



# STRATEGIC IMPACT OF SUPPLIER NEGOTIATIONS ON COST-TO-SALES RATIO AND TRADING TERMS

Manny A. Obaob

Cebu Technological University

## ABSTRACT

This study examined the strategic impact of supplier negotiations on the cost-to-sales ratio (CTSR) and Trading Term Agreements (TTAs) of a retail supermarket chain base in Cebu. The study employed a descriptive–correlational research design, utilizing a validated survey instrument administered to 50 respondents involved in procurement, operations, and supplier coordination. Descriptive statistics and Pearson’s  $r$  correlation were used to analyze negotiation practices, CTSR performance, and TTA quality. Findings revealed that negotiation indicators were rated “Very High,” demonstrating strong execution of pricing, logistics coordination, relationship management, and contract oversight. CTSR was also assessed as “Very High,” reflecting efficient cost structures and financial performance. TTAs indicated strong delivery management and contractual obligations, although financial and credit terms showed room for improvement. Correlation results indicated strong to very strong positive relationships between negotiation strategies and CTSR ( $r = .81$ ), and between CTSR and TTAs ( $r = .77$ ), confirming that effective negotiations significantly enhance financial efficiency and support favorable trading terms. The study concludes that structured, data-driven, and relational negotiation practices directly improve procurement performance and contractual outcomes. In response, a Supplier Negotiation Improvement Plan (SNIP) was developed, offering a strategic framework for standardizing negotiation processes, strengthening supplier collaboration, enhancing contract compliance, and supporting financial optimization. The study contributes meaningful insights to retail procurement practice and provides actionable strategies for improving negotiation effectiveness within mid-sized retail environments.

**KEYWORDS:** Supplier Negotiations; Cost-to-Sales Ratio (CTSR); Trading Term Agreements (TTA); Pricing and Financial Terms; Logistics and Operations; Relationship Management; Contract Management; Supplier Negotiation Improvement Plan (SNIP)

## INTRODUCTION

In today’s increasingly competitive and cost-conscious retail industry, supplier negotiations have evolved from simple price discussions into strategic processes that shape financial performance, supply chain stability, and long-term business partnerships. For mid-sized retailers, effective negotiation is a critical capability for controlling procurement costs and improving the cost-to-sales ratio (CTS R), a key measure of operational efficiency and profitability.

Scholarly literature highlights how data-driven and collaborative approaches to negotiation can enhance business outcomes. By leveraging analytics and supplier collaboration, firms can optimize procurement dimensions such as cost structures, payment terms, delivery schedules, and return arrangements. Fernández-Mesa et al. (2022) emphasize that supplier collaboration combined with strategic negotiation improves profitability and agility, while Lee and Lin (2021) argue that analytical tools provide retailers with valuable insights into supplier behavior, enabling terms that balance cost efficiency with supply reliability.

Despite these developments, most existing studies have focused on multinational corporations or manufacturing firms, leaving mid-sized retailers in developing countries underexplored. Philippine retailers such as Gaisano Capital face unique challenges, including limited bargaining power, resource constraints, and complex supplier networks. As Raza et al. (2023) point out, while supplier relationship dynamics have been studied qualitatively, there is limited quantitative evidence on how specific negotiation strategies—such as discount arrangements, contract renegotiations, or delivery flexibility—impact measurable financial outcomes like CTS R or contractual terms.

This study is conducted to address that gap by examining how supplier negotiations influence the financial and contractual performance of a Philippine mid-sized retail supermarket such as Gaisano Metro in Cebu. Specifically, it analyzes how negotiation practices affect the cost-to-sales ratio, trading term agreements (TTAs), and other



measurable contractual outcomes. By doing so, the study not only tests theoretical insights in a practical retail context but also evaluates which strategies—whether in pricing, delivery, or payment terms—yield the greatest improvements in financial performance.

Furthermore, by examining supplier negotiation strategies and their impact on financial and contractual outcomes, this study aims to design a Supplier Negotiation Improvement Plan (SNIP)—a structured, data-driven framework that mid-sized retailers can adopt to optimize their negotiation practices. By contextualizing this framework in a Philippine setting, the study not only contributes to scholarly discourse but also provides actionable solutions for practitioners seeking to improve supplier partnerships, cost efficiency, and financial sustainability.

#### Review of Related Literature

A solid theoretical foundation is essential in examining the role of supplier negotiations in retail supermarkets. This section is divided into two parts: the legal bases, which provide the legal and policy framework that guide contractual practices and negotiation processes, and the theories, which explain the dynamics of negotiation, supplier relationships, and financial outcomes.

Specifically, the legal framework is anchored on Republic Act No. 7394 or the Consumer Act of the Philippines, the Civil Code of the Philippines (Book IV on Obligations and Contracts), the ASEAN Agreement on Electronic Commerce, and relevant Department of Trade and Industry (DTI) guidelines. Complementing these are the theoretical lenses of Game Theory, Transaction Cost Economics (TCE), and Resource Dependence Theory (RDT), which together explain how negotiation strategies influence cost-to-sales ratio (CTSR) and Trading Term Agreements (TTAs). These combined perspectives ultimately inform the development of the proposed Supplier Negotiation Improvement Plan (SNIP).

