

The 2<sup>nd</sup> "ZYZH Cup" International Business Negotiation Competition  
for National College Student--

**Negotiation between Zhejiang Jiaxin Silk Corp. and Bennett Silks**

Party A: Zhejiang Jiaxin Silk Corporation, Ltd. (hereafter referred to as Jiaxin Silk)

Party B: Bennett Silks

**I. Introduction of the Negotiation Parties**

**Party A:** Jiaxin Silk is a leading silk company in China located in Jiaxing City, Zhejiang Province. Benefiting from the abundant silk material, Jiaxin Silk produces a lot of silk fabrics in vast varieties and good quality. It has a complete vertical silk production chain from silkworm cocoons to garments in Jiaxin Silk Industrial Park. In 2010, Jiaxin Silk became the first A-share listed silk company in China, and it is also the first Chinese silk company to attend Premiere Vision Paris Exhibition. With a strong fabric R&D team, Jiaxin Silk has a close corporation with the world's leading textile companies, using the most updated technology on its new products, among which functional and classic silk fabrics are the most popular. <sup>1</sup>

**Party B:** With over 100 years of experience Bennett Silks is the UK's leading wholesaler of silk fabrics. The company was founded in 1904 by William Henry Bennett in Manchester, the heart of Britain's Textile Industry. Having started as an agent for many types of fabrics, primarily for the clothing industry, the company rapidly expanded and decided to deal only in top-quality fabrics, of which silk was the obvious choice. Thus William Henry Bennett

\*The case is adapted by Zhongyuzhihui according to relevant case backgrounds, however, it has nothing to do with the actual business operation of the involved companies. The case is to be used for The 2nd "ZYZH Cup" International Business Negotiation Competition for National College Student as authorized, without consent of the author, no organization or individual shall be allowed to use arbitrarily.

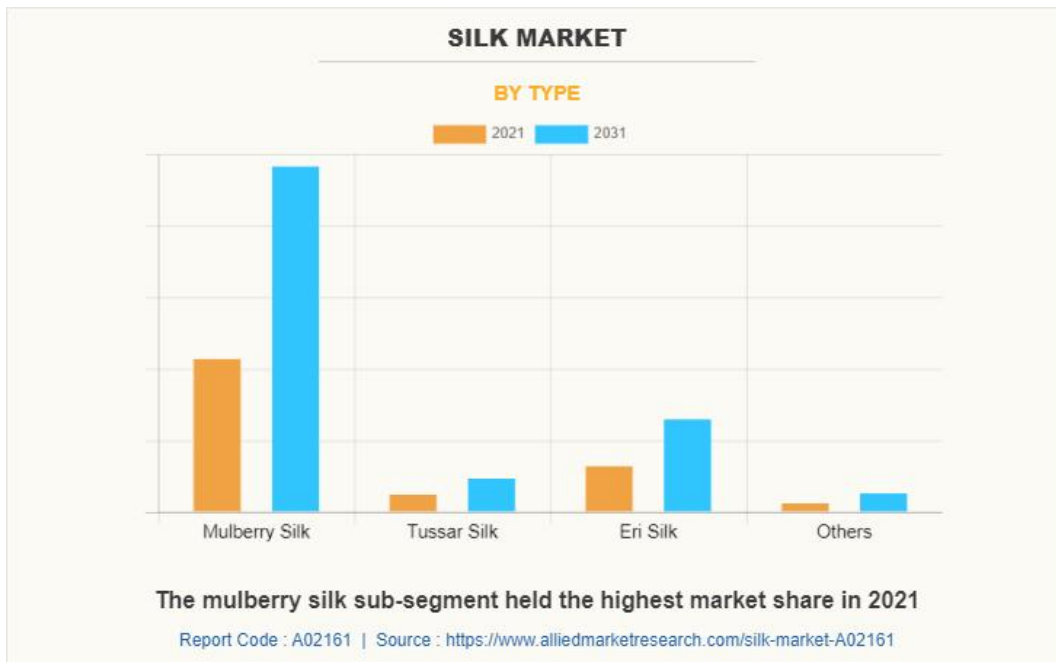
\*Jiaxin Silk and Bennett Silks are two existing companies, the product prices stated therein are adjusted as the case may need and shall only be used for The 2nd "ZYZH Cup" International Business Negotiation Competition for National College Student.

became one of the twentieth century's first Englishman to establish trade links with the Chinese Silk Fabrics Industry, links which are still strong today.

