermarkets and forecourt retailing. Independent shops will remain under pressure from large retailers, although regulatory intervention will continue to seek to protect them.

In line with the growing trend of the e-commerce, it will have the largest growth potential, as France catches up in this respect with the most e-commerce-friendly European nations. Consumers will increasingly look to Internet channels for price comparisons and bargains.

1.15. Five-year forecast

Actual sales are expected to slow from the strong growth of 2.5% estimated for 2010 to 1.2% in 2011 and an annual average of 1.1% in 2012-15. Private consumption growth is expected to average 1.6% in 2011-15 ', which will be lower than pre-crisis rates, but

better than the average rate of 0.5% in 2008-09. Retail sales in the forecast period will be supported by the expected gradual growth in employment and wages. Private consumption has been resilient in France, and this will support strong growth in retail sales in value terms in 2011-15. The value of the French retail market is expected to rise from an estimated € 382bn (U.S. $ 506bn) in 2010 to € 447bn 569bn (U.S. $) in 2015.

In the medium term, population growth single person factors including families and the proportion of women in high employment will have an important influence on the structure of demand. Demographic profile of the country will age, driving a gradual shift in consumer behavior.

Price consciousness should remain an important driver of purchase conduct. Consumers will still pay a premium for high quality brands that are a badge of quality, reliability and style, but they can also buy larger quantities of less "own brand" products, in particular those which are perceived to be commodified and of equal quality to known brands.

1.16. Retailers

The retail sector will continue to be dominated by five national operators. Carrefour, ITM (Intermarché) Leclerc, Casino and Group Auchan, which account for just over 65% of food sales.

Carrefour is the largest retailer in France and second largest in the world, with approximately 20% of French food market. The second largest shopping retailers, Leclerc, the first hypermarket operator in France, owns approximately 12%. The third largest retailer, Casino, runs mostly smaller stores (including discount) and has a similar market share.

The rapid growth of discounters, especially Aldi and Lidl (both from Germany), is likely to slow significantly during the forecast period. They have expanded so rapidly in recent years that are at risk of excess capacity, and a period of consolidation is in prospect.

Large supermarket chains continue to open new smaller box in the city centers. This format of retailing has great growth potential, as it tends to be more acceptable to city planners and officials of the City Council. Forecourt Retailing is another area that has potential for growth, given the current preference small local retail sales in urban environments.

The retail sector is highly regulated and several laws exist to safeguard the wide range of sales channels, as well as the most effective way to protect small shopkeepers with varying success. The laws also raise barriers to entry.

1.17. Retail sales on-line

French economy will grow, penetrating in the best performing EU countries. online 7.6% of estimated retail sales in 2010, because the e-commerce will be in office. E-commerce will be a huge source of success for the retail sector, thanks to its support to the traditional sales and for the customer price image awareness for all the big retail chains.
The largest e-commerce web sites such as eBay, Amazon, FNAC, Cdiscount, La Redout and many others will expand their sales and services. Companies and big retailers that are making e-commerce will see growing expectations from their customers for always more on line services and correspondences between on line and in store communication and operations.
Another big driver for e-commerce growth will be the Mobile-phone retail. Whit a growing penetration of smart phones, this channel of sales will become a key factor for innovation and a mean for new customers and potential ones.

Let's go now more into details analyzing the trends of the food and beverages market for the next years.
Since the food sector in the most relevant for the retail industry, I selected it as the representative for all the other product categories. Then, for a more complete description of the trends, I will provide a shorter description of the sectors: tobacco, consumer electronics, cosmetics and toiletries and household goods.

Retail sales

	2006[a]	2007[a]	2008[a]	2009[b]	2010[b]	2011[c]	2012[c]	2013[c]	2014[c]	2015[c]
Retail sales (€ bn)	345.1	358.1	365.5	366.2	381.8	395.2	406.2	418.7	432.2	446.6
Retail sales (US$ bn)	433.4	490.1	537.3	510.1	506.1	539.4	526.0	513.9	530.5	569.4
Retail sales, volume growth (%)	0.9	2.1	-1.1	0.1	2.5	1.2	1.0	1.1	1.2	1.3
Retail sales, US$ value growth (%)	3.7	13.1	9.6	-5.1	-0.8	6.6	-2.5	-2.3	3.2	7.3
Non-food retail sales (US$ bn)	174.2	198.1	217.9	206.9	204.1	217.7	212.7	208.0	215.5	231.4
Food retail sales (US$ bn)	259.1	292.0	319.3	303.2	302.0	321.7	313.2	305.9	315.1	338.0
Consumer price inflation (av; %)	1.9	1.6	3.2	0.1[a]	1.7[a]	2.3	1.7	2.0	2.0	2.0

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Sources: Planet Retail; Economist Intelligence Unit.

1.18. Food and beverages

Food, beverages and tobacco consumption

	2006[a]	2007[a]	2008[a]	2009[b]	2010[b]	2011[c]	2012[c]	2013[c]	2014[c]	2015[c]
Food, beverages & tobacco (consumer expenditure; US$ m)	211,769	236,883	265,797	249,620	243,815	259,071	251,054	244,526	253,193	272,987
Food, beverages & tobacco (% of household spending)	16.4	16.1	16.3	16.1	16.1	16.0	15.9	15.8	15.7	15.7
Food, beverages & tobacco (market demand; US$ m)[d]	348,508[b]	389,875[b]	428,160[b]	402,849	391,610	413,699	400,952	390,596	401,911	429,830
Food, beverages & tobacco (market demand; % real growth)[d]	-1.0[b]	0.6[b]	-0.6[b]	-0.3	0.9	0.6	0.5	0.9	1.1	1.1
Meat consumption (kg per head)	79.1	79.4	78.6	76.6	76.5	76.5	76.4	76.2	76.1	76.0
Fish consumption (kg per head)	33.0	33.1	33.1	33.1	33.2	33.3	33.5	33.6	33.9	34.1
Fruit consumption (kg per head)	189.6	189.4	187.8	186.3	185.6	184.6	183.6	182.9	182.3	181.9
Vegetable consumption (kg per head)	151.0	152.4	152.8	152.0	153.0	154.1	155.2	156.4	157.6	158.9
Milk consumption (litres per head)	276.1	276.8	276.0	275.2	275.3	275.1	275.0	275.1	275.5	276.0
Coffee consumption (kg per head)	4.6	4.7	4.8	4.7	4.6	4.7	4.7	4.6	4.7	4.7
Tea consumption (kg per head)	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts. [d] Excludes retail and wholesale mark-up.

Source: Economist Intelligence Unit.

1.18.1.Food

Food represents a fundamental sector for the French economy, since it is a consistent cultural element of French habits. Although a maturation of the majority of the food segments, there are still possibilities for new sales and new segments. The sensitivity towards health and healthy products works as a stimuli for this sector, and it gives new possibilities for raising the income levels.

This new trend of health care will give new possibilities for the segments as fish, vegetables and proteins and it will cause a decrease of the segments of meet and canned foods.

There will might be some constraints for the prices of fish and vegetables linked with some regulations about methods and quantities allowed.

Then, there should be a link between convenience food and female employment level, since the time available for cooking will decrease.

Within the French food sector, the main products are linked with food processing, in particular: meat and meat products, dairy products and beverages (including wines and spirits), respectively 30%, 22% et 16% of the food processing market.

1.18.2. *Pricing*

The price of food products will remain uncertain, but it should not touch the peaks of the beginning of 2011. Food retailers cannot increase prices over a certain limit, since people, although their consciousness about the increase of raw materials, attribute the higher price levels to retail companies marketing decisions.

Talking about the costs of food, since in France the general economic situation is growing slowly, as the disposable income, they will remain affordable. This will be helped also by the EU subsidies for French farmers.

1.18.3.Beverages

In the segment of soft-drinks the dominant products are fizzy drinks, while the fastest growing segment are the fruit juices and sports drinks.

The water market is well developed and water companies can suffer from a strong foreign competition and some local authorities' campaigns for promoting public water consumption.

The segment of alcoholic drinks should not record important growth levels as the soft-drinks one, because of the new trends on healthcare and of public campaigns against

Item	Price (US$)	% of monthly personal disposable income	Affordability rank
White bread, 1 kg (supermarket)	3.24	0.14	9 out of 58
White rice, 1 kg (supermarket)	5.43	0.23	21 out of 58
Potatoes, 2 kg (supermarket)	5.71	0.24	28 out of 57
Chicken, fresh, 1 kg (supermarket)	7.07	0.30	18 out of 57
Sugar, white, 1 kg (supermarket)	2.14	0.09	18 out of 58
Milk, pasteurised, 1 litre (supermarket)	1.71	0.07	13 out of 58
Coca-Cola, 1 litre (supermarket)	1.29	0.05	7 out of 57
Wine, common table, 750 ml (supermarket)	4.83	0.21	1 out of 56
Beer, top quality, 330 ml (supermarket)	1.36	0.06	6 out of 56
Cigarettes, Marlboro, pack of 20 (supermarket)	7.57	0.32	16 out of 58
Two-course meal for two people (average)	221	9.42	13 out of 58

Note. Affordability rank: for each country the price of an item as a percentage of monthly personal disposable income is calculated. Countries are ranked according to these percentages. The most affordable country will have the lowest percentage and be ranked first.

alcohol consumption. Wine represents quite one-half of the whole alcoholic drinks sales. France has the highest wine consumption level per head. Thanks to the old wine culture, this sector is stable and difficult for foreign competitors to penetrate.

