Exercise Case study: pebbles

**Part One**

A Chinese company (company A) has received message from their Japanese customer, saying that a Japanese company (company B) wants to purchase a large amount of pebbles.

Company A soon found the source of goods and obtained three samples of pebbles from Guangzhou, Nanjing and Dalian respectively.

* The pebbles from Guangzhou are black and gray in color, about the size of a human fist, and hard in texture.
* The pebbles provided by Nanjing are pale in color, small as pigeon eggs, large as duck eggs, and hard in texture.
* The pebbles provided by Dalian are grayish-brown, rough in texture and of average hardness.

Samples were sent to the Japanese side. After receiving the sample, company B replied: the sample from Guangzhou is of the best quality, but the size is too large; samples of Dalian are beach cobblestones, which have problems in combination with cement and do not meet the requirements. Nanjing sample are relatively ideal according to their size and hardness.

The Japanese company decided to send people to visit the site and negotiate with company A on the transaction terms such as price.

Question 1: After being informed of this information, what preparations should company A make?

Question 2: How could company A gather information for this transaction?

**Part Two:**

Being informed of the decision from company B, company A made some preparations in information collection and analysis as soon as they sent invitation letter to company B:

* To understand the operation status of company B and the personal information of the negotiators;
* To understand the reason and use of pebbles imported by company B;
* To understand the special regulations on import and export of pebbles in Japan and China;
* To understand the prices of pebbles in the international and domestic markets.

First of all, company A contacted their old customers in Japan about information related to company B. they also hired an international business consulting（商业咨询） and research company to do the investigation.

After analyzing the information, they realized that the Japanese company was a medium-sized trading company engaged in hardware and building materials, with a 12-year history in business, and its office was located in downtown Tokyo. The company was in good operating and debt condition, but had no experience in pebbles importing business.

Company B would send a team of two for the site investigation and negation to China this time. This team would be headed by the deputy general manager of the board of directors, aged 58, who had rich experience in trade and negotiation and enjoyed drinking and singing karaoke. The other was the director of trade department, who is a Japanese-Chinese.

Furthermore, company A learned that company B was eager to find sources of pebbles in order to participate in the bidding of building materials for a domestic nuclear power plant.

In terms of policies and regulations in China and Japan, mainland China had no legal restrictions on the export of freshwater pebbles, but Japan, in order to protect its rivers and ecological environment, had banned the mining and trading of pebbles on domestic beaches. In other words, Japan was almost 100 percent dependent on imports of such natural building materials.

Lastly, the price of the pebbles in the international market varied according to the quality, size, colour and lustre（n.光泽）. Although the price of the stone itself is not high, but the freight（n.运费） is taking quite a proportion（占了相当大的比重） in the pebble price in the quotation（n. 报价）.

Question 3: What should company A do to deal with the information?

**Part 3**

Company A analyzed the information they got and made corresponding negotiation plans.

* Roles of negotiators: Corresponding to positions and roles of the negotiation team from company B, company A appointed a senior vice president of the board to be responsible for the negotiation team. He should be the chief negotiator in each meeting. Another member should be a department manager who was familiar with the situation of Nanjing origin. He should accompany the whole visit and participate in each negotiation, analyze and explain the technical indicators and price structure, and draw up the transaction agreement. He should also try to find out the character, temperament and hobbies of the negotiators from the other side and their detailed intention during the process of close contact with the Japanese personnel. In addition, the President's office specially designated a manager of administration to be responsible for the logistics support of the negotiation, including airport pickup, air ticket booking, visa application, hotel arrangement, venue arrangement, sightseeing, shopping and banquets, etc.
* Negotiation objectives: the highest objective was to achieve a transaction on CIF（Cost Insurance and Freight到岸价） terms at the destination port of Japan; the second objective was to achieve a transaction on FOB （Free on Board 离岸价）Nanjing port of shipment; and the lowest objective was to charge a commission of 5%-10% on the purchase price of pebbles.
* Negotiation agenda: the first informal meeting was arranged in the lunch after the Japanese representatives arrived, mainly to communicate the main points and negotiation schedule, not directly related to the most sensitive price issue; The second formal negotiation was arranged in the conference room of company A's headquarters in the morning or the whole day after the site visit. The main purpose was to negotiate the transaction method and specific terms. The third meeting was scheduled for the next afternoon of the second meeting to allow more time to finalize all the deal details until a deal was signed.
* Negotiation strategy: negotiate with an open mind and keep things straight（直截了当）, avoid entanglement of irrelevance（不受细枝末节纠缠）, control the negotiation time; adjust trading methods according to the future imports volume, keep the bottom line as to ensure a small amount of profits and look for a lasting effective business relationship with the other party.

Question 4: How could you make your negotiation plan for company A, if you were the person responsible?

Please review the whole case and think Question 4 over, then write your answers, of course in English to this place by the end of March, which shall be one of your homework.

Here we have covered all the four chapters of unit 1. This part is the foundation to understand business negotiation. In the next unit, we will work together to learn the most appropriate expressions in different situations by practicing common vocabulary and sentence patterns during the main process of negotiation. Thank you for staying with us! See you next time