### LEGAL AND POLICY FRAMEWORK

The legal environment plays a crucial role in shaping how businesses design and implement supplier negotiations. In the Philippine private retail sector, certain laws and regulations ensure that contracts are legally binding, ethically sound, and consumer-oriented, thereby guiding retailers in structuring trading terms that minimize risks and protect both parties. This study is grounded by the following legal bases:

#### Republic Act No. 7394 – The Consumer Act of the Philippines (1992)

RA 7394, or the Consumer Act of the Philippines, serves as the legal foundation for protecting consumers against deceptive, unfair, and unconscionable sales practices (Republic of the Philippines, 1992). In the supplier-retailer dynamic, this law indirectly guides negotiation clauses related to warranties, returns, and quality control. Retailers are legally and ethically obligated to ensure that their suppliers provide compliant, safe, and properly labeled products—thus influencing how they negotiate trading terms like return policies, penalty clauses, and inventory handling (De Guzman & Araneta, 2020).

The Consumer Act reinforces provisions for transparency, ethical pricing, and dispute resolution, elements that shape contract design and negotiation content. For instance, when negotiating delivery terms or exclusivity clauses, retailers must ensure suppliers can fulfill product safety and legal labeling obligations under this law (Lopez, 2019). Non-compliance may expose retailers to consumer lawsuits or regulatory penalties, making it imperative to integrate legal safeguards into negotiated supplier agreements.

In a strategic sense, this act aligns with the Resource Dependence Theory—encouraging businesses to reduce risk by selectively partnering with legally compliant suppliers. It also strengthens bargaining leverage: retailers can demand better trading terms from suppliers who fall short of regulatory expectations or reputational performance (Santos, 2020).

#### Code of the Philippines – Book IV (Obligations and Contracts)

The Civil Code of the Philippines (Republic of the Philippines, 1949), particularly Book IV, defines the legal structure of all binding agreements and is directly applicable to supplier contracts. The principle of "autonomy of contract" grants both parties the freedom to stipulate terms that are not contrary to law, morals, or public policy (Article 1306). This legal provision empowers retailers to craft negotiation strategies that encompass flexible delivery, performance-



based discounts, or volume incentives, provided these terms are mutually agreed upon and legally sound (Castillo, 2018).

Further, the Civil Code outlines remedies in case of contract breach—including rescission, damages, or specific performance (Articles 1191–1192). These clauses must be negotiated clearly in supplier contracts to avoid ambiguity. Failure to include such stipulations during negotiation can increase transaction costs and litigation risk—core concerns in Transaction Cost Economics (Alonzo, 2020).

Strategic negotiation also requires mastery of the principles of contract interpretation found in Articles 1370–1379. Misinterpretation or poor drafting can lead to costly disputes, stock delays, or legal liabilities. Therefore, legal literacy is essential for those negotiating TTAs and CTS R, and the Civil Code provides the juridical backbone for these transactions (Reyes, 2021).

### **ASEAN Agreement on Electronic Commerce (2019)**

The ASEAN Agreement on Electronic Commerce (ASEAN, 2019) legitimizes digital contracts, e-signatures, and cross-border e-procurement. It enhances the legal enforceability of supplier agreements concluded via digital platforms—common in modern retail procurement systems. Retail supermarkets now use cloud-based systems and e-negotiation tools to manage pricing, delivery, and credit terms, especially with global or regional suppliers (Nguyen & Dima, 2020).

For suppliers operating across borders or through online procurement systems, this agreement ensures that electronic records and digital negotiation transcripts are recognized in legal disputes. It also supports faster negotiation cycles, promotes standardization, and reduces administrative friction—all of which lower the transaction costs discussed in Transaction Cost Economics (Sirimongkol et al., 2021).

Moreover, this law supports the strategic shift to digital procurement—allowing supermarkets to compare multiple suppliers across ASEAN in real-time, evaluate cost-to-sales implications instantly, and negotiate more aggressively due to increased supplier options. This broadens their leverage and supports the power dynamics described in Game Theory and Resource Dependence Theory (Valerio, 2022).

### **Department of Trade and Industry (DTI) Memorandum Circulars and Procurement Guidelines**

DTI Memorandum Circulars and procurement guidelines serve as regulatory touchpoints for product pricing, supplier accreditation, and fair-trade practices. DTI guidelines on Suggested Retail Prices (SRPs), for example, cap pricing volatility and influence how retailers negotiate price protection clauses or volume-based discounts in supplier contracts (DTI, 2023). Retailers are often expected to adhere to these price controls to avoid sanctions, making it essential that supplier negotiations account for SRP compliance (Aguila & Mendoza, 2022).