Beer consumption is under the average European level and will see a little growth in the period 2011-2015. The major beers typologies are and will be premium beers, especially foreign ones.

The spirits market has a lot of French made firms that export in a lot of countries. Some examples are: Pernod Ricard, Rémy Cointreau and Tattinger.

1.19. Tobacco

This segment of consumption is going to decline slowly, thanks to new health care trends and public campaigns against smoking.

The main actors of this market are: Philip Morris (USA), Imperial Tobacco (UK) and British American Tobacco (UK), respectively with the 40%, 30% and 15% of market share.

1.20. Other consumer products:

Consumer products: market demand

	2006[a]	2007[a]	2008[a]	2009[a]	2010[a]	2011[b]	2012[b]	2013[b]	2014[b]	2015[b]
Clothing (US$ m)	19,101	21,031	23,376	22,193	21,777	23,239	22,756	22,414	23,335	25,267
Clothing (% real change)	0.3	-1.0	0.6	0.6	1.9	1.6	1.5	2.0	2.3	2.4
Footwear (US$ m)	5,163	5,697	6,286	5,941	5,794	6,141	5,973	5,839	6,031	6,475
Footwear (% real change)	2.2	-0.8	-0.1	0.2	1.2	0.9	0.8	1.2	1.4	1.5
Household furniture (US$ m)	20,373	23,032	25,706	24,560	24,169	25,845	25,364	25,017	26,075	28,260
Household furniture (% real change)	3.6	1.6	1.0	1.3	2.1	1.8	1.8	2.1	2.4	2.5
Household textile products (US$ m)	17,761	19,489	21,548	20,406	19,930	21,157	20,614	20,189	20,894	22,482
Household textile products (% real change)	1.9	-1.4	0.1	0.4	1.4	1.1	1.0	1.4	1.6	1.7
Soaps & cleaners (US$ m)	17,023	19,128	21,425	20,294	20,052	21,575	21,261	21,113	22,166	24,202
Soaps & cleaners(% real change)	0.0	1.0	1.4	0.4	2.6	2.4	2.2	2.8	3.1	3.2
Electrical appliances & houseware (US$ m)	7,278	8,325	9,334	8,952	8,838	9,483	9,338	9,241	9,666	10,515
Electrical appliances & houseware (% real change)	0.5	2.8	1.5	1.7	2.5	2.1	2.1	2.5	2.7	2.9
Household audio & video equipment (US$ m)	3,994	4,414	4,964	4,760	4,712	5,071	5,007	4,972	5,219	5,698
Household audio & video equipment(% real change)	0.9	-0.6	1.8	1.6	2.8	2.5	2.4	2.8	3.1	3.2
Television sets (stock per 1,000 people)	675[c]	687[c]	702[c]	715	729	744	761	779	799	821
PCs ('000 units)	36,793[c]	40,934[c]	44,823[c]	47,930	50,724	53,391	56,121	58,558	60,699	62,953

[a] Economist Intelligence Unit estimates. [b] Economist Intelligence Unit forecasts. [c] Actual.

Source: Economist Intelligence Unit.

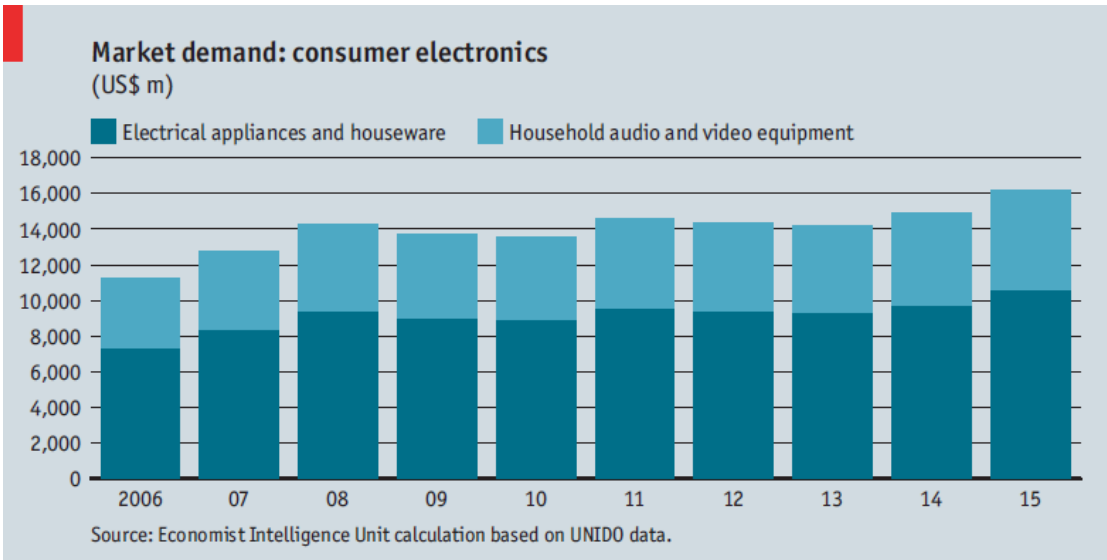
1.20.1.Consumer electronics

This market will grow, but slowly. It will see a decrease of prices, but an improvement of rotation, since a high obsolescence of these products.

The strategic products in this segment will be personal computers, consumer electronics such as tablets and smart phones and photographic equipment, all products, again, with a rapid obsolescence and a deep penetration.

In France the level of ownership of personal computers is lower than the one of the other northern European countries, and it will remain at this position. But, this gives the possibility for more rapid growth and penetration than the other near countries.

The main companies operating in this market are all foreign: Philips (Dutch), Sony, Canon, Nikon, Panasonic (all Japanese), Hewlett Pacard, Dell (both American) and Acer (Taiwan).



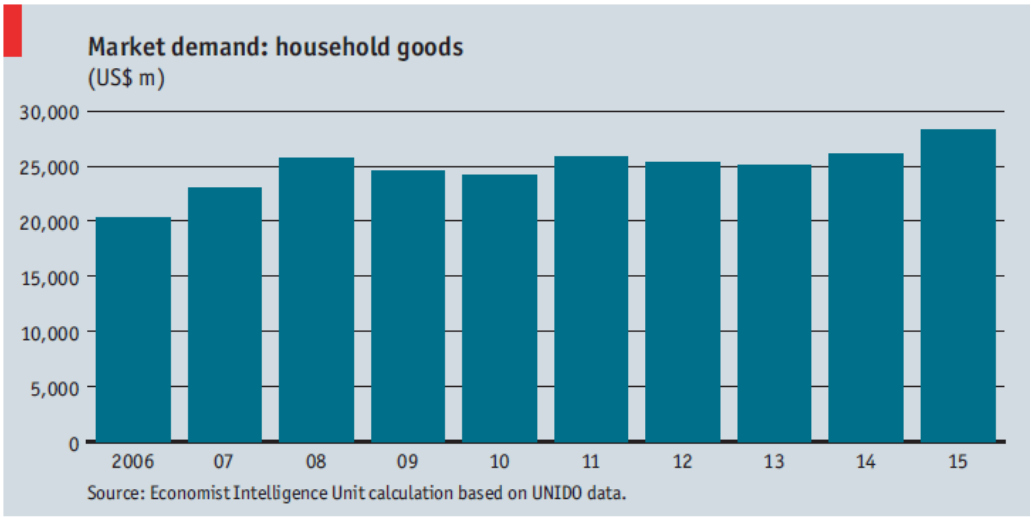
1.20.2.Household goods and furniture

This market is mature, with a high penetration level. But there is also a high demand for replacement. Since both the population and the number of single-person households rise, there are hopes for household goods to rise their sales.

About the furniture industry, it is highly fragmented, with almost one thousands little companies employing around twenty people. The sector is expected to remain stable,

with a slow and little growth. The most demand will come from replacements and the main limit for consumption will be the low level of family finances.

The company with the highest market share in the segment of white-goods and kitchen-appliance (20%) is Brandt, a French company. The other main actors are foreign ones: Electrolux (Swedish), Whirlpool (US), Bosch, Miele and Siemens (all German).



CHAPTER 2:

NEGOTIATION

2.1. Introduction and definitions

Negotiation is one of the typologies of relationship between two or more persons, two or more companies, two or more social subjects, two or more states may assume.

The term *negotiation* can be applied effectively to a vast number of situations. Its etymology brings us back the word "negotium", deal, which derives itself from "nec", not, and "otium", leisure.

However, the specific meaning with whom the term is now used, is more restricted. Not all relationships are about negotiation. For define a negotiating situation, we must have certain conditions.