The loyal and dedicated staff work very much as a team with the Bennett Family, to produce a closely-knit company that is keen and able to take advantage of market changes, whilst still offering a very personal and efficient service to customers. Having secured its UK customer base, Bennett Silks is now expanding worldwide, supplying leading fashion, interior, contract, and retail clients around the world, including Europe, Australia, Canada, Egypt, Japan, and the United States. All of its collections are backed up by large stocks held in the Stockport warehouse together with a quick and efficient stock-cutting service. It also offers a bespoke dyeing and printing service where they can dye or print exclusive colors or designs.<sup>2</sup>

## **II. Background**

The silk industry was negatively impacted by the COVID-19 pandemic owing to fluctuating raw material prices of silk, a crash in cocoon production, non-availability of skilled workers. However, the global silk market was valued at \$15.6 billion in 2021 and is projected to reach \$34.1 billion by 2031, growing at a CAGR of 8.2% from 2022 to 2031. Silk is one of the luxurious fabrics and shimmering textiles that is gaining huge popularity across the world.



By type, the market is sub-segmented into mulberry silk, tussar silk, eri silk, and others. The mulberry silk sub-segment is estimated to show the fastest growth during the analysis timeframe. This is because mulberry silk is one of the highest quality silks as the silkworms are nurtured in a way that creates the mulberry silk nourishing to humans. This is one of the softest natural silk that nourishes your skin. Mulberry silk has antibacterial and hypoallergenic properties and can treat skin conditions like atopic dermatitis.<sup>3</sup> Owing to such unique features, there is a huge demand for mulberry silk, in the global market.

### III. Negotiation Process

Bennett Silks is looking for more long-term suppliers in Asia, including China, India, and Vietnam. On April 18th, 2023, the Sales Manager of Jiaxin Silk met a Bennett Silks representative at the Global Sourcing Exhibition. Bennett Silks got several samples of pure silk fabrics of Jiaxin Silk and inquired about the prices. The quotations are as follows:

Product	Qty (M2)	Price (US\$)	Width	Weight	Services
100% Silk Satin	20,000	\$10.8/M2, FOB Shanghai	140CM	16M/M	Full customization & One-stop procurement
100% Silk Crepe De Chine	20,000	\$9.2/M2, FOB Shanghai	140CM	16M/M	

(Note: one momme equals about 4.3056 grams per square meter; a weight of 16M/M sized 1M2 weighs about  $16 \times 1 \times 4.3056 \approx 68.89$  grams.)

However, Bennett Silks replied that they need a bigger discount as they are ordering a larger quantity for many other types of silk fabrics in the future if the products turn out to be popular in the market. Bennett Silks is also negotiating with suppliers from India, where the national-level minimum wage is around US \$2.16 per day in Oct. 2022.

Compared with other suppliers' products of this quality, the price Jiaxin Silk quoted is relatively lower than its competitors, with a low-profit margin. An order of more than 60,000 meters can enjoy at most 6% off of the above-quoted prices. Jiaxin Silk's monthly supply ability is 100,000 meters for each of the silk fabrics mentioned above.

Although Bennett Silks has a very large stock of different fabric types and colors, they are adopting Vendor Managed Inventory (VMI) to cut costs, increase overall profits and meet customer needs promptly. Bennett Silks would prefer a lower price as the UK Global Tariff for the above product is 6%. The bottom line for Bennett Silks is not committed to a fixed schedule for deliveries. They'll only make orders once their stock level is low enough. As Bennett Silks is expanding, its future needs are estimated to be as large as 60,000 meters per month, with a total yearly value of beyond 7.2 million dollars.

For Jiaxin, the lowest price is only available for long-term partners on the condition that the delivery schedule is fixed. VMI creates extra costs for Jiaxin as they need to know exactly when and how big an order will be. As the quantity involved in the negotiation can be potentially large, which will mitigate Jiaxin's cash flow problems, Jiaxin Silk invites Bennett

Silks to China for further discussions in Shaoxing, Zhejiang on May 23rd, 2023, where Bennett may also form partnerships with potential competitors such as Zhejiang Cathaya International.

#### **IV. Negotiation Goal**

The two parties should aim to reach an agreement with strategic negotiations and try to discuss all (but not limited to) the following items:

- a. product/quantity/price
- b. delivery schedule
- c. payment terms
- d. shipment
- e. packing (Jiaxin Silk normally packs in plastic bags by rolls.)
- f. terms of long-term cooperation

#### **V. Requirements for the Negotiation**

##### **1. Build an effective negotiation team (personnel arrangement and staffing)**

As needed by the case, build a four-member negotiation team for either Party A or Party B in the case and assume relevant responsibilities.

##### **2. Write an English business negotiation plan**

All participants should read the above case carefully, search online for relevant information and write an English business negotiation plan (see Appendix II for the outline).

There is no word limit for the negotiation plan while brevity is preferred. All English abbreviations and acronyms used should be understood by both parties.

Information about the participants' current college is not allowed to appear in any part of the negotiation plan, including the cover and content table;

The plan should be independently created by each participating team. Should there be any plagiarism, once reported and verified, the participating team shall be expelled from the competition without award-winning eligibility.

