

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter studies earlier research related to the definition, importance and former studies of Chinese bargaining behavior. The information was collected from several sources such as journals, books, and other trustworthy source from the Internet. The Theory of Planned Behavior by Fishbein, term explanation about bargaining and cultural notes on Chinese Negotiating Behavior are related to the previous studies and elaborated to this current study. The Factors that influence the intentions to do bargaining (i.e. attitude, subjective norm, and perceived behavioral control) and the hypothesis would be examined.

2.2 Bargaining

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). 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). However, in many less-developed countries, negotiations or bargaining in retail purchases are even more widely

accepted, and are still prevalent in certain types of retail business (Kaynak, 1988).

2.3 Previous Research

There has been many studies that also observed the bargaining culture of Chinese consumers, whether being compared with another developed country styles of negotiation, related with historical, the type of markets, or retailing business, or competition between Chinese people in Mainland or other countries. The study conducted in various country and use different sampling method. The comparison between those studies will be shown on Table 2.1.

Table 2.1 Study Comparisons

Title	Researcher	Research Location	Respondents	Result
Retail Bargaining Behavior of American and Chinese Customers	Lee, Don Y.(2000)	US, China	100 American, and 100 Chinese Singaporean	<ul style="list-style-type: none"> • All hypotheses directly derived from Fishbein Behavioral Intention Model were strongly supported in testing bargaining behavior. • Attitude and Subjective norms towards bargaining, Chinese is higher or more favorable than American. • Chinese people have a greater bargaining intention than Americans.
To Bargain or Not to Bargain? Determinants of Consumer Intention to Bargain in the	Meng-Kuan Lai and Bayu Aji Aritejo (2009)	Indonesia	226	<ul style="list-style-type: none"> • Consumers' attitude toward bargaining has a strong positive influence on intention to bargain, providing further support to the applicability of TRA

Retail Market				<p>in a bargaining context.</p> <ul style="list-style-type: none"> • Perceived overprice and perceived budget constraint have significant positive effects on both bargaining attitude and intention. • Consumers perceived that sellers offer the price more than it should be; they have a higher tendency to bargain. • Bargaining is considered as a time-consuming activity, and is quite costly for consumers with a limited amount of time.
Negotiating With the Chinese	Michael Miles (2003)	China	Review of Literatures	<ul style="list-style-type: none"> • Contradiction between the positive image and experience of Chinese culture encountered outside of business relationship and that, which presents itself once commercial dealings, are initiated. • The influence of the surrounding sociopolitical and economic environment on all aspects of the negotiation. • As foreigners take the time to come to commit ourselves to building and maintaining the relationships with

				Chinese.
The Bargaining Genre: A Study of Retail Encounters in Traditional Chinese local markets	Winnie W. F. ORR	2007	Interview Survey with Chinese	<ul style="list-style-type: none"> This study aims to characterize the spoken genre found in retail encounters in traditional Chinese local markets in terms of the social actions performed through highly routinized verbal and nonverbal behaviors between shoppers and vendors, and the communicative purpose(s) achieved by such social actions

2.4 Cultural Notes on Chinese Negotiating Culture (James & Cheng, 2008)

Western businesses negotiating with Chinese firms face many challenges, from initiating and smoothing communication to establishing long-lasting relationships and mutual trust, and from bargaining and drafting agreements to securing their implementation. Chinese negotiators can be at once warm hosts and friends and tough bargainers. China has been undergoing rapid political, economic, and social change since the early 20th century. Its cultural heritage, *guo qing* (i.e. “special national circumstances” caused by frequent institutional and political turnovers), and international exposure/exchange are three intertwined and interacting factors that have been the major determinants of Chinese business culture and negotiating style.