The elements that characterize any situation of negotiation are:

- *the presence of different subjects*: because they have different objectives, their interests do not coincide; in some cases even reference values are not homogeneous;

- a relationship of interdependence between these subjects: their goal, which represents their interests, may be achieved only through cooperation and mutual exchange of resources;
- a disagreement between them: the parties know that cooperation is advantageous, but there is a conflict over how to distribute the benefit of a possible agreement.

The conditions necessary to identify a situation of negotiation are carried out, therefore, when occurs a communication process between persons who have differentiated interests and preferences, in order to exchange each other tangible or intangible resources (physical goods, money, but also information, promises, power, etc.).
The process may conclude with a joint decision (agreement), or with a unilateral rupture (disagreement), depending on whether the subjects succeed or fail to reach a compromise between their conflicting interests.
Disagreement does vanish also the advantage that would be derived from mutual cooperation.
What is important to emphasize is that the parts, during the phase negotiating communication, realize together also a research process.
The communication is in fact designed to generate alternatives of action and to identify the best mode of exchange in consistency with the different interests of the deal. Negotiation is, from this point of view, especially a research process able to handle uncertainty and also to find solutions also for unstructured problems, those for which there is not a predetermined solution.
Let's now consider some definitions of *negotiation*:

- *"A relation in which the parties would receive a benefit from cooperation, but they are in conflict over how divide the advantages".* J.F. Nash, The bargaining problem, 1950;
- *"An interaction process in which two or more parts attempt to mutually agree on an outcome acceptable by both of them, in a situation of conflict of interests"*. D. Druckman, Negotiations: Social-Psychological Perspectives, 1977;
- *"We are on a process of negotiation in those situations where two or more parties acknowledge the existence of differences of interest between them, but they intend*

to, or are obliged to make a deal". H. Raiffa, The art and science of negotiation, 1982.

All definitions move around the concepts of cooperation, conflict, interaction, advantage, different interests; is interesting the integration of Raiffa on the intention or compulsion to reach an agreement.

There are indeed situations in which exist alternatives to the agreement with a given partner, and others that can be close only by an agreement or by a rejection of reaching a possible outcome.

The difference between these situations is in the existence or not of alternative partners, able to replace without damaging the former partner, as also them carry the resources that are necessary for the exchange.

This is particularly true in the relations of buying and selling goods in the market, while it does not occur in relationships for example: sons-parents, chief-employee, union-company, etc..

Once well defined negotiation, we need now to clarify what are the differences between this and other possible forms of coordination and relationship between two or more persons.

First, the negotiation process is different by decisional processes based on the market or on the vote, sine it is not based on pure summation of unilateral decisions, but on a conjoint research process of acceptable solutions.

Moreover, negotiation is different from the relationships based on authority, since both parties are legitimately pursuing their right to independent decision (Raiffa, 2006).

Finally, there are clear differences between negotiation and group relations: the subjects in fact, in a situation of negotiation, know from the beginning about their conflicting interests, rather a group consists initially because group members know they have common objectives.

2.2. The three "actors" of negotiation

In any negotiation there are three elements, the interests, the issues and the positions, and we

must know how to recognize and identify them.

The issues are the object of negotiation, they are the elements that are placed on the table of the negotiation and on which agreement is sought: within the company they are for example, the purchase price, special discounts, payment terms, salary increases, working hour's flexibility, etc... If there are numerous issues to discuss, then the negotiation is more complex but at the same time it offers a better chance of finding an agreement. Otherwise, if the question is unique, then the negotiation would be more focused, but spaces to develop new solutions are reduced.

The positions are the behaviors that the parties have agreed to hold within the single issues of the negotiation: these are the facts and opinions that we absolutely want to keep, behaviors we want to maintain or avoid.

The most common mistake is to confuse the position with the interests, assuming irremovable positions. But it is just changing the positions that most of the time we are able to satisfy the goals that we want to reach through negotiation, that constitute its most important component. Interests are therefore what we have targeted with the negotiation, regardless of the position we have assumed. The positions taken to a given question are determined by the underlying interests, but they are separate by those.

It may happen that the two negotiators have different positions, but are determined by common interests.

It is important to understand what the position of the other party is, because it influences and directs the negotiations, but it is even more important to know their interests. If we work only on the positions we might not reach an agreement if the parties are determined to maintain them, and for this reason we should let the relative interest coming out. (Ury, '09)

2.3. Negotiation and communication

Communication is one of my main passions, and is also for this reason that I have chosen the theme of negotiation as the one for my research. So, since communication is a fundamental element for negotiate, I will now analyze how it plays during a negotiating situation.

Communication is the means by which the negotiation takes place and then a bad communication can undermine the success of a negotiation.

To communicate means to share both information and moods through the use of one or more transmission channels that can be as high as multimedia text message, fax, mms, telephony.
The communication process cannot exist without the presence of a well
precise goal: to communicate effectively means achieve the goals that we have fixed before.
Therefore, the meaning of communication lies exclusively in the response we get from our interlocutor.
So, we should always verify the outcome of communication, through the reaction of others and, when it occurs, ask questions if arise some not clear situations.
One of the fundamental principles of the Communication states that "those who ask, command ..." because thus who makes questions is the one who will choose the issues of the discussion, as opposed to a common stereotype for which the skilled conversationalists are those who can speak for hours (Richardson, '04).
In any communication there is always a feedback or return message, in response to our interlocutor and it can be of the verbal type, such as a sentence, or not-verbal response, as a behavior (a look, silence, withdrawal and more): this is the element of difference with information (radio and TV), where there is total absence of any situation of feedback from the audience, which is perceptible issuer of the message.
We can say, then, that there are three levels of communication:

- The non-verbal communication: body language as regards the facial expression, posture, clothing and gestures.
  There is a right principle that "the body does not lie", because it is not governable by our rational mind, unlike the language.
  The connection between mind and body is tight and so, changing our state of mind, also our physiognomy changes, and vice versa: to know what mood our interlocutor has, we must learn to "read" the body language.
  So at the same time, if we change our moods, we must change our posture. It is hard to keep the spirit up if we walk with our head down as if we had just woke up from the bed.
  If we want to make a suggestion to someone, we need to be very sure to believe in it, otherwise some part of us will disclose our doubts you.

- Then there is the paraverbal communication, which includes tone of voice, volume and the rhythm at which we talk. The difference in the volume and tone of voice prompts several emotional states in our interlocutor. So, if we want to be convincing, we must express positivity and confidence, because very often how we communicate is more important than what we communicate.

- The verbal aspect concerns the content of what we say and to be convincing it must be supported by logic and by objective and indisputable references. (Pirovano, Ongaro, '08)

2.4. The various phases of a negotiation

For being as much practical as possible, I will know describe the process that is behind and during a good negotiation.

After having done the course of *Negotiation: Positional Bargaining* at my school ESCP-Europe, I am ready to provide a precise description of the steps that occur when we have to prepare a negotiation.

The phases are:

1. Prepare - *identify*
2. Argue – *signal*
3. Propose – *package*
4. Bargain – *close*

2.4.1. Prepare

The preparation is the key to a successful negotiation and involves, among other things, a series of psychological benefits.

In particular it means to understand our position and the relative interests, the position and interests of the other party and of the people with whom we interact.

The main point of the preparation is to identify its Batna (Best Alternative to an Agreement), that indicates the best alternative to a possible agreement: it means knowing what we will do or what will happen if we could not achieve a satisfying agreement with the negotiation in progress.

Who starts a negotiation without knowing its Batna puts himself on a disadvantage from a contractual point of view.

When a negotiator has a weak B.a.t.n.a., it is difficult for him to say no to a proposed settlement, although it is not very advantageous for him.

Whenever we have a weak B.a.t.n.a., we can use three measures:

- improve the B.a.t.n.a. following the specific circumstances: if you think your B.a.t.n.a. is not so much weak you must tell it to the other party. This could be done either at the beginning or during the negotiation;
- identify the other party's B.a.t.n.a.: is rare that your counterpart tells you what is his B.a.t.n.a., except if it is very strong. The best way to know it is to ask questions, also indirect ones, or consulting magazines and/or company documents;
- weakening B.a.t.n.a. of the other party, also directly. In fact, there is no more disadvantageous position than the one who negotiates without a real alternative because the other party can impose its conditions. The best choice is to stop and try to identify at least one, during the bargaining process.

The Z.o.p.a. (Zone of possible agreement) is the main concept of a negotiation, since it indicates the area where you can conclude a contract that satisfies both parties.

The Z.o.p.a. is connected to the reserve price, that indicates the level below or above which you are not willing to conclude an agreement: we can't ever begin a negotiation without having identified it. It may coincide or not with the Batna.

The creation of value through mutually beneficial exchanges is possible when a party has something that is not expensive for him to give away, while it has an important value for the other party.

We should never start a negotiation without wondering what is a good result for us.

We need also to be careful that the negotiator who sits at the table with us is the person who has the authority to conclude the deal: when in doubt, ask questions and seek the participation of those who have the power to sign the agreement.

