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BUYING BEHAVIOR IN MARKETING CHANNELS IN THE  
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In the United States, most recent research on marketing channel behavior has been focused on power, conflict, and control between members within specific channel systems<sup>1</sup>. Few research reports are available on exploring the decision processes used by channel members when buying from other channel members. Even less is known on the effects of marketing efforts or manufacturers on the buying processes of wholesalers and retailers.

Some examples of the buying processes of resellers from the marketing channel literature are presented in this article. The goals of the article are to suggest some tentative generalizations of reseller buying behavior and how reseller buying behavior may be improved.

Thus, the focus is on the buying behavior of resellers. Resellers are persons and organizations who buy and sell goods in essentially the same form, for example, wholesalers, supermarkets, and department stores. Resellers also include persons and organizations who change the form of the product they buy and sell to ultimate consumers, for example, restaurants, repair shops, and dentists.

Five key questions can be asked to understand the buying behavior of resellers. Each question includes several subquestions. Each of the five questions is related to each other — studying answers to

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<sup>1</sup> For example, see. A. I. E. Ansary, R. A. Robicheaux, *A Theory of Channel Control. Revisited*, „Journal of Marketing” January 1974, Vol. 38, p. 2—7; R. F. Lusch, *Sources of Power: Their Impact on Interchannel Conflict*, „Journal of Marketing Research” November 1961, Vol. 13, p. 382—390; I. F. Wilkinson, *The Sources of Power in Channels of Distribution*, [In:] *Foundations of Marketing Channels*, A. G. Woodside, J. T. Sims, D. M. Lewison, I. F. Wilkinson (eds.), Austin, Texas, Austin Press 1978, p. 305—320.

one question leads to studying answers to others. The five key questions are listed below:

1. **Choice of suppliers.** Who are the suppliers of a reseller? How does a supplier become „approved” by the reseller to be a supplier? How does a supplier become „approved” by the reseller to be a supplier? use to select suppliers?

2. **Criteria for product selection.** What criteria does a reseller use to evaluate a product? Is one criterion more important than others or does the reseller weigh the criteria equally? How many criteria does a reseller use to evaluate a product?

3. **Process of buying.** What are the steps (structure) involved in buying by a reseller? How does the reseller first learn about a new product which he considers reselling? Does he evaluate one new product at a time or several at once? Does the reseller actively search for new products and suppliers? If yes, what procedure is used to search? What length of time is involved for each step in the buying process?

4. **Persons and departments.** How many persons are involved directly in the buying process? Do the persons involved have different roles in the buying process (is the person who searches for information different or the same person who decides to buy the product)? Is a „buying committee” used in the buying process? What is the power of each person involved in the buying process?

5. **Marketing communications.** What are the effects on resellers of marketing attempts to influence the reseller’s beliefs, attitudes, and behavior? Which marketing variables (advertising, price, and sales persons for instance) are most and least effective in influencing buying behavior of resellers?

A few research studies have been completed to help learn the answers to these five key questions. However, before providing general answers to the questions some examples of specific buying behavior of resellers are examined. Three examples are provided in some detail. Examples of answers to all five key questions in reseller buying behavior are not provided in each example. However, you will likely develop tentative answers to all the questions, after reading the three examples.

#### 1. MARKETING AND BUYING A POLYUNSATURATED SALAD DRESSING

The first example is focused on marketing and buying of a polyunsaturated salad dressing the trade (manufacturers and brokers to supermarket managers).

The sales presentation and buying behavior for the new salad dressing was observed by a researcher in 1965<sup>2</sup>. The Judson Company is the manufacturer attempting to introduce the product. The Judson Company was one of the country's major suppliers of packaged grocery products. It maintained a large direct sales force as well as a network of brokers (food brokers are independent firms paid a commission by the manufacturer for products sold to supermarkets) for certain products. Judson was an exceptionally strong family brand and was identified with only selected Judson Company products.

The company's new products were Judson polyunsaturated French and Italian salad dressings made with a sunflower oil base. The French dressing carried a suggested retail price to ultimate customers of 37 c to 39 c; the Italian was 10 c higher. These prices were about 10 c per bottle higher than major brand conventional dressings. Judson intended to concentrate its sales story on the polyunsaturated health aspects which were then of current medical and popular interest.

The dressings had been in test market for eight months when the decision was made to introduce them on a national scale. Observations of the introduction were made in a large metropolitan market which was in the second stage of a three-month national expansion. Sales presentations were observed in three firms; interviews were held with buyers of three additional firms.

