

CHAPTER 1

INTRODUCTION

1.1 Introduction

At first introduction chapter discuss and explain about the intention and purposes of researching the bargaining behavior of young Chinese customers in Yogyakarta. The contents of this chapter are introduction, research background, problem formulation, research objective, research scopes, potential academic contribution and thesis structure.

1.2 Background

Indonesia is a country, which is super rich of ethnicities which represent varies cultures, and each region brings different of beliefs, customs, and traditions. It is more than 300 ethnic groups which are Javanese 40.1%, Sundanese 15.5%, Malay 3.7%, Batak 3.6%, Madurese 3%, Betawi 2.9%, Minangkabau 2.7%, Buginese 2.7%, Bantenese 2%, Banjarese 1.7%, Balinese 1.7%, Acehnese 1.4%, Dayak 1.4%, Sasak 1.3%, Chinese 1.2%, other 15% (2010 est.)¹. One of the ethnics is Tiong Hua or Chinese in Indonesian term.

Since from the past China history until now, Chinese people have been famous with their smart business bloods, which determine and identify them expertly in social networking and negotiating as well as *Tiong Hua*. They mostly still generated their ancestor's nature and participated in contributing their culture into society. Their proceedings are mostly through businesses.

¹<https://www.cia.gov/library/publications/the-world-factbook/geos/id.html>

Since today's globalization, business becomes no boundaries. Furthermore, doing transactions, including retailing, transcend national and cultural boundaries, it is important for managers to recognize what kind of customers with different cultures who tend to bargain are, and what their bargaining styles are. Chinese are good in doing business, which need a good communication skill to persuasive and to win the seller or buyer's heart. According to the study, which conducted by Lee, Don Y (2000) who wrote a research paper of *"Retail Bargaining Behavior of American and Chinese Customers"*, proving that Chinese concerned much about the cost-efficiency and has a strong intention to deal with the worth of spending money equally with the value of its product whether it is as a seller or buyers. Bargaining is an exchange activity, which allows the possibility of mutual benefits (Evans and Beltramini, 1987), and is one of the principal influences at work in buying and selling interaction process (Webster, 1981 cited in Neslin and Greenhalgh, 1983).

Both seller and buyer are having different motives in negotiating or dealing with the prices. *"Pay less, get more."* In the eye of customers, they are bargaining to get one product or many products with affordable prices that they are capable to pay, for instance asking for a discount. *"Pay more, get more."* Customers are somehow greedy to shop things to satisfy their pleasure. In some cases, for those who are loyalty to shop usually got a free gift or service as a reward to appreciate them reaching in some number of purchases. In other hand, Sellers are even greedy to maximize their profit. *"Sell more, gain more."* There are a lot of cheap products from China, which spread all around the world trough a mass production to avoid the high cost of product. And, being strong in bargaining price is able to

beat other competitors so that they can keep sustainable or survive in the market. Seller cannot avoid dealing about the prices when the customers leaving to another shop to get the same product but in much cheaper prices.

Not all every shopping place is allowed or available for bargaining, for example marts, and super/mini-market like 7/11, Carrefour, Hypermart, or Wal-Mart. You cannot negotiate to click with the cost of product because the marts are selling based on the fixed price tags. And, bargaining mostly doesn't appear in the international stores, which also sells its original brands, except for its retailers. (GAP, Nike, Apple, etc.) Negotiations are not only prevalent between manufacturers, wholesalers and retailers (Stern et al., 1996, p. 10), but are also common in consumer marketing. For consumer purchases of automobiles, homes, home repairs and improvements, home appliances, and second-hand items, negotiable prices are involved most of the time; fees for professional services are also sometimes negotiable (Maynes, 1976). In Indonesia, bargaining is commonly happening in street shops, traditional markets, shopping center, or malls which retails from several brands.

Tiong Hua in Indonesia is also considered as a good bargainer from its culture. *Lee, Don Y's* past study intended to fill the gap in the literature by examining the bargaining behavior and style of Americans and Chinese people. They used a well-established Western model, the Fishbein behavioral intention model (Fishbein and Ajzen, 1975) to study the relationships between bargaining attitude, intention and action (bargaining style) in a retail setting. As it was proven from one of their hypotheses, that Chinese in the Mainland, and US showed a higher intention of bargaining. Therefore, The author would like to prove whether

Tiong Hua or Chinese in Indonesia also has a strong bargaining culture. The author applied the conceptual framework of the Fishbein behavioral intention model. The researcher also notices that D. I. Yogyakarta has a great opportunity to attract investors and businessmen from outside of the domestic and international. It is occupied by a lot of young people who are gathering and studying here from *Sabang until Merauke* (from east to west parts of Indonesia). Therefore, D. I. Yogyakarta is well known as education city. Thus, the target market in this area is mostly aimed to the young people. Interestingly, young people in Yogyakarta have a pattern or lifestyle that is diverse in terms of shopping. And, *Tiong Hua* youths are quite a lot in the category of student and mostly still generate their ancestor's culture from China and lifestyle that might affect their shopping styles. It can also be one of the new marketing strategies to attract young customers in Yogyakarta.