Negotiators usually do not follow a well-defined and ordered path, so we need to know how to adapt to every eventuality: any change must be seen not as an accident path, but as a moment of learning (Maddux, 2000).
To be clearer, I will know schematize the main steps of the preparation phase:

- Objectives
  - What are our priorities?
  - Can we really obtain our objectives?
  - Can we determine the other party's objectives?

- Information
  - What are the main issues?
  - What is the balance of power?
  - What are the straight facts?
  - What assumptions are we making?

- Concessions – evaluating concessions means we won't give something for nothing
  - Possible concessions
  - Trading value of our possible concessions
  - Concessions we want them to ask

- Variables – identification of the negotiation's variables
  - Our vital interests
  - Their interests
  - Bridging factors
  - What we have to give to reach an agreement
  - Our fallback position

- Strategy – we always have to think very carefully about the strategy to use
  - Basic strategy
  - Points of force

- Points of weakness

- Teamwork – if the negotiation requires teamwork, we need to decide the roles:
  - Team leader
  - Main speaker
  - Support speaker
  - Questioner
  - Summarizer
  - Observer

2.4.2. Arguing

To run a successful negotiation is of paramount fundamental to succeed in attracting the trust of the interlocutor.

There are two ways of relating to people during a communication process: the first is to highlight the similarities and what we share, valuing harmony; the second is to highlight the elements of differentiation and thus enhance the antagonism and competitiveness. This second way does not produce positive results on the long-term.

Therefore, the best way to establish a harmonious relationship with our interlocutors is to make us similar to them. The more our behaviors are, the more we can be into harmony with the others.

According to the law of the variety, indispensable in any system, when all the other factors are equal, the element that holds the control is the one that can have a wider range of choices and therefore of behaviors.

To obtain a variety of behaviors and choices, we should basically have two elements: awareness and flexibility.

Awareness allows us to see if what we are communicating is accepted or rejected by our interlocutors, through the analysis of the feed-back.

We must make use of flexibility when what we are doing does not serve our goals and it is revealed by signs of resistance coming from our partners.

We can adapt to people with whom we communicate according to their mood, their speed and the tone of their speech, their views and beliefs: in technical terms is called trace.

People like to be with those who are like themselves, they feel understood and respected and thus they will feel well prepared to understand other's position.

This is a form of nonverbal communication by which we unconsciously build a climate of trust and harmony, difficult to repeat with the tools of the verbal communication because of its greater persuasive force.

A very powerful tool to get in tune with the people is to breathe at their same speed and this system is useful when we want to start a conversation with someone we does not know, and when we do not know how to begin (De la Parra Paz, 2004).

I will now provide a list of simple techniques we need to consider for a good arguing during a negotiation process, always referring to the course I took at school:

- Speaking firmly and briefly
- Exchanging information
- Listening
- Questioning
- Summarizing
- Challenging
- Looking for clues
- Building on other's ideas.

Then, is also important to consider the worst mistakes that can occur during this phase:

- Talking too much
- Interrupting
- Scoring points
- Attacking and blaming
- Debating
- Defending
- Threatening
- Talking floppy

2.4.3. Proposing

This phase is fundamental, as all the others, and is related to the previous ones. If we made a good preparation and were good in our arguing activity, we can now make the right proposals. Of course, this is not immediate and certain. We need to be really careful on the way we make our proposals.

While making proposals, we need to make ourselves some important questions, in order not to make mistakes:

- Am I arguing or proposing?
- Am I linking issues, or separating them?
- How much negotiating room do I have?
- Am I firm on generalities and flexible on specifics?
- Am I using a strong or weak language?

When we make proposals to the other party, is a good strategy to prepare some packs of offers, with some concessions more near to the other's interests and some requests more near to ours.

For doing this we need to well understand our and other party's objectives, conditions, concessions and inhibitions. We need also to be able to make the proposal at the right moment, being also specific. We can't give too many concessions and we don't have to limit our negotiation room. Then, we need to be careful not to give too much too soon and we have to focus on not many strategic variables to use as the key of the negotiation.

2.4.4. Bargaining

This is the last aspect of the negotiation process I am going to describe. The bargaining activity is the most operational one and is very dependent by the personal abilities of the operators. For my point of view and my personal skills, this is the aspect I prefer and is for this reason that I chose to focus my research on this topic.

Why I like to bargain is because it gives a lot of space to the personal abilities of the single operators and thanks to this, the negotiations can take some multiple directions, maybe not even expected during the preparation phase.

There is not a typical way how to bargain, and everyone has his own strategy and style for doing it. Especially after years of experience on this activity, good negotiators build their own strong techniques of bargaining.

I will now give some basic and general principles for a winning bargain process.

The most effective tactic is to build a strong relation on which the parties can meet, eliminating the differences and distances. In fact, the key to the success of negotiations depends on the participation of the parties. We never have to hurry to arrive at a final answer, without being well followed and understood by the others. Then, we should not just express soon our theories but first of all understand what is the point of view of our interlocutor making him the protagonist of negotiation process and author of the solution. Doing this, it will feel more considered and estimated even in the eyes of his colleagues or superiors. Therefore, he will feel more willing to accept the agreement reached thanks to its participation.

Building a good relationship mainly means starting from the interests of the interlocutors, engage them in the negotiation and let them take full responsibility for the results of the negotiation. (Lisnek, '05)

2.5. Different negotiation styles

After having described all the phases of a negotiation process, providing practical observations and advices for conducting a good negotiation, I will now continue with this practical orientation.

Since the country where I am conducting my studies is France, I thought it would be interesting to describe the French style of negotiation.

Then, since I am Italian and since some interviews for this work will be made to Italian professionals, I will also describe the Italian negotiation style.

2.5.1. *France*

“France is a country of coast, mountains and culinary delicacies. The French label is also one of the particularities and therefore it is good to know their habits and behavior. The conversation between the French people is sometimes accompanied also by an expressive gesticulation. A body language is therefore part of the conversation. They also like to ask personal questions which are not considered bad manners, but just an expression of the interest in you. Eye contact is also important because it shows that you take note of the partner. In meetings they use to shake hands, of course the initiative is taken by the socially older man or woman. Between the longer-term partners it is a good manner to accompany the greeting also by kissing on the cheeks. Good manners that the French pride on are very important in business negotiations.

The French are still convinced that the French language, the former language of diplomats, is still compensates English. Therefore, in any conversation try at least to start the conversation with some basic sentences in French. After that, it is of course permitted to ask them cordially if they speak English. If they say yes, you can begin to converse in English, but do not forget to incorporate some words of the French vocabulary. Also in contracts and business correspondence they didn’t adopt the Anglo-Saxon business terminology.

At the beginning of every meeting or negotiation is very welcome a small speech, mostly concerning the French history, art, sports and gastronomy, especially wines. On the other hand it should be avoided any conversation about politics, money and personal affairs.

In negotiations it is tolerated a short delay. The French business partner used mostly the French business cards which can be of the different dimensions and of course they are usually well prepared for the negotiations. The French business partners don‘t like any distraction or change of scheduled topics and they are willing to conclude negotiations if the business partner seems to be unprepared. This, of course, does not mean that you have closed the doors forever. The negotiations can continue another time whenever you will be well prepared, it will be just more difficult obtain the partner‘s confidence. They like stability in their relations with clients and partners. Negotiation process is slow, the strategy is always to let the others talk and ask. Conversation with the French business partners is circumstantial and dynamic, everyone can interrupt others therefore they prefer verbal discussion, words and images rather than figures and facts.

An invitation for lunch or dinner is a part of the trade negotiations. The French invite their guests to a restaurant rather than to their home. Dining consists of several dishes, including of course cheese and wine. A conversation can be leaded as this is considered a sort of reward their shareholders. The French pride on the fact that they have the best cuisine in the world, therefore it is polite to eat everything on the plate. In the informal dinning it is not unusual to clean dish by wiping with a piece of bread. The easiest way how not to commit any faux pas is just to watch the host and follow his dining manners. If you wish to pay the lunch or dinner it is recommended to avoid any waving towards the waiter as it is considered very rude and arrogant and just make a gesture of writing. When invited to a family it is not appropriate to bring wine as in every French family they have already their stock of wine. The gift could be a bottle of Brandy and bouquet of flowers for the hostess." (MACKO Martin, '10)

2.5.2. Italy

"Italy, in addition to its territory and its cultural tradition, is a very particular country also because of the specific social label. Both the image and personal relationship building are very important. Making a good impression is one of the mainstays of the Italian social etiquette. When you visit Italy you will be judged primarily by the appearance. Of course, this also includes how you are passionate, eloquent and compassionate. Therefore, you should care about the dress and adjust your behavior to the local social label. If you respect the family, authority and social hierarchy you prove that you are polite and thoughtful man. The Italians rarely speak foreign languages therefore they give priority to negotiations in the native language. They very welcome any effort to speak Italian so it is recommended to learn at least a few words or phrases in Italian and prepare business cards in Italian language as well. They also very like diminutives and superlative degrees so these can be used almost anywhere without fear. It is normal to shake hand and since the family is very important issue, any commendation of their children would strengthen a friendship.