First, traditional Chinese philosophies—largely Confucianism, Taoism, and war stratagems— that have governed Chinese society for two thousand years remain the core value system in Chinese business behavior today. They are manifested in such well-known characteristics of Chinese business negotiation as patience (a famous Confucian virtue), an orientation towards harmonious relationships (a fundamental concept of Taoism), and survival instinct (a motivation of war stratagems).

Second, China's contemporary *guo qing* has greatly affected the way business is conducted between Chinese and foreign firms. For instance, one element of China's *guo qing* is lack of economic and social development due to foreign invasions and exploitation in the late 19th and early 20th centuries, and the military and political movements that ensued. Humiliation and trauma disposed the Chinese to deeply distrust foreigners, with the result that today Chinese businesses employ with foreigners hard, win-lose bargaining tactics motivated by nationalistic emotions.

Third, Chinese business has become increasingly integrated into the international business arena long dominated by the West. Chinese negotiators' exposure to increasing opportunities to learn international practices and sharpen their skills through cross-border deals has resulted in growing similarity in the business styles of western businesspeople and young, under-40 Chinese entrepreneurs.

Focus in relationship. The central theme of Confucianism is relationships, in particular, interpersonal relationships. In the eyes of the Chinese people, any

relationship between businesses is ultimately built upon relationships between individuals. As a Swedish businessman once observed:

*Business in China is not about doing business between organizations, but about doing business between people Your successor does not automatically inherit your friends and relationships. As I perceive, Chinese do business with you, not with your company. You can't be blue-eyed and believe that you have made friends through one or two deals. It takes a little more time.*²

2.5 The Theory of Planned Behavior

The Theory of Planned Behavior (TPB; Ajzen, 1991) is an extension theory of Reasoned Action (TRA) model, which is proposes a model about how human action is guided. The difference between TRA and TPB that is the perceived behavioral control (i.e., the determinant of behavioral intention) has been added to the TPB, as well as control beliefs, which influence the perceived behavioral control (Chang, 1998, p1826). It predicts the occurrence of a specific behavior provided that the behavior is intentional. The model is depicted in **Figure 1** represents the three variables, which the theory suggests will predict the intention to perform a behavior. Intentions are the precursors of behavior.

²Fang, *Chinese Business Negotiation Style*, p. 235.

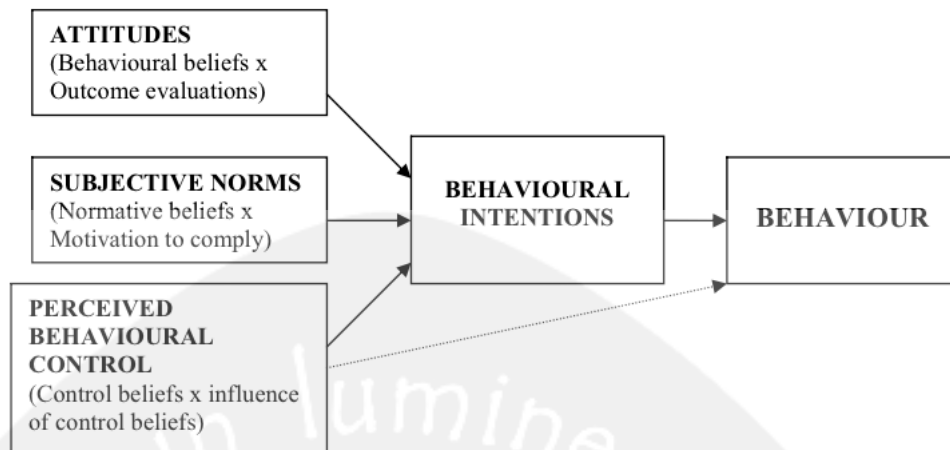


Figure 1. The Theory of Planned Behaviour (Ajzen, 1991)