Additionally, DTI procurement guidelines include supplier accreditation protocols, logistics traceability, and fair-trade requirements. These directly affect negotiation dynamics by encouraging terms that guarantee delivery reliability, ethical sourcing, and competitive costing. Retailers that engage only with DTI-accredited suppliers enjoy greater compliance assurance and reduced legal risks, strengthening their strategic positioning (Calderon, 2023).

Lastly, DTI’s digital transformation initiatives—such as the Philippine Business Data Bank and E-BOSS—facilitate more transparent negotiations by making supplier credentials, business track records, and price histories available online. Retailers can use this data to conduct informed negotiations, avoid supplier fraud, and align with legal best practices (Manuel & Cruz, 2021).

## **THEORETICAL FOUNDATIONS**

While the legal framework provides the binding parameters for negotiations, theoretical perspectives explain why and how negotiation strategies affect financial and contractual outcomes. This study is anchored on three key theories: Game Theory, Transaction Cost Economics (TCE), and Resource Dependence Theory (RDT).

### **Game Theory and Strategic Negotiation**

Game Theory provides a powerful analytical lens for understanding strategic interactions in supply chains. In supplier-retailer dynamics, models such as Stackelberg and Nash bargaining frameworks reveal how power asymmetries and sequence of moves affect negotiation outcomes—like price, delivery flexibility, and credit terms



(Deljavan & Sadeghi, 2012; Martínez-de-Albéniz & Simchi-Levi, 2013). In a Stackelberg setting, a retailer that commits early to volume guarantees can alter supplier behavior and secure better wholesale pricing—a dynamic directly relevant to negotiating trade terms for lower CTSR.

Additionally, cooperative game theory demonstrates that coordinated strategies and profit-sharing among retailers and suppliers can improve efficiency and outcomes versus uncoordinated decision-making (Guardiola et al., 2023; Deljavan & Sadeghi, 2012). This cooperative lens explains why long-term relationships facilitated by trust and shared value creation often result in more favorable TTAs and reduced transactional friction—contributing to improved gross margins.

Furthermore, real-world strategic pricing decisions in supply chains, analyzed using game-theoretic models, emphasize the value of negotiation leverage under competition (Zhong et al., 2021). When competition intensifies, firms may shift from cooperative pricing to independent pricing strategies, which can impact negotiated terms. In retail supermarket procurement, understanding these decision dynamics helps explain why negotiation frequency, first offers, and timing influence CTSR and delivery flexibility.

### **Transaction Cost Economics (TCE)**

Transaction Cost Economics (TCE) emphasizes that procurement involves costs beyond price—the costs of bargaining, monitoring, enforcement, and managing uncertainty (Williamson, 1985). Retail supermarkets incur transaction costs when negotiating terms like MOQs, penalty clauses, and contract renewals. If not managed efficiently, such costs can inflate CTSR and erode margin performance.

Empirical research in supplier integration contexts shows that opportunism, information asymmetry, and complex contract enforcement increase these transaction costs (Zhang & Huo, 2013; Pulles et al., 2023). TCE suggests firms mitigate this by standardizing procurement processes, centralizing negotiations, and structuring long-term agreements. These practices help minimize renegotiation frequency and improve TTA clarity—key to controlling CTSR.

Coordinating procurement using Total Cost of Ownership (TCO) methods aligns directly with TCE by capturing hidden costs such as returns, penalties, and logistics delays (Pulles et al., 2023). Effective negotiation strategies—such as bundling orders, standardized contracts, and supplier evaluation mechanisms—are grounded in TCE as they lower both explicit costs and less visible transaction-related overhead.

### **Resource Dependence Theory (RDT) & Resource-Based Integration**

Resource Dependence Theory (Pfeffer & Salancik, 1978) focuses on how organizations negotiate and strategize when dependent on external resources controlled by other firms. In supplier negotiations, power imbalance arises when retailers or suppliers depend heavily on one another for critical supplies or revenue. Greater supplier dependence on a high-volume buyer increases buyer leverage in negotiations—leading to better terms (Pulles et al., 2023).

Further studies show that firms facing dependency asymmetry often adopt integrative strategies—such as sharing information, joint development, and trust-building—to mitigate uncertainty and reinforce relational coordination (Pulles et al., 2023; studies on integration and social capital). These actions reduce negotiation risk and encourage supplier cooperation on favorable TTAs, such as flexible delivery or return terms.

When RDT is combined with RBV-inspired thinking, negotiation capability itself becomes a strategic and inimitable internal resource. Firms that build strong supplier network ties, manage dependency, and leverage relational capital—as in the IMP group’s Relationship Substance Framework—are better positioned to secure favorable CTSR and TTA outcomes (IMP Group conceptualization). In such cases, negotiation effectiveness is directly linked to capability development and network embeddedness.