The Italians are not very punctual, trade negotiations are used to be long, noisy and sprawling. On the other hand, they consider the business partner's look and argumentation style very important. Gesticulation is very expressive among men, those coming from southern Italy are cheerful and having a good mood at any time. While those coming from the northern part of Italy are cordial and elegant with some elements

of aristocratic etiquette and they are always perfectly dressed in business negotiations as they prefer the Italian designers' products. On the other hand, they criticize everything in Italy.

The Italian communication style is well known around the world as this is lively, passionate, courageous, open and always accompanied by an expressive and continuous gesticulation. They look into the eyes when greeting and talking. When a group of people is introduced, the first one to be presented is the most important person, then woman and eventually the others. Food and dining is an essential part of the Italian culture, almost all social activities take place around the dinner table.

Overall negotiations with the Italian business partners are formal and what is essential is a nice behavior. Before launching the negotiation process it is much recommended to have a small speech about the Italian history, art, gastronomy, wines or sports. In conversation with the business partner is better to avoid politics, the World War II and personal affairs. Personal connections and references are very important as the Italian business partners prefer to negotiate and do business with someone already known or recommended. Business negotiations are conducted in familiar and cordial environment as they don't like pressure or excessive formality and they took their time to make a final decision. Therefore negotiation process is long and in many cases the decisions are made upon previous experience." (MACKO Martin, '10)

CHAPTER 3:
RETAILERS AND COMPANIES - THE RELATIONSHIP

3.1. A common story

With reference to the relationship along a distribution channel and, in particular, between distributors and producers, innovation in retailing has had important effects and consequences on the relationship between the two subjects just mentioned. (Musso, '08)

The push on the evolution of the distribution – industry relationship has been stimulated by changes of the distribution sector, rather than the industry one.

In negotiating relationships - both competitive and collaborative - both parties will act in accordance with the distribution of the profitability of the channel; the goal of manufacturers from one side and distributors on the other, is maximizing their margins.

If we consider the changes taking place and those that occurred in recent years on the market, we notice some strong pressure from these changes on the industry – distribution relationship. In particular, important transformations such as concentration and modernization of the retail sector and, again, the stagnation of consumption, have impacts on the industry leading to a loss of bargaining power and to a reduction in margins. However, the impacts recorded on the distribution were an increase of the competition (horizontal and vertical) and, also in this case, a reduction in margins. The

market changes and impacts on both areas (industrial and commercial) have forced manufacturers and distributors to review the strategies to be adopted in their relationship. The antagonistic vertical strategy, in the context of market changes, is a Win - Lose strategy. Thus, producers and distributors have sought a strategy Win - Win achieved through vertical collaboration.

The transition from competition in cooperation allows both subjects to obtain advantages and to win the challenges evolving on the market.

In the current global context, a growing number of pressures from market is forcing retailers to consider new ways of ensuring higher value to their customers than the guaranteed value offered by competitors. The distributors are responding to new market challenges through: the launch of new retail formats, or by reducing costs through sophisticated systems of communication and information to manage their business. The challenges and trends of the market can be identified with industry consolidation distribution, the value as a success factor (providing to the consumers a larger value than the competitor's one, sustainable over time), innovation and finally in cost control. Before working on these new challenges from the market distributors need to understand what the drivers who drive their success are. The drivers of success are in the ability of distributors to be flexible in organizing their offer to respond to market opportunities. So, it is important to have the ability to manage those factors of the distribution offer that mainly influence the perceived value for the consumer. (Riboldazzi, '07)

Grewal, Krishnan, Levy and Munger (2010) identify six key levers for success of distributors: store factors, service factors, merchandise, price, supply chain and technology. (Grewal, Krishnan, Levy, Munger, '10)

The first important factor (store) requires the ability to develop the right combination of format and environmental factors. In fact, consumers look beyond the functional benefits of the physic combination of store to give more importance to the general experience of buying offered by the distributor.

The second factor is the service. Many retailers today do not care too much about the aspect of customer service, to focus more on efforts invested to attract the consumer at the store. Distributors who are able to provide services to consumers differ from their competitors and therefore add value to their general distribution offer. The four authors mentioned above identify in convenience the main driver related to the services for

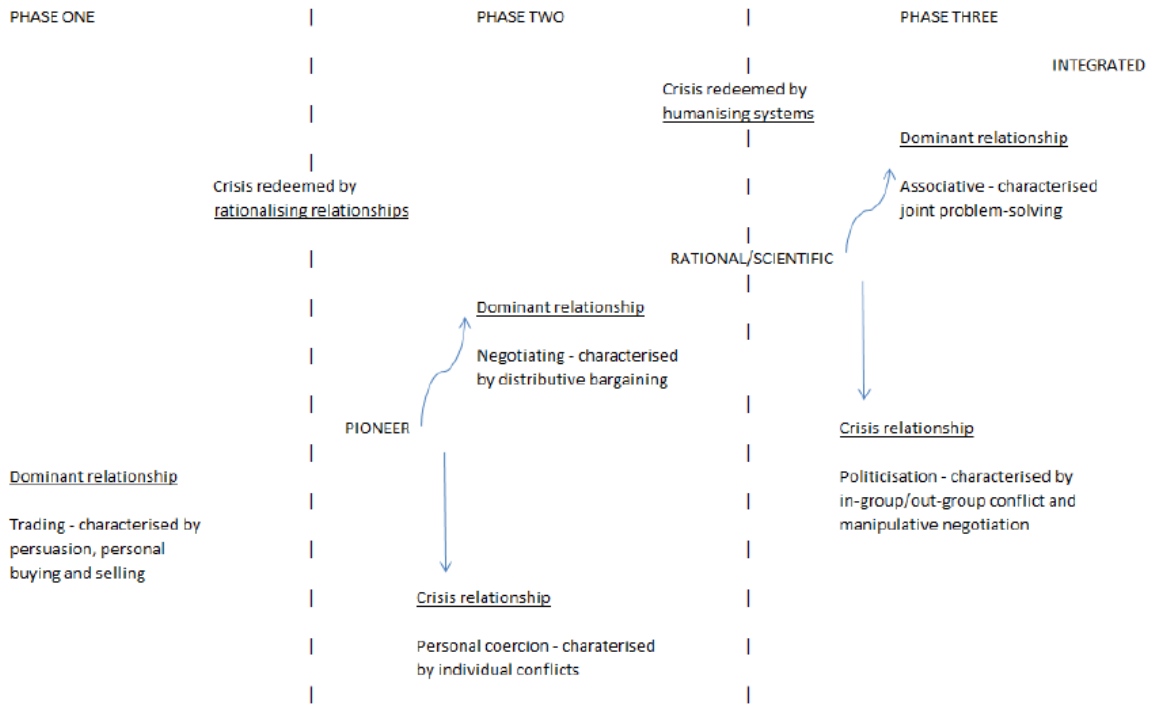
consumers. In particular, they state that the staff at the point sale must be well trained to provide five main sources of convenience: decision convenience, access convenience, transaction convenience, benefits convenience and finally, post-benefit convenience. (Grewal, Krishnan, Levy, Munger, '10)

The third driver is the merchandise, critical management element to the distributors. In fact, two main ways to manage a successful merchandise have been identified: the first is based on

looking for a unique merchandise that continues to attract its target segment of consumers; the other is to try to create a merchandise that meets - more than the product needed by consumers - the decisions of place and time of purchases of consumers. The management of an innovative merchandise can be a challenge as an opportunity for distributors. The fourth lever is the price; an elements of the marketing mix and the only driver of success for distributors that generates monetary returns. By setting the price, lays the ability of distributor to provide a superior value to consumers than its competitors (Competitive Customer Value attached to the lever of the price). The fifth driver of success is identified in the effectiveness and efficiency of supply chain management.

Supply Chain Management is defined as "a set of approaches utilized to efficiently integrate suppliers, manufacturers, warehouses, stores, and transportation intermediaries into a seamless value chain so that merchandise is produced and distributed in the right quantities, to the right locations, and at the right time, in order to minimize system-wide costs, while satisfying the service levels required by its customers ". (Grewal, Krishnan, Levy, Munger, '10)

3.2. Different phases on the industry-distribution relationship evolution



Source: Carlisle J.A., Parker R:C:, Beyond Wiley, Chichester, '89

This scheme has been designed by Carlisle and Parker, with the following steps of the relationship:

- Step 1: the relationship is purely a business relationship, made on transaction, characterized by persuasion and by the activity of buying and selling seen as individual activities; for both producers and distributors the choice of the other actor is simply driven by more favorable trading conditions;
- Step 2: is defined as a negotiation phase in which both sides have a set of objectives related to their position in the market. The distributor and the manufacturer work together to negotiate transactions with the goal to improve their positions of power. This is also called rational / scientific stage, because the information exchanged by these subjects are used as a source of power and for

the producer becomes fundamental to be at the side of the distributor for obtaining strategic information;

- Step 3: is the association phase, characterized by the integration between producer and distributor in the development of cooperative relations. The power, in this case, is used externally for the benefit of both parties and internally to optimize the effectiveness and efficiency of the whole channel. The manufacturer creates with the distributor relationships based on mutual trust and collaboration. (Dawson, Shaw, '90)

3.3. Negotiation power in distributive channels

Different authors such as Dahl, Emerson, El-Ansary, Stern, etc.. have analyzed the notion of power. (Brown, Lush, Muehling, '83) In particular, El-Ansary and Stern help to better understand the concept of power applied to the distribution channels. In fact, in 1972 the two authors specify that "the power of a channel member is his ability to control the decision variables in the marketing strategy of another member in a given channel at a different level of distribution. For this control to qualify as power, it should be different from the influenced member's original level of control over his own marketing strategy ". (El-Ansary, Stern, '72)

One of the general rules relating to the distribution channels that refer to the power, says that the company having the most power within the channel is often induced on using his position as a tool to foster the coordination between the participants. The figure of 'channel captain' is usually identified with the channel member that holds the most power, but at the same time that also has a great interest for a proper functioning of the channel considered as a whole. (Varaldo, '71)

As well as the power, even the conflict had ample space in the literature.