The Fishbein behavioural intention model (also referred to as a model of reasoned action) (Fishbein and Ajzen, 1975; Ajzen and Fishbein, 1980) postulates a set of relations between attitudes, subjective norm, intentions and behavior. An attitude is a learned predisposition to behave in a consistently favorable or unfavorable way with respect to a given action (or object). Therefore, the attitude towards an action is the overall favorable or unfavorable feeling towards the action, or the amount of affect for performing the action (Fishbein, 1980, pp. 1-3). In fact, in attitude literature, attitude and affect are typically treated as synonymous (Cohen and Areni, 1991; Lutz, 1991). Generally speaking, the more favorable a person's attitude towards an action, the more likely the person will intend to perform the action. This intention, however, is also influenced by a person's subjective norm in performing the action; that is, his subjective judgment that people who are important to him think he should or should not engage in the action. The stronger the intention, the more likely the person will be to perform the action (behavior) in question.

The conceptual framework of the Fishbein behavioral intention model and

the theory itself have been applied in many different settings (e.g. various products and actions), and have been shown to be robust even under conditions which are different from those the authors initially proposed for the model (refer to Sheppard et al., 1980 for a detailed review). Nonetheless, the Fishbein model has also been challenged over its treatment of the independence (isolation) between attitudes and subjective norm (e.g. Miniard and Cohen, 1981; Oliver and Bearden, 1985; Ryan, 1982). It has received support not only when tested in Western countries (mainly the USA), but also in Confucian cultures (Lee and Green, 1991). Fishbein and Ajzen have long asserted that their model can be used to understand and predict most human behavior.

Behavior is one of the major components of the TPB (Ajzen, 2002). Behavior is an individual's observable response in a given situation with respect to a given target. Ajzen said behavior is a function of compatible intentions and perceptions of behavioral control in that perceived behavioral control is expected to moderate the effect of intention on behavior, such that a favorable intention produces the behavior only when perceived behavioral control is strong. In the following, we will use their framework to develop our hypotheses for bargaining behavior.

2.6 Hypothesis Development

All constructs in Fishbein and Ajzen's (1975) framework are parallel with those in this study within the specific context of retail bargaining. Bargaining is mainly a negotiation between retailer and customer, the customer bargaining for a

discount on the price that the seller offers, or for a free gift/service at the offered price.

Since the present research is a modified replication of Lee, Don Y's study (2000), the following hypotheses was adapted from the original study. Based on the previous review of variables influencing bargaining behavior, a model of Bargaining Behavior of YCC (Young Chinese Customers) was developed. The Figure 2.2 has shown three factors (subjective norms, attitudes, and perceived behavioral control) that hypothesized to influence YCC's behavioral intention. YCC's behavioral intention hypothesized to influence YCC's bargaining behavior. And, Perceived Behavioral Control directly positively hypothesized to influence YCC's bargaining behavior.

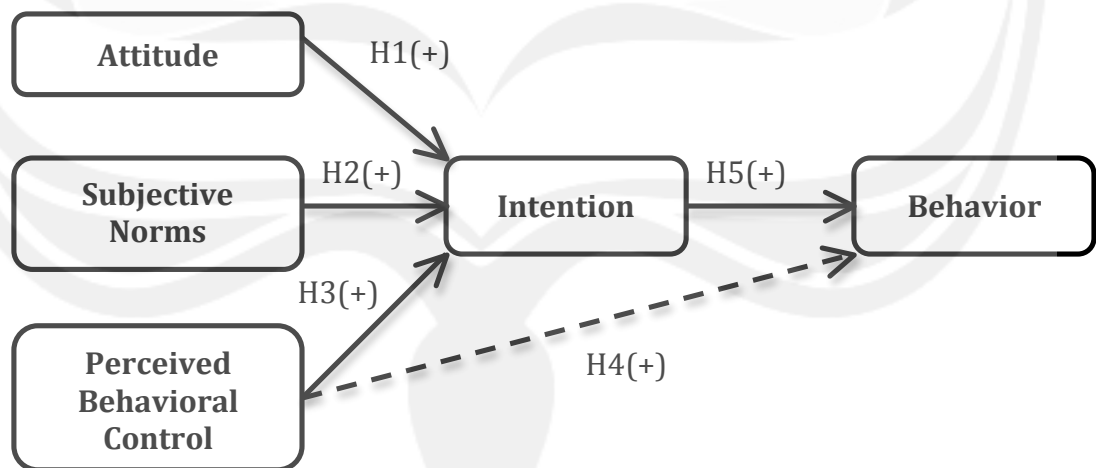


Figure 2. 1 Research Framework

Source : Ajzen (1991)