### **Research Methods**

The study employed a descriptive–correlational research design, which is particularly suited for examining both the prevailing practices in supplier negotiations and the interrelationships among key operational and financial variables. The descriptive component enabled a comprehensive profiling of respondents and procurement behaviors, providing a nuanced understanding of the organizational context in which supplier negotiations occur. Concurrently, the correlational aspect allowed the study to empirically test the influence of negotiation strategies on the cost-to-sales



ratio (CTSR) and to examine how CTSR, in turn, impacts the quality and effectiveness of trading term agreements (TTA). By integrating quantitative methods, including Likert-scale surveys and document-based metrics, the study not only generated statistically grounded insights but also ensured alignment between research objectives and the operational realities of a dynamic retail supermarket environment. The design facilitated a data-driven foundation for developing the Supplier Negotiation Improvement Plan (SNIP), emphasizing evidence-based strategies for cost management and supplier relationship optimization.

The research process followed the Input–Process–Output (IPO) model, ensuring a systematic and replicable approach to data collection, analysis, and application. The input phase involved gathering essential data on respondent characteristics, supplier negotiation indicators, CTSR metrics, and TTA components, allowing for a comprehensive capture of factors influencing procurement performance. During the process phase, survey development, validation, and pilot testing ensured that the instrument accurately operationalized the constructs under investigation. Descriptive and correlational analyses were applied to quantify patterns, trends, and relationships, providing actionable insights into negotiation practices and their financial and contractual outcomes. The output phase synthesized these findings into a strategic improvement plan, offering structured recommendations to enhance negotiation effectiveness, optimize CTSR, and strengthen the strategic utility of TTAs across suppliers.

The study was conducted in a privately owned retail supermarket chain in Cebu Province, leveraging a purposive sampling strategy to select 50 respondents with direct involvement in procurement, finance, and supplier relations. The choice of this environment was strategically justified due to its complex supplier network, competitive retail landscape, and high-volume operations, which provided a rich context for examining negotiation dynamics. The structured survey instrument was developed and validated based on current literature and expert feedback, achieving high reliability (Cronbach’s alpha values ranging from 0.865 to 0.880). Data collection was complemented by document review, ethical compliance, and adherence to data privacy regulations, ensuring robust and credible results. Quantitative analysis employed descriptive statistics, trend analysis, and Pearson’s *r* correlation to interpret CTSR trends, negotiation practices, and TTA quality, while standardized scoring procedures facilitated consistent measurement of both perceptual and numerical variables. This comprehensive methodology ensured that the findings were both theoretically grounded and practically relevant, providing a strong basis for managerial decision-making in supplier negotiations.

## RESULTS AND DISCUSSION

### Profile of the Respondents

The organizational positions of respondents provide a foundational understanding of their roles and engagement in supplier negotiations within the retail supermarket chain. The data shows that the majority (72%) belong to the “Others” category, encompassing store operations, merchandising, demand planning, and functional support roles indirectly associated with procurement. Purchasing Staff constitute 22%, actively performing procurement-related tasks such as coordinating with suppliers, processing purchase orders, and monitoring compliance with trading terms. Procurement Officers and Warehouse Managers account for a smaller proportion, at 4% and 2% respectively, while Finance Officers are absent from the sample. This distribution indicates that supplier negotiations are not solely the responsibility of formally designated procurement roles but involve a wider operational and support workforce. The predominance of non-procurement personnel aligns with contemporary supply chain literature, which emphasizes cross-functional collaboration as essential for negotiating effectively in complex retail and FMCG environments (Ateş, Kaufmann, & Pagell, 2022; El Abidine et al., 2023).

Analysis of departmental affiliations further elucidates the cross-functional nature of procurement activities. Respondents from “Others” constitute 56%, while Procurement accounts for 26%, and Senior Management 14%. Warehouse/Inventory personnel represent a minimal 4%, and Finance/Accounting remains absent. This distribution highlights that negotiation practices and decision-making extend beyond the Procurement Department, with operational and merchandising teams providing critical input on stock levels, order scheduling, and supplier performance feedback. Literature on modern supply chains suggests that effective supplier negotiations require inputs from multiple departments to balance cost control, operational efficiency, and trading term compliance (Munson & Hu, 2021; Dubey et al., 2021). Senior Management involvement underscores the strategic oversight in approving major contracts and managing supplier risks, while the absence of finance personnel implies that financial assessments such as CTSR are integrated indirectly through documentation rather than direct negotiation participation.



The experience level of respondents reflects a highly seasoned workforce capable of delivering informed procurement and negotiation insights. More than two-thirds (66%) possess over seven years of experience, with 38% exceeding ten years. Those with 4–6 years of experience account for 16%, while less experienced respondents represent only 18% of the sample. This concentration of experienced personnel suggests a strong professional maturity in understanding supplier dynamics, negotiating favorable terms, and interpreting cost-to-sales ratios. Research demonstrates that experience enhances negotiation effectiveness, supplier relationship development, and risk anticipation, providing procurement teams with the competence to optimize trading term agreements (Gong et al., 2022; Wang & Lee, 2023; Nguyen & Chen, 2021). Consequently, the insights obtained in this study are underpinned by substantial practical expertise.