According to Varaldo, the term conflict can be associated to the concept of competition, intended as that activity implemented by each offerer for the achievement of a certain goal, in terms of increasing the participation in a market already served or expansion of a new one. (Varaldo, '71)

Some authors frame the conflict within relationships in distribution channels. In Specifically, Stern and Gorman (1969) before and Rosenberg and Stern (1970) after,

define the conflict “as a situation in which one channel member perceives another member as an adversary engaged in behavior designed to prohibit the perceiver from achieving his or her goals”. (Stern, Gorman, ‘69)Six years later, Stern and El-Ansary (1977) still refer to the conflict specifying that "channel conflict is a situation in which one channel member perceives another channel member to be engaged in behavior that is preventing or impeding him achieving his goals”. (Stern, Gorman, ‘69)
In 1971 Varaldo refers to many definitions of conflict within his book "Potere e conflitti nei canali di distribuzione". (Varaldo, ‘71) Referring to the definition of Pen (1966), Varaldo clarifies that the intensity of conflict increases with the divergence between the economic goals of the subjects. The author also divides conflicts into two main categories:

- *Conflicts in the vertical level* (between industry and distribution): it refers to the invasive phenomenon of the vertical integration. In fact, the conflict is caused principally by the incorporation of new businesses by industry and this is perceived as a sort of expansion of the productive company beyond its typical functions (invasion under the specific activity of the commercial companies). This phenomenon has also characterized the retail companies that tend to assume functions in the field of production;
- *Conflicts in the horizontal plane* (distributors): the conflict arises in this context due to the growing structural heterogeneity on the company dimension level, on the wideness of the assortment and on the kind of services offered. These conflicts are reflected in the industry because the same manufacturers are forced to simultaneously serve customers who belong to different distribution formats and in conflict with each other. (Varaldo, ‘71)

Given the fact that the conflicts in the context of the distribution channels are inevitable, their intensity can be reduced if channel leaders recognize the need for a joint maximization of the objectives of all components of the channel. (Stern, El-Ansary, ‘77)

3.4. *When distributors become producers: private labels*

Private labels are today an increasing trend and a strategic winning weapon that retailers use for different reasons.

I will now explain better what private labels are, starting from their definition, then going further with their development. Thanks to the course of Brand Management I attended at Escp-Europe, given by professor Benoit Heilbrunn, I have the knowledge enough to describe this marketing tool.

The period of crisis we are living certainly makes the consumers more careful in their purchases: branded products are affected, as they have to afford an always increasing presence of private labels. The term private label or trade is used to indicate the products that bear the name of the distribution chain or supermarket which puts them on sale. Carrefour, Leader Price, Auchan are just some examples of the best known brand names.

We call private labels both the flag brands - when the product is associated with the label - and the counter brands – for example brands of fantasy that are not linked to the name of the distributor, but they are sold only in their specific stores - but even the generic brands - store brands with a very good quality/price ratio - and the first price - with a very low cost products, in competition which compete with those of hard discounters.

Selling with a private label can be a decision of the retailer and even of the wholesalers. These, in fact, make their orders to producers who have an excess production capacity compared to their needs and so they can produce and sell at a lower price for the retailers. This, together with the absence of costs of advertising and promotion, makes products affordable. In this way the selling price represents the real value of the product (ingredients, costs for research and development, etc...) and does not depend on other factors (such as by advertising, distribution costs and so on).

But a low cost should not let think about poor quality, far from it. Who puts its brand on the product requires a perfect status of it. To reinforce this, there is the fact that these products often come from the same factories that produce well-known brands on the market.

But why a retailer should decide to launch some products with its name? First of all, the lower costs of these products allow it to achieve a higher profit margin, but this is not the only reason to choose the distributor to sell products under its own brand. The

private label is a marketing tool in the hands of the distributor that can counteract the power of the national producers and to strengthen its image with customers in order to improve the relationship of loyalty with them: in fact, they will try to go to those stores that offer the brand's commercial they prefer.

- First step: *generic*

  In this first phase of private labels, around the 60's, the products sold with the commercial brand were just functional ones and the sales volumes were low. The initial objective of selling this new format of products was to increase the margins by providing lower price products for consumers, during inflationary periods. The technology available to the retailers was simple and far behind the one used by national producers. The quality was perceived as lower and the image inferior than the other brands. The most important component of these first private labels' marketing mix was the price, very low.

- Second step: *almost brands*

  This second step on the development of private labels, during the 80's, was made following to the emerging trend of reducing manufacturers' margins in their entry price. Private labels could also increase their margins by providing a better value product, in terms of quality-price proportion.

  This evolved private labels had a large volume for a strategic one-off product; there was still a lack of technology know-how; the quality perception was still lower than the other manufacturers, but on a higher position than before and the price was still the major criterion for purchase. The main difference from before is that some national manufacturers started to partly specializing in private labels.

- Third step: *umbrella brands of trade*

  In this third step retailers wanted to enhance the number of private labels, with a larger offer and an expansion of the product assortment. For doing this was fundamental to build a strong retailer's image among consumers' mindset. So, in this third step of growth, there were big category products; retailers expended

the number of SKUs; their technology was closer to market leaders' ones and the proportion quality/image was in the other national brands. Then, another fundamental change was the fact that now was not just the price the criterion for purchase, but quality had an important influx too. Finally, now some national producers were mostly specializing in private labels.

- Fourth step: *segmented private labels: shaped brands*

  These new concept of private labels increased a lot the client base and, most of all, they retained them. Then, it enhanced the category margins.

  This fourth and last generation of private labels is present in the stores with a high number of SKU's, but with low volumes. The technology is now innovative and in some cases better than the national producers' one. The proportion between quality/image perception is equal or even higher than the other brands and as a consequence the criterion for the purchase is the better consideration customer have towards private labels. Finally, international producers and not only national ones are now specializing in private labels.

CHAPTER FOUR:
THE INTERVIEWS

4.1. The topic

The concept of this work born three years ago, when I was still studying at the University Ca' Foscari of Venice. The Bachelor I was attending was "Marketing and Management". I chose that course because of the passion I always had for mathematics, communication and relationships with other people. What makes Marketing so attractive to me is its combination of both numerical and more relational skills required, and its wide possibilities to express creativity in a professional environment.

The field of marketing is large, with different components where a huge number of researchers and professionals have focused their activities.

The specific topics of marketing that attract me the most have always been communication, retailing and advertising. The place where I can feel at best the combination of all these elements are the big stores. Is there where you can see and touch advertising, pricing, communication, packaging, CRM, products, brands…All

the marketing tools studied at University, all under the same roof. All the times I enter in a big store I feel like I am in a University laboratory made for all the passionate students as me. But is not like this, is the real world, the so called "field" where a lot of researchers make their studies and experiments.

Of course, talking about the management of a big store, is a complex and professional issue. Many students focused their researches on different aspects of it such as: price promotions, internal communication, CRM, the role of technology, the private labels, data analysis, and so on.

What I decided to focus on are the relations between big retailers and their suppliers that are companies that sell on the channel of the big distribution. In detail, I wanted to analyze the ultimate relationship between them that take place in the negotiation between two main figures: the buyer and the seller. These two figures are the characters of the negotiation, and is their job that is interesting for this research.

While I was attending the course of Negotiation at the ESCP-Europe, I have been even more involved in the activity of negotiation and I confirmed my willing to write my thesis about this topic, which is actually the link between my best knowledge and preferences: marketing and relationships with other people - the greater component of negotiation - .

4.2. Methodology

The subject of negotiation finds large space in the literature, especially in the field of psychology and communication sciences. A lot of authors wrote books and articles about negotiation techniques and best ways to bargain and conduct a good negotiation. From my point of view, these productions are interesting, but a real preparation for a good negotiation is made by training. Is very difficult to improve negotiation skills by just reading books and articles. Negotiation is a pure practical activity, where theory is important, but most of the time is overcame by practical rules, allowed or even forbidden ones. This is for me the most interesting aspect of negotiation: its practicality. Is for this reason that I chose negotiation as the topic of my thesis, and is with as most practical method as possible that I conducted this work.