2.6.1 Attitude

Attitude or affect is a customer's feelings or emotions about bargaining actions, either favorable or unfavorable. For instance, some customers feel excited when bargaining while others feel bored; some like to bargain and some hate it (Lee Don, Y, 2000). Thus, Attitude toward the behavior is a person's overall evaluation of the behavior. It is assumed to have two components which work together: beliefs about consequences of the behavior (behavioral beliefs; e.g. 'referring Tiong Hua youths still generates the bargaining cultures in future') and the corresponding positive or negative judgments about each these features of the behavior (outcome evaluations; e.g. 'still like bargaining.... desirable/undesirable'). Hence, the first hypothesis, H_1 helps to determine the relationship between attitude and bargaining intention.

H₁: Young Chinese Customers' attitudes will effect positively to bargaining intention.

2.6.2 Subjective Norms

Subjective norm is a customer's judgment of what relevant others would think about his engagement in bargaining, or whether bargaining is an acceptable practice in their society. The intention to engage in bargaining is a state of readiness for the customer to start bargaining when shopping (Lee Don, Y, 2000). Subjective norms are a person's own estimate of the social pressure to perform or not perform the target behavior. Subjective norms are assumed to have two components which work in interaction: beliefs about how other people, who may be in some way important to the person, would like them to behave (normative

beliefs). The, the second hypothesis is the relationship between subjective norms and bargaining intention.

H₂: Young Chinese Customers' subjective norm will affect positively to bargaining intention.

2.6.3 Perceived Behavioral Control

Perceived behavioral control is an individual's perceived ease or difficulty of performing the particular behavior. It is assumed that perceived behavioral control is determined by the total set of accessible control beliefs. However, Control beliefs are an individual's beliefs about the presence of factors that may facilitate or impede performance of the behavior (Ajzen, I., 1991). The concept of perceived behavioral control is conceptually related to self-efficacy. Perceived behavioral control is the extent to which a person feels able to enact the behavior. It has two aspects: how much a person has control over the behavior (e.g. I would bargain if the price is quite expensive); and how confident a person feels about being able to perform or not perform the behavior (e.g. I am a good bargainer). It is determined by control beliefs about the power of both situational and internal factors to inhibit or facilitate the performing of the behavior (e.g. 'Whether I bargain or not is entirely up to me'; 'I could bargain if I wanted to'). Therefore, it comes two hypotheses, first is the relationship between perceived behavioral controls with bargaining intention, and second is perceived behavioral control is directly influence to bargaining behavior without influenced by attitudes and subjective norms.

H₃: *Young Chinese Customers' perceived behavioral controls will affect positively to bargaining intention.*

H₄: *Young Chinese Customers' perceived behavioral control will affect positively to bargaining behavior.*

2.6.4 Bargaining Intention

Behavioral Intention is an indication of an individual's readiness to perform a given behavior (Ajzen, 2002). It is assumed to be an immediate antecedent of behavior. Although there is not a perfect relationship between behavioral intention and actual behavior, intention can be used as a proximal measure of behavior. This observation was one of the most important contributions of the TPB model in comparison with previous models of the attitude-behavior relationship. Thus, the variables in this model can be used to determine the effectiveness of implementation interventions even if there is not a readily available measure of actual behavior.

H₅: *Young Chinese Customers' bargaining intention will affect positively to bargaining behavior.*