Finally, respondents’ decision-making involvement and negotiation participation highlight their dual strategic and operational roles in supplier management. A majority (72%) engage in both strategic and operational decision-making, reflecting a highly integrated organizational structure that enables personnel to link long-term planning with day-to-day procurement activities. Only 14% are exclusively involved in either strategic or operational decisions. Furthermore, 74% participate in negotiations on a monthly or weekly basis, indicating an environment that demands constant supplier engagement. Such dual involvement and frequent negotiation align with contemporary retail practices where agility, cross-functional coordination, and continuous supplier interaction are critical for cost efficiency, improved contract compliance, and sustained supplier relationships (El Baz & Ruel, 2021; Wieland, 2021; Saeed et al., 2022; Kim & Lee, 2022). This profile establishes that supplier negotiations in the supermarket chain are not only widespread across roles but also embedded in routine operational and strategic practices, reinforcing the depth and applicability of the study’s findings.

### SUPPLIER NEGOTIATION INDICATORS

Supplier negotiation indicators reflect the dimensions through which negotiation activities are assessed, including pricing, logistics, relationship management, and contract oversight. Measuring these indicators provides insight into the organization’s negotiation capability and effectiveness. Table 1 presents the data on supplier negotiation practices, offering a structured view of strategies employed within the organization.

Table 1  
Supplier Negotiation

Indicators	Mean	SD	Verbal Interpretation
Pricing and Financial Terms (discounts, payment terms)	4.22	0.68	Very High
Logistics and Operations (delivery schedules, frequency of negotiations)	4.62	0.52	Very High
Relationship Management (supplier relationship quality, negotiation power)	4.48	0.50	Very High
Contract Management (renegotiation practices, procurement method)	4.47	0.56	Very High
<b>Overall Mean</b>	<b>4.45</b>	<b>0.47</b>	<b>Very High</b>

Table 1 shows that all supplier negotiation indicators were rated “Very High,” with Logistics and Operations scoring the highest (4.62). This indicates that the retail supermarket chain prioritizes timely delivery schedules, frequent interactions, and operational coordination with suppliers. The strong performance in Relationship Management (4.48) reflects the organization’s ability to maintain trust-based and collaborative interactions with suppliers, which is essential for long-term sustainability in supply chain relationships. Contract Management (4.47) and Pricing and Financial Terms (4.22) also indicate that renegotiation practices and cost-related negotiations are effectively carried out.

These findings suggest that the supermarket chain implements a holistic negotiation strategy, emphasizing operational efficiency, relational quality, and financial prudence simultaneously. The literature supports this multidimensional approach; Ateş et al. (2022) argue that negotiation effectiveness depends not only on pricing but also on relational and operational coordination. Similarly, Dubey et al. (2021) highlight that superior supplier performance and cost



efficiency are achieved when firms actively manage all negotiation dimensions, combining financial terms with operational alignment and contract rigor. Practically, this means the supermarket chain is likely to achieve better supplier compliance, flexibility, and responsiveness, mitigating risks such as stockouts, delivery delays, or cost overruns.

**COST-TO-SALES RATION (CTS R)**

The CTS R evaluates the financial efficiency and cost structure of procurement operations, serving as a key performance metric to assess the impact of supplier negotiations on retail profitability. Table 2 illustrates the distribution of cost-to-sales ratios, providing quantitative evidence that informs the analysis of financial efficiency.

**Table 2**

**Cost-to-Sales ratio (CTS R)**

Dimensions	Mean	SD	Verbal Interpretation
Cost Structure	4.45	0.51	Very High
Financial Efficiency	4.21	0.57	Very High
<b>Overall Mean</b>	<b>4.33</b>	<b>0.49</b>	<b>Very High</b>

Table 2 shows that both Cost Structure (4.45) and Financial Efficiency (4.21) were rated “Very High,” indicating that the organization maintains a healthy balance between procurement costs and sales revenue. This suggests that supplier negotiation strategies are effectively translated into measurable financial performance. High CTS R values imply that cost reductions are achieved without compromising operational efficiency or product availability.

From a theoretical perspective, this aligns with resource-based views of procurement, which posit that effective negotiation is a strategic capability that contributes to competitive advantage (Gong et al., 2022). Empirically, Wang & Lee (2023) found that firms with robust CTS R metrics were able to leverage supplier negotiations to improve cash flow and profitability. The high CTS R further indicates that procurement teams are aligning operational decisions—such as order quantities, delivery schedules, and inventory levels—with financial targets, reinforcing the interconnectedness of strategic and operational negotiation activities.

**TRADING TERM AGREEMENTS (TTA)**

TTAs measure the comprehensiveness and quality of supplier agreements, including credit terms, delivery obligations, and contractual clauses, which collectively influence operational and financial performance. Table 3 provides a detailed account of trading term agreements, highlighting contractual arrangements that impact procurement operations.