Talking about the other subject - retailing - I already explained above the reasons why I chose it as the field of the negotiations analyzed.

So, after the first chapters where I explained all the most important parts of the theory about the two main subjects of this work, I conducted the most practical part of it, the interviews.

I interviewed some professionals, buyers and sellers, of some big retailing companies. To find them has not been easy at all, and then, some of them were not allow to give information about their job, even for a didactic aim, as mine was. So, I have not been able to reach the number of interviews I planned, but since the scarcity of this resource, the value of the single interviews is bigger.

The interviews have been made by an online interview and by telephone, both in Italy and France.

The only persons that allowed me to show their identity were Mr. Franco Zanotto, seller of Fidia S.p.A. - Italy - and Miss Désirée Carraro, buyer of Auchan, Milano - Italy - . The other eight professionals were buyers and sellers from French and Italian companies.

This is the scheme of the on line interview I proposed:

4.3. Buyer/seller interview

RETAILERS AND COMPANIES NEGOTIATIONS: BUYERS AND SELLERS RELATIONSHIP

* Required

Function *

- ☐ Buyer
- ☐ Seller

Company

Name

1. Do you usually know the seller/buyer before the negotiations? For what reasons? (previous negotiations, ex colleagues, ex school mates…)

2. If yes, how does the fact that you knew each other influence on the negotiation?

3. If not, how does the fact that you did not know each other influence on the negotiation?

4. How would you define the relationship between the seller/buyer and you? How does it change with different sellers/buyers?

5. What are the main differences between different sellers/buyers?

6. How do the dimensions of the seller's/buyer's company influence the negotiation? Does it create some differences on the sellers'/buyer's approach? In which sense? And in your approach?

7. Is it possible for you to define a typical "seller's approach"? And a buyer's one?

8. What are the "weapons" a buyer and a seller can use for their negotiations? Please explain

9. When do you feel as the winner of a deal? And the loser? Why?

10. What are, in your opinion, the main abilities a buyer must have, and why? And a seller?

11. Did you find these abilities in the sellers/buyers you worked with? And on you?

12. What are your favorite and least favorite aspects of your job?

4.4. *The research question*

It was very easy to find the theory enough to well introduce and describe both of the topics of my research. As I already said, many books and articles have talked about retailing and negotiation. But, what I found really difficult was to find articles about the specific kind of negotiations between buyers and sellers of big retailers groups and their supplier companies. This fact is very interesting. Is well known between professors and professionals that these kinds of negotiations are not clear at all and the operators of these transactions are reticent about their activity. Some says it depends on the corruption that is present sometimes in these kinds of transactions, others say it depends on some other not allowed behaviors between the two actors.

All these not clear aspects would be a very interesting subject to study, but they are not the theme of my research. Anyway, from my point of view they make my work more interesting, because I will provide some clear knowledge on a field with a lack of information.

So, the aspect where I focused the attention of this work is the pure relationship that comes between the two persons, the buyer and the seller, during their activity of negotiation for the transactions between the two companies they represent.

Going more in the specific, with my research I want to confirm, or not, the fact that in this activity, full of technical aspects such as price, SKUs, store location of products, internal communication, revenues, margins and others, the human aspect of the two operators is fundamental for the conclusion of the negotiation.

So, the main research questions I want to answer to are:

1. Do the traits of a good buyer or seller must be more about their relational skills than to their technical ones?

    - Hypothesis: *a buyer or a seller should have more relational skills than a pure technical profile*

2. Does the negotiation between the buyer and the seller work on an informal environment?

    - Hypothesis: *the negotiation takes place informally*

3. Since the dimension of the companies represented and their negotiating power are proportional, how and how much the ability of a buyer and a seller can go beyond this proportion?

    - Hypothesis: *the ability of a buyer and a seller has more influence than the dimension of the company they work for*

4.5. *The study: interviews analysis*

1. Do the traits of a good buyer or seller must be more about their relational skills than to their technical ones?

    - Hypothesis: *a buyer or a seller should have more relational skills than a pure technical profile.*

As I already mentioned in the first chapters, communication skills are fundamental for the activity of negotiation. But, communication is an ability that a lot of people have, not just professional buyers and sellers. There are good communicators in a lot of other jobs too. Just think about lawyers, advertisers, politicians, public relation persons and others. So, what is the difference between these kind of professionals and buyers and sellers?
To answer to this question is not easy, because the components to identify and analyze are a lot and within the same jobs there are different kind of people's profiles.
The main traits of negotiations between big retailers and providers are, as all the negotiations, to reach the best deal for both sides.
But, one main difference here is that there are important differences of interests in the two parties. From one side, the producers want to sell at best their product to the retailer. From the other side, the retailer wants to buy at best.
The expression "at best" refers to different aspects of the deal. There are factors such as product placement within the store layout, number of products per order, possible scale discounts, margins, risk sharing of the product warranty, delays of payment…

What is interesting is the evolution of the negotiating power that little by little during the years big distributors gained. For a producer, to have a big distribution channel is fundamental and is one main key of success. For a big distributor a provider, more or even less influential, is a big value, but is one of the hundreds. This does not mean that retailers underestimate their suppliers, but let say that they have more possibility to put their own conditions while they deal. In most of the cases, in the negotiations with single suppliers retailers have more negotiating power.

This is a short description of the scenario of the specific kind of negotiation I analyzed. Both financial and more marketing aspects. My hypothesis tends to confirm or not that the marketing part of it is more determinant and what buyers and sellers should be better in line with.

One question was if the two operators knew each other before the negotiation.

I made this question to understand if that would be some connection between this and the conduction of the negotiation, as the confirmation or not that a kind of personal reaction can have a certain impact or not. These are some answers to this question:

"*…If you know the seller before the negotiation you can sometime speak more friendly to him…";* then *"…Often a warm start to a conversation will smoothen the negotiation, however if there is no previous relationship, the parties may also be more inclined to find common ground by striking a profitable deal*".

Other interesting answers have been given to the questions about the skills they have and use while they do the activity of negotiate. The answers where quite all on the same direction and here are the most representative ones: "*…the main abilities of the buyer but also the seller is self confidence and calm…*"; "*…The seller needs to be an expert of the service and products he tries to sell, being able to communicate the advantages of his solution to the buyer…*"; "*…Communication is the most important thing in my job…"; "…The most important abilities a seller must have is being able to communicate with people, and being able to recognize the good moment, the good opportunity…*"

Other determinant answers to more generic question are: "*...In order to get close with the buyer it is good to be on a good mood and sometimes funny and enter in a good relationship with the customers…*"; "*…The bad aspect of my job is that sometimes I find buyers who don't give me space and opportunity to talk…*"; "*…As mentioned, having emotional leverage in a negotiation aids towards having more than just numbers to talk about. Owing someone a favor for example, will incite a person to be more lenient in*

negotiations. However this leverage may also play in the other party's favor if not managed correctly…"; "*...I believe personal relationships are very important when it comes to negotiations…*"; "*…Every negotiation is different and depends on the person we are dealing with. There are a large of factors that influence every negotiation…*".

All these answers have a lot in common. What I can state from these words is that, according to all the interviewees, the quality of the relation with the other person is a main factor of the negotiation. No one of them answered talking about some technical aspects of the other person as a first answer, except for the knowledge of the product they are going to deal about. Then, quite all of them stress more than once the specific skill of communication. Is fundamental how to communicate what sellers are selling, but is fundamental too how you generally communicate. The way how you do it influences a lot the main atmosphere of the negotiation and, according to the majority of the professional interviewed, this is the base for a good negotiation.

So from this empirical research, I can strongly confirm that a buyer or a seller should have well developed relational skills. What I am not able to confirm or not is if the rate of importance of the technical knowledge of the buyer or the seller. What I can state from the interviews is that both have to know well the product they are selling or buying.

2. Does the negotiation between the buyer and the seller work on an informal environment?

   - Hypothesis: *the negotiation takes place informally*

From my point of view this second research question is the most interesting because it touches the most undiscovered side of the issue. I already mentioned ahead that there are different rumors about not clear acts within these kinds of transactions. I repeat that is not the goal of this work to go through this issue, but I repeat that, since I interviewed people making this kind of activity, and I made them questions about their negotiating rules, I am feeding the rumors around this mysterious matter. I will just spend some words about it. The only things I noticed were the difficulty on finding buyers or sellers to interview. I had the possibility to reach some consistent contacts from a professor of my school, but once I contacted different professionals they were not available to help

me answering to my questions. Other relevant professionals of a big retail group were not allowed from their external relationships office to give me the information I was asking them. Then, quite all the interviewees that I found available - less than the number I planned to reach - did not allow me to show their professional identity.

All these little episodes I went through allow me to say that it was not easy at all to contact and interview buyers and seller within this specific type of negotiations. I will leave the readers to make their own considerations about this issue.