Bargaining has been cultivating in each regions of Indonesia. On this research, it observed one major problem that could answer whether *Tiong Hua* youths are generating bargaining culture in their blood or not. Throughout the development of technology, communication, and life style, people tends to have more practical and effective shopping in order to not waste their time. As of this rapid development, fix prices and price standardization are gradually implemented in a market. Since nowadays in modern life, people are getting busier with their own life business. In other hand, there are still a lot of traditional markets in Indonesia that still allow for bargaining. Youths in each of generations have different challenges that can establish their mindset and form their behavior. There could be possibilities that *Tiong Hua* youths become more practical and

feel as not prestige if they do bargaining or, they still tend to be economical saving by bargaining. Besides, youths might be still depends and rely on their parent's wealth or independently working part time and also having business in such young age.

1.3 Problem Formulation

Based on the background stated earlier, this study does research on the subject matters of: "Retail Bargaining Behavior of American and Chinese Customers" by (Lee Don, Y, 2000). Problem identification is a clear and precise of the questions or issue that is to be investigated with the goal of finding an answer or solution in this research. From the explanation in the problem identification can be formulated as follows:

1. How strong is the ***bargaining intention*** for *Tiong Hua* young customers?
2. How much do *Tiong Hua* young customers feel social pressure to do bargaining? (***subjective norm***)
3. Are *Tiong Hua* young customers in favor of doing bargaining? (***attitude***)
4. Do *Tiong Hua* young customers feel in control of action when they do bargaining? (***perceived behavioural control***)
5. How competitive are *Tiong Hua* young customers in bargaining? (***bargaining behavior***)

1.4 Research Objectives

Based on the problem formulation mentioned above, the research objectives that will be done as followed:

1. To predict whether *Tiong Hua* young customers intend to do bargaining.
2. To analyze that *Tiong Hua* young customers have bargaining intention so that become behavior.
3. To investigate how competitive is *Tiong Hua* young customers in bargaining.

1.5 Research Scopes

Research scopes were set to conclude the aims of this study. The scopes of this research are:

1. This study replicated a previous study by *Lee, Don Y* (2000) who investigated a research paper of “Retail Bargaining Behavior of American and Chinese Customers” in Mainland China, and United States.
2. Descriptive study is used to explain the bargaining behavior of young *Tiong Hua* customers.
3. This study is held in D. I. Yogyakarta and the subjects of this research are youths and mostly university students.

1.6 Potential Academic Contribution

There are three contributions of the study:

1. Academic Contributions

The study of *Lee, Don Y* (2000) was conducted in Mainland China and United States. The current study took place in D. I. Yogyakarta, Indonesia. Therefore, the present study may provide a comparison of Chinese customers perception of bargaining between the original context (China, US) and the current study 's context (Indonesia). It can be examined whether the same findings are found or extended to the Indonesian context. Furthermore, these two studies (the original work of *Lee, Don Y* (2000) and the current study) will give a comparison of the differences and similarities of perceiving or preferences in action of bargaining.

2. Managerial Contribution

At the managerial level, this research can provide an important insight for retailers or new business comers that can help them to design pricing strategy in doing business negotiation with Chinese customers, including the concerns of demographic background, beliefs, and the culture of bargaining in Indonesia.

1.7 Thesis Structure

This study arranges in a systematic writing, as follows:

Chapter 1 : Introduction

The first chapter states the research proposal of “Retail Bargaining Behavior of American and Chinese Customers”. Background part explains the background of the study; the following part clarifies the contribution of the research, and the purposes of examining this in Indonesia.

Chapter 2 : Literature Review

In this chapter, it explained a theoretical framework before conducting a research. The second chapter tells about the theories, journals, books, and trustworthy sources from the Internet that is being used. The discussion based on study of bargaining behavior using three approach, Bargaining Theory, Cultural Notes on Chinese Negotiating, and TPB (Theory of Planned Behavior). Literature review strengthens the idea of bargaining behavior, which is supported with model, hypotheses and explanation to the variables.

Chapter 3: Research Methodology

The third chapter communicates in more detail about the research method such as data, data collection methods, and tool to explain. This part becomes important because this is the first step of data collection. This chapter consists of: research design, research context, description of population and sample, research procedures, and data analysis technique.

Chapter 4 : Analysis and Findings

The fourth chapter is the main chapter, which connects the data collection to the analysis and research findings. The research findings give the idea to draw conclusions and managerial implications. Result comparison between this study and *Lee, Don Y* (2000) is presented in this chapter too.

Chapter 5 : Conclusion and Managerial Implication

The fifth chapter is the last chapter and it sums the components from the first chapter up to the fourth chapter to conclude the research. The managerial implication will show the benefit and limitations of the research in order to encourage more people to do the future research.