### **3. Format the negotiation plan (see Appendix II)**

- a. For the cover page, please use the given template in Appendix II. The page number must correspond to the table of contents, and always required to type in a computer;
- b. Title and subheadings are centered above the text, in Times New Roman 12-point font;
- c. The text is in Times New Roman 12-point font, left-aligned, with the first sentence of each paragraph indented by 0.5 inches;
- d. 2.5-cm or 1-inch margins on all sides, double spacing;
- e. In terms of materials and references cited, please refer to the Harvard sample (see Appendix III: Harvard Referencing).

### **4. Submit the negotiation plan and explanation video**

Submit the following items to [huangwa@zyamoy.com](mailto:huangwa@zyamoy.com) before **Oct. 10, 2023**:

- a. a negotiation plan in **PDF** format.
- b. a **three-minute** explanation video in **MP4 (landscape mode)** format of less than **350 MB**, in which the team should elaborate on your negotiation plan.

The file shall be named: **Group+Party** while the email written with a subject as **Group+College Name+Team Name**. (Group refers to undergraduate group/higher vocational college group, and Party refers to Party A/Party B).

## **VI. References**

1. Zhejiang Jiaxin Silk Corp., Ltd. n.d., *JIAXIN SILK*, viewed 01 June 2023, < <https://www.chinesesilk.com> >.

2. Bennett Silks n.d., *About Us*, viewed 25 May 2023, < <https://www.bennett-silks.co.uk/about-us> >.
3. Allied Market Research 2023, *Silk Market by Type (Mulberry Silk, Tussar Silk, Eri Silk, Others), by End User (Textile, Cosmetics, and Medical): Global Opportunity Analysis and Industry Forecast, 2021-2031*, viewed 06 July 2023, < <https://www.alliedmarketresearch.com/silk-market> >.

## Appendix I

### Rating Scale for The 2<sup>nd</sup> "ZYZH Cup"

#### International Business Negotiation Competition for National College Student (Semi-Final)

Judge: \_\_\_\_\_ Team No.: \_\_\_\_\_ Total Score: \_\_\_\_\_ [Full Score:100]

Item		Details	Full Score	Score
<b>1 Negotiation Plan</b>	Preliminary investigation and team building (15%)	Negotiation background and subject	15	
		Roles and responsibilities		
	Analysis of both parties (15%)	SWOT analysis of both parties	15	
		Competitor analysis		
	Negotiation goals (20%)	Negotiation goals of both parties	20	
		Negotiation BATNA of both parties		
Expected negotiation processing and strategies (20%)	Opening/bargaining/closing strategies	20		
Emergency plans, arbitration, language, etc. (10%)	Emergency plans, arbitration, etc.	10		
	Completeness of the negotiation plan and language use			
<b>2 Explanation Video</b>	Explanation video within 3 minutes (20%)	Accuracy of language use /teamwork/manners/timing	20	
Total Score			100	



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The Negotiation Plan Between XX and XX

Party: Party A/Party B

Team Name: \_\_\_\_\_

## **Business Negotiation Plan Outline (For Reference Only)**

### **I. Background**

- 1.1 Introduction of the negotiation background;
- 1.2 Analysis of the environment of negotiation.

### **II. Negotiators, Roles & Responsibilities**

- 2.1 Team members (negotiation participants);
- 2.2 Responsibilities and obligations (specific work affairs assumed by each member).

### **III. Investigation and Survey**

- 3.1 Market investigation and survey for the negotiation subject (the negotiation subject herein are silk fabrics);
- 3.2 Analysis of background, advantages & disadvantages, and status of the negotiation parties;
- 3.3 Competitor analysis

### **IV. Analysis of Negotiation Subject**

- 4.1 Analysis of goals, and interests of both parties and sorting out the priorities;
- 4.2 Each party's BATNA (Best Alternative to Negotiated Agreement).

### **V. Negotiation Procedures and Strategies**

- 5.1 The negotiation opening stage;

## 5.2 The bargaining stage

It is necessary to state the deadlock encountered by both parties as well as possible reasons for the breakdown of the negotiation and handling strategies therefor;

## 5.3 Address the possible scenarios of the closing stage:

Negotiation success: summarize the negotiation results achieved, determine the terms of payment, terms, and date of delivery, package and transportation, insurance, the responsible party for customs formalities, customs duty payer, drafting and signing method for subsequent contract, etc.

Negotiation suspension or breakdown: summarize the divergences of both parties, express thanks politely, agree upon the date and time for the following negotiation, close the negotiation, etc.

## **VI. Emergency Plans for the Negotiation (Brief Introduction)**

For example, accidents, risk prediction, countermeasures, arbitration matters, etc.

## **VII. Appendices**

Other documents and materials necessary for the negotiation include xxx.