Going back to the research question I tried to answer, I will now show the answers to the questions about the atmosphere that occurs during the negotiations: "*…If you know the seller you can sometime speak more friendly, but if you don't know the seller it isn't a problem because we are doing our job*"; "*…It is always positive to have a working relationship as you can bargain on a somewhat emotional level but this will not always be the case…*"; "*…Often a warm start to a conversation will smoothen the negotiation, however if there is no previous relationship, the parties may also be more inclined to find common ground by striking a profitable deal…*"; "*…I strongly believe a working relationship must be kept to very professional bases. However the "human element" and a friendly attitude will lead to deeper understanding as the retail business under roes strong market fluctuations…"; …"I believe personal relationships are very important when it comes to negotiations….*".

The most significant expressions I want to stress are: "*you can sometime speak more friendly"; "working relationship as you can bargain on a somewhat emotional level";" warm start to a conversation";"human element" and a friendly attitude" and "personal relationships are very important*".

Is easily understandable how the human component is the core part of the course of the negotiation. There are of course some components that are purely financial and technical, but there was no one of the interviewees that did not stress the importance of the human side, for building a right atmosphere. Then, the expression they used came from a more sentimental domain than a pure economic one. Some of them even talked with words referring to the world of feelings "*to speak friendly*", "to bargain on an emotional level".

So, from the interviews I made, I can state that is in the interest of both buyer and seller to establish a relaxing atmosphere. The way how they reach this depends on their skills

that allow them to let the other person feel like comfortable: sense of humor, good communication style, interest in other's personal status.
So, also if these kinds of negotiations keep their professional nature, they take place in the most easygoing way as possible, with a level of informality that changes depending on the single different relationships between the two negotiators.

3. Since the dimension of the companies and their negotiating power are proportional, how much the ability of a buyer and a seller can go beyond this proportion?

   - Hypothesis: *the ability of a buyer and a seller has more influence than the dimension of the company they work for*

Answering to this question has not been easy. It was difficult in fact to understand how much the ability of the persons play in the negotiations, more or less than the actual negotiating power of the represented companies. The limits I had existed because of the difficulty for the interviewees to talk about their and the others' contribution on the single negotiations. They did not feel to judge too much themselves and others' contribute on the deal. The most significant answers I had to the questions about their and the other party's contribution, beyond the well known negotiating power of the companies themselves, were: "*…The dimensions of the buyer' s company is very different because you can deal better if you treat with a big company…*"; "*…When buyer and seller know each other and they have a relationship of mutual trust and respect the negotiation aims to find to a solution which represents the best for both parts…*"; "*…The main difference between buyers concerns the dimension of the company and the organization they represent…*"; "*…Clearly a larger company will normally have the better foot-hold out of the negotiating parties. It is important in this case for the "underdog" to make a compelling case and offer. It is often the case to have a tailored approach in big retail…*"; "*…A large-scale retailer as ourselves can normally rely on scale and selling-power to ensure high volume sales and therefore negotiate a better purchasing price. Sellers will usually argue a high demand for their product justifying their price…*"; "*…Of course the size of the company matters. However, this does not mean they get any special treatment or changes in the negotiation approach. Again, it all depends in the relationship we have with*

the company…"; "*…Another difference is the mentality of the buyers. If they come from a young and new company they would be more open to innovation and to take risks, while an old organization is usually more diffident to change and it takes more time to decide…*".
After having talked with the interviewees, red their answers and analyzed them, I am not able to make statements about the hypothesis I made about this research question. So, I cannot confirm neither reject it. But, what I can provide is the confirmation that the dimension of the company to whom the buyer or seller belongs has a strong impact on the position that the persons have within the negotiation process. The larger it is, the more negotiating power the buyer or seller has, and the easier will be for him to reach his goal or to impose his conditions.

4.6. Limitations

As I mentioned several times in this thesis, I tried to conduct this research in the most practical approach. Conducting the interviews I created a link between the world of theory and the world of trade. I strongly believe that this is a right way to produce a useful and trustful research. Of course, the theory is fundamental and it is the base to better understand what we want to study. Without it we will be confused and we will not be able to plan a rational job. But, to produce new theory the studies must be - always in my opinion as an almost graduate student - the most linked as possible to the practical world. This was what I did in this research.
Of course there were some limitations, some of them planned and some of them not planned.
First of all, the time. If I would repeat this research starting again from the beginning and I would have more time to spend just on it, I would have the possibility to conduct more interviews and so to be able to leverage the level of confidence of my statements, which in this work are based on ten interviews; quite enough, but they could have been more.
The limitation of the number of interviews is linked to another problem, this time not considered before the conduction of the work: the difficulty on finding the needed information from the professionals I interviewed. So, the limitations are, again, in the number of people and in the lack of information they provided about some particular aspects of their activity I asked about.

4.7. Managerial implications

The work I did is the final research of my master in management. It would be a delusion and really bad if it would not have some practical managerial implications.

I am satisfied about the final conclusions I have been able to state, and I am sure that, also if they are not so innovative, they are a confirmation of something where not too much literary has been written.

The managerial implications of this work involve the category of workers analyzed and other departments within the companies.

For the buyers and sellers category this study gives them the possibility to notice if their profile and their way of working is in line with the winning one of some colleagues that are working in important companies I cannot mention. Then, it gives also the possibility to check if they are conducting their job in line or not with the theory written about their job. Also if the experience helps people to improve their skills and knowledge about the activity they do, is good sometimes to stop and reflect about what is being done and to compare it with the actual theory about the same field of activity. It is a huge source of inspiration for corrections and different ways of conduct its own job.

Then, this research can be useful for the human resources and recruitment department. The contribution of this work is to provide a confirmation about the main skills and attitudes a person should have to be a good buyer or seller. With the hypothesis I was able to confirm is clear that, if a company needs to hire someone for the position of buyer or seller, it has to put a lot of attention on the skills about his emotional, relational and communicational side. If the companies will do this more than consider other aspects such as the school of origin, the pure economic formation, the graduating grade and other aspects belonging from different dimensions, they will have more buyers and sellers in line with what is needed from the job they are asked to do. Sor, better ones.

4.8. Conclusions

The most important aspect I tried to maintain when I conceptualized the structure of this work has been the practicality of the approach used for its conduction. I worked hard to find the most qualified contacts of professionals to interview and I used all the channels I could use to find them. So, I have been able to have a sufficient number of interviewees - ten - but still less than the number I was supposed to reach. Anyway, their quality was high and their contribute to the research determinant.

In addition to the first difficulty of finding the contacts, I had then some limitations about the information I asked them.

All these limitations allowed me to reach some conclusions I did not know I would have reached. As it is known between researchers and professionals, the activity of the negotiations with big retailing groups has some rumors about hidden not official ways of negotiate. The fact that I had difficulties on finding contacts and information within this field is a little contribution that enriches the rumors about this kind of professional activity.

Talking about the conclusions deriving from the hypothesis I made, I have been able to confirm two of them and to give some confirmations about the third research question I made.

These have been the conclusions:

- The quality of the relationship with the other person is the main factor of the success of the negotiations between big retailing groups and their suppliers. Is fundamental how to communicate what the sellers are selling, but is fundamental too how you generally communicate. So, a buyer or a seller should have well developed relational skills.

- It is in the interest of both buyer and seller to establish a relaxing atmosphere. The way how they reach this depends on their skills that allow them to let the other person feel comfortable: sense of humor, good communication style, interest in other's personal status.

  So, also if these kinds of negotiations keep their professional nature, they take place in the most easygoing way as possible, with a level of informality that changes depending on the single different relationships between the two negotiators.

- The dimension of the company to whom the buyer or seller belongs has a strong impact on the position that the persons have within the negotiation process. The larger it is, the more negotiating power the buyer or seller has, and the easier will be for him to reach their goal or to impose their conditions.

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Déclaration sur l'honneur

Je, soussigné(e), Giuseppe Sacchetti certifie sur l'honneur que je n'ai rien plagié dans le travail ci-joint, ce qui signifie que je suis le seul auteur de toutes les phrases dont le texte est composé. Toute phrase ayant un autre auteur que moi a été mise entre guillemets, avec indication explicite de sa source. Je suis conscient(e) qu'en contrevenant à la présente règle je transgresse les principes académiques reconnus et m'expose aux sanctions qui seront prononcées par le conseil de discipline.
J'atteste également que ce travail n'a jamais été présenté dans le cadre d'études antérieures à ESCP Europe.
S'il s'agit d'un travail réalisé dans le cadre d'études effectuées en parallèle, je dois le préciser.

Les propos tenus dans ce mémoire n'engagent que moi-même.

Fait à Paris le 09/05/2012

Affidavit

I the undersigned, Giuseppe Sacchetti, certify on the honor that I have not plagiarized the paper enclosed, which means that I am the only author of all the sentences this text is composed of. Any sentence from a different author than me was written in quotation marks, with explicit indication of its source. I am aware that by contravening to the present rule, I break the recognised academic principles and I expose myself to the sanctions the disciplinary committee will decide on.
I also confirm this work has never been submitted during studies prior to ESCP Europe.
If this work has been written during studies conducted in parallel, I must precise it.

The remarks written in those pages only commit me.

Paris, 09/05/2012