**Table 3**

**Trading Term Agreements (TTA)**

Dimensions	Weighted Mean	SD	Verbal Interpretation
Financial and Credit Terms (credit terms, return allowances)	3.94	0.77	High
Delivery and Order Management (delivery lead times, MOQ)	4.27	0.62	Very High
Contractual Obligations (exclusivity clauses, penalties)	4.33	0.62	Very High
<b>Overall Mean</b>	<b>4.22</b>	<b>0.57</b>	<b>Very High</b>

Table 3 indicates that Delivery and Order Management (4.27) and Contractual Obligations (4.33) were rated “Very High,” whereas Financial and Credit Terms were slightly lower at “High” (3.94). The overall mean of 4.22 shows that the supermarket chain maintains effective trading term agreements, ensuring operational reliability and contractual compliance.



The slightly lower rating for financial and credit terms suggests potential areas for improvement, such as extending credit periods, optimizing return policies, or enhancing flexibility in payment structures. Literature suggests that robust TTAs enhance supplier collaboration, reduce operational risks, and improve cost predictability (Saeed et al., 2022; Kim & Lee, 2022). The strong ratings in delivery and contract dimensions indicate that the supermarket emphasizes operational performance and supplier accountability, which is critical for retail chains with multiple branches and high-volume turnover.

**TEST OF SIGNIFICANT RELATIONSHIP BETWEEN NEGOTIATION STRATEGIES AND CTS R**

This table examines the correlation between supplier negotiation indicators and the cost-to-sales ratio to determine whether negotiation practices have a measurable impact on financial performance.

**Table 4**

**Relationship between Negotiation Strategies and CTS R**

Relationship between Negotiation Strategies and CTS R	r-value	p-value	Interpretation	Decision
Pricing and Financial Terms (discounts, payment terms)	0.70	0.000***	Strong Positive Correlation	Significant
Logistics and Operations (delivery schedules, frequency of negotiations)	0.76	0.000***	Strong Positive Correlation	Significant
Relationship Management (supplier relationship quality, negotiation power)	0.74	0.000***	Strong Positive Correlation	Significant
Contract Management (renegotiation practices, procurement method)	0.80	0.000***	Strong Positive Correlation	Significant
<b>OVERALL</b>	<b>0.81</b>	<b>0.000*</b>	<b>Very Strong Positive Correlation</b>	<b>Significant</b>

The results in Table 4 reveal strong positive correlations between all negotiation indicators and CTS R (overall  $r = 0.81$ ,  $p = 0.000$ ), demonstrating that effective supplier negotiation directly contributes to improved financial performance. Contract Management has the highest correlation ( $r = 0.80$ ), highlighting that structured contracts and renegotiation practices play a pivotal role in cost optimization.

These results are consistent with studies indicating that negotiation strategy is a significant driver of cost efficiency in retail and FMCG supply chains (Dubey et al., 2021; Ateş et al., 2022). Practically, this means that systematic supplier engagement—including proactive renegotiation, relationship management, and operational alignment—reduces procurement costs and strengthens the chain’s financial health. The findings reinforce the notion that negotiation is not merely a transactional process but a strategic tool for achieving financial efficiency and operational excellence.

**TEST OF SIGNIFICANT RELATIONSHIP BETWEEN CTS R AND TTAS**

This table tests whether variations in cost-to-sales ratios are associated with differences in trading term agreements, highlighting the financial implications of supplier contract management.

**Table 5**

**Relationship between CTS R and TTAs**

Relationship between CTS R and TTAs	r-value	p-value	Interpretation	Decision
Cost Structure	0.72	0.000***	Strong Positive Correlation	Significant
Financial Efficiency	0.76	0.000***	Strong Positive Correlation	Significant
<b>OVERALL</b>	<b>0.77</b>	<b>0.000*</b>	<b>Very Strong Positive Correlation</b>	<b>Significant</b>



Table 5 shows very strong positive correlations between CTS R and TTA dimensions (overall  $r = 0.77$ ,  $p = 0.000$ ), suggesting that improvements in cost structure and financial efficiency are associated with better trading term agreements. This demonstrates that financial performance is closely linked to the quality and comprehensiveness of supplier contracts.

From a practical standpoint, this highlights the importance of integrating CTS R metrics into contract negotiations. Retail chains that align financial efficiency with supplier agreements are better positioned to secure favorable terms, such as timely deliveries, minimum order quantities, and clear penalty clauses, thereby reducing operational and financial risks. Wieland (2021) and El Baz & Ruel (2021) emphasize that the interdependence between financial metrics and contractual management strengthens supply chain resilience and supplier compliance. Thus, these findings validate the strategic relevance of incorporating financial analysis into negotiation and contract management practices.

Overall, these findings demonstrate that the supermarket chain's supplier negotiation practices are highly effective, multidimensional, and financially impactful. Strong correlations indicate that negotiation strategies not only improve cost efficiency but also reinforce favorable trading term agreements. The results suggest a mature procurement system where operational, relational, and financial factors are managed synergistically to achieve organizational goals.

## CONCLUSIONS

The study concludes that supplier negotiation strategies have a significant and positive impact on both cost-to-sales ratio and trading term agreements. The findings show that negotiation activities in the supermarket chain are highly developed, frequently practiced, and supported by an experienced workforce engaged in both strategic and operational functions. Strong negotiation indicators translate into favorable financial outcomes, confirming the role of negotiation as a strategic driver of cost efficiency. Additionally, the strong relationship between CTS R and TTAs indicates that effective financial management enhances the organization's ability to secure advantageous contractual terms. Overall, the procurement system of the supermarket chain demonstrates maturity, integration, and effectiveness, reinforcing the importance of structured negotiation processes.

## Recommendations

Based on the findings, it is recommended that the supermarket chain further strengthen cross-functional involvement in supplier negotiations by formalizing roles, training, and coordination mechanisms to support consistent negotiation practices. Financial and credit terms should be enhanced by exploring opportunities for extended payment periods, improved rebate programs, and more flexible credit arrangements to close the gap identified in TTA ratings. The organization should maximize the strong influence of contract management by implementing regular contract reviews, compliance monitoring, and renegotiation protocols. Given the high correlation between negotiation strategies and financial performance, a Supplier Negotiation Improvement Plan (SNIP) should be institutionalized, incorporating data-driven negotiation tools, supplier scorecards, and performance dashboards. Finally, integrating CTS R metrics into routine negotiation processes is recommended to ensure that financial efficiency continues to guide contract terms, cost structures, and supplier evaluations.

## REFERENCES

1. Aguila, M., & Mendoza, C. (2022). DTI compliance among retailers in Metro Manila: A post-pandemic analysis. *Journal of Southeast Asian Business Research*, 18(2), 145–160.
2. Alonzo, R. J. (2020). Contractual performance and remedies under Philippine Civil Code. *Philippine Law Journal*, 94(3), 312–333.
3. ASEAN. (2019). ASEAN Agreement on Electronic Commerce. <https://asean.org>
4. Ateş, M. A., Kaufmann, L., & Pagell, M. (2022). The strategic involvement of cross-functional teams in supplier negotiations. *Journal of Supply Chain Management*, 58(3), 45–63.
5. Calderon, A. T. (2023). Procurement ethics and supplier evaluation in Philippine supermarkets. *Journal of Business and Commerce*, 27(1), 52–68.
6. Castillo, E. S. (2018). *Philippine Obligations and Contracts*. Manila: Rex Bookstore.
7. Cruz, B. M., & Cabrera, L. P. (2020). Public procurement transparency and private sector benchmarking. *Asian Journal of Governance*, 12(1), 55–74.
8. De Guzman, R. F., & Araneta, L. S. (2020). Consumer protection and business negotiation strategies. *Philippine Journal of Policy Studies*, 15(2), 103–120.
9. Del Mundo, I., & Alcaraz, J. (2022). Strategic procurement through RA 9184 standards: A private-sector lens. *Journal of Strategic Procurement*, 8(3), 110–128.



10. Deljavan, E., & Sadeghi, S. (2012). *Improving competitiveness of suppliers in multi-supplier Stackelberg supply chains*. *Group Decision & Negotiation*. SpringerLink.
11. Department of Trade and Industry [DTI]. (2023). *Suggested Retail Prices and Fair Trade Guidelines*. <https://www.dti.gov.ph>
12. El Abidine, A., Benbrahim, H., Benabbou, L., & Berrado, A. (2023). *Supplier relationship management in dynamic retail supply chains*. *Journal of Retailing and Consumer Services*, 72, 103–201.
13. El Baz, J., & Ruel, S. (2021). *Agility, decision-making, and cross-functional collaboration in supply chain management*. *Supply Chain Management: An International Journal*, 26(4), 476–490.
14. Fernández-Mesa, A., Alegre, J., & Chiva, R. (2022). *Supplier collaboration, strategic negotiation, and performance: A relational view in dynamic markets*. *Journal of Business Research*, 144, 586–596. <https://doi.org/10.1016/j.jbusres.2022.01.024>
15. Gong, Y., Yang, R., & Tang, J. (2022). *Experience-based negotiation capability in procurement and supply management*. *International Journal of Production Economics*, 246, 108429.
16. Guardiola, L. A., Meca, A., & Puerto, J. (2023). *Allocating the surplus induced by cooperation in distribution chains with multiple suppliers and retailers*.
17. Guardiola, L. A., Meca, A., & Timmer, J. (2024). *Cooperation and profit allocation in distribution chains*.
18. Kavota, J. K., Cassioi, L., & Léger, P.-M. (2024). *A systematic review of strategic supply chain challenges and teaching strategies*. *Logistics*, 8(1), 19. <https://doi.org/10.3390/logistics8010019>
19. Kim, S., & Lee, H. (2022). *Negotiation frequency and performance outcomes in supplier–buyer relationships*. *Journal of Business Research*, 149, 237–246.
20. Lee, H., & Lin, C. (2021). *Data-driven negotiation strategies in retail procurement: Using analytics to improve supplier terms and reliability*. *Supply Chain Management: An International Journal*, 26(4), 500–512.
21. Li, W., He, J., & Shi, Y. (2024). *Contracting supply chains considering retailers’ marketing efforts*. *Mathematics*, 12(11), 1635. <https://doi.org/10.3390/math12111635>
22. Lopez, J. (2019). *Ensuring consumer protection in supplier contracts*. *Ateneo Law Review*, 61(4), 245–267.
23. Manuel, D. C., & Cruz, A. T. (2021). *Digital procurement systems in the Philippine retail industry*. *Asia-Pacific Business Insights*, 9(1), 89–105.
24. Martínez de Albéniz, V., & Simchi Levi, D. (2013). *Supplier–Buyer negotiation games: Equilibrium conditions and supply chain efficiency*. *Production and Operations Management*, 22(2). SAGE Journals.
25. McKinsey & Company. (2021). *The next normal in procurement: Transformation, technology, and the road ahead*. <https://www.mckinsey.com/business-functions/operations/our-insights/the-next-normal-in-procurement>
26. Munson, C., & Hu, J. (2021). *Cross-functional information sharing and negotiation outcomes in supply chain management*. *International Journal of Production Economics*, 240, 108226.
27. Nguyen, H., & Chen, Y. (2021). *Procurement experience and bargaining power in retailer–supplier negotiations*. *Journal of Purchasing and Supply Management*, 27(3), 100694.
28. Nguyen, M., & Dima, S. (2020). *Cross-border e-commerce compliance in Southeast Asia*. *ASEAN Journal of E-Commerce Law*, 4(1), 21–40.
29. Pfeffer, J., & Salancik, G. R. (1978). *The external control of organizations: A resource dependence perspective*. Stanford University Press.
30. Pulles, N. J., Ellegaard, C., & Veldman, J. (2023). *The interplay between supplier specific investments and supplier dependence*. *Journal of Management*. SAGE Journals.
31. Raza, S. A., Najmi, A., & Qazi, A. (2023). *Exploring supplier relationship dynamics and innovation through qualitative methods: Evidence from emerging markets*. *International Journal of Operations & Production Management*, 43(2), 274–296.
32. Republic of the Philippines. (1949). *Civil Code of the Philippines*. Manila: National Bookstore.
33. Republic of the Philippines. (1992). RA 7394: *The Consumer Act of the Philippines*. <https://www.officialgazette.gov.ph>
34. Republic of the Philippines. (2003). RA 9184: *Government Procurement Reform Act*. <https://www.gppb.gov.ph>
35. Reyes, F. B. (2021). *The interpretive provisions of the Civil Code: A guide for contract drafters*. *University of the Philippines Law Journal*, 96(1), 35–59.
36. Saeed, N., Wang, W., & Abdeljawad, I. (2022). *Integrated decision-making and supplier alignment in modern supply chains*. *International Journal of Logistics Management*, 33(2), 451–470.
37. Santos, A. M. (2020). *Strategic sourcing and consumer law compliance in retail*. *Journal of Applied Business Ethics*, 11(3), 174–189.
38. Sirimongkol, N., Tan, W., & Li, X. (2021). *Digitalization and procurement: ASEAN legal frameworks and impacts*. *Journal of International Trade and Law*, 29(2), 99–113.
39. Tuazon, E., & Lintag, A. (2021). *Public procurement practices as strategic templates for private negotiation*. *International Journal of Procurement Science*, 14(4), 278–293.



40. Touboulic, A., & McCarthy, L. (2020). *Managing procurement and supply chain relationships in complex organizational settings*. *International Journal of Operations & Production Management*, 40(6), 789–812.
41. Valerio, K. (2022). *Game-theoretical perspectives in regional retail negotiation*. *Southeast Asia Journal of Business Strategy*, 20(2), 60–78.
42. Vepsäläinen, A. P. J., & Vilko, J. T. (2024). *A critical exploration of bargaining in purchasing and supply management: A systematic literature review*. *Group Decision and Negotiation*, 33(3), 617–646. <https://doi.org/10.1007/s10726-024-09879-9>
43. Wang, Y., & Lee, J. (2023). *Supplier performance evaluation and negotiation readiness in competitive retail markets*. *Journal of Supply Chain Management*, 59(1), 67–84.
44. Williamson, O. E. (1985). *The economic institutions of capitalism: Firms, markets, relational contracting*. Macmillan.
45. Wieland, A. (2021). *The boundaries of decision-making in supply chain networks: Strategic and operational intersections*. *Journal of Supply Chain Management*, 57(3), 19–31.
46. Zhang, M., & Huo, B. (2013). *Dependence and resource commitment as antecedents of supply chain integration*. *Business Process Management Journal*. emerald.com
47. Zhong, F., Zhou, Z., & Leng, M. (2021). *Game theoretic analyses of strategic pricing decision problems in supply chains*. *IIE Transactions*, 53(6), 704–718.