**The Product Proposition.** The Judson dressings were backed by a strong introductory program in relation to the size of the salad dressing category and the specialized nature of the products. Introductory spending (by Judson) (one year) was budgeted at approximately \$ 1,750,000 on a national basis, or about 37% of projected sales. This rate of expenditure equalled almost \$ 1.50 per case.

The consumer program, which consisted of network daytime and prime time television, national magazine (Reader's Digest) and local spot television, was well designed in terms of coverage, adaptation to local sales potentials, and coordination with introductory direct sales efforts. The spot television (about 40% of the introductory budget) was planned as a flexible supplement to national advertising effort which was projected on a sustaining basis. The principal advertising appeal, which was centered on the health aspects of polyunsaturated fats, was emphasized to the point of „everything we can legally say". There was no consumer promotion (e.g., couponing) planned for the introduction.

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<sup>2</sup> The case example is adapted from N. H. Borden, Jr., *Acceptance of New Food Products by Supermarkets*, Boston 1968 (Harvard University), p. 54—159.

Principal trade elements (offer to supermarkets to influence supermarket managers' decision to buy to resell) of the product proposition were local newspaper advertising and a doubled buying allowance (special introductory reduced price) if both dressing varieties were purchased. Major markets were budgeted one 1800-line newspaper advertisement which the sales force could use as a lever in pressing for immediate trade acceptances.

Judson product management anticipated some trade resistance to accepting both dressing varieties. To counter this problem they offered to double the minimum standard allowances if both varieties were purchased. To reduce the cost of this offer, however, the regular eight-week allowance period was halved. As the reader might anticipate, these tactics aroused some negative trade reactions; before the national expansion was over (but before the study observations were made) the „double for both varieties” offer was dropped.

Trade margins were designed to be about average for the category if the products were priced at suggested levels. In line with Judson practice, the dressings carried warehouse guarantees on sale and price.

Sales and communications strategy. Judson product and sales management did not prescribe a tightly knit communications strategy for the salad dressings. Salesmen were instructed by a very complete (20-page) sales memorandum and a long sales meeting which covered practically all aspects of the product concept, the market, prior testing, and the introductory program. The salesmen were put in the position of selecting from this plethora of information what they wanted to cover and emphasize in their sales presentations. The underlying assumption of this approach appears to be that salesmen are competent to put together a communications strategy without the help of precise suggestions or specific guidelines from product or sales management. Lancaster management (one of Judson's competitors) took almost the opposite approach to instructing their sales force.

Supermarket reaction. Despite relatively poor sales communication (at least with respect to the details of this particular product proposition) the products were accepted. One of the supermarkets bought only one variety, however; the doubled buying allowance for buying both sizes was not a sufficient inducement.

The primary reason for buying cited by buyers was the strength of advertising, yet the advertising program was probably the one aspect of the proposition they were least informed on when they bought. To test this contention, the researcher asked two of the buyers (during the follow-up interview) to estimate the spot TV schedule on the products. One buyer estimated 50 spots per week; the other thought that

30 spots per week was reasonable. (The actual number scheduled was three to five per week). Both buyers questioned were experienced men in large firms. The highly overestimated responses suggest the absence of any specific or sophisticated criteria by which to judge the probable size of advertising campaigns relative to product category and the overall media plan. The responses also suggest that the buyers expected heavy advertising campaigns from Judson; all indications were that the trade was favorably disposed toward the company, its salesmen, and past advertising campaigns.

**S u m m a r y.** Probably the most dominant influence in the acceptance of the polyunsaturated dressings was the good reputation that The Judson Company enjoyed with the trade. The favorable trade attitudes toward the company and its sales representatives influenced trade perceptions of the product proposition (primarily advertising elements). These favorable attitudes overcame the relatively poor written and sales communications that limited consideration of some aspects of the program. The principal concern of the buyers, and their measure of product acceptability, appeared to be whether the product proposition generally conformed with usual Judson practice.

## 2. SUPERMARKET BUYING COMMITTEES

The second example is based on the composition and deliberation of buying committees. Buying committees are two or more persons who meet face-to-face to make buying decisions. The use of formal buying committees is a common practice among food resellers — for both supermarket chains and food wholesalers. In one study, 71 percent of the supermarket chains and wholesalers who responded to a survey had formal buying committees<sup>3</sup>.

A major activity of such buying committees is deciding whether or not to add the thousands of new product offerings presented by manufacturers each year. This decision is very important since (1) new products are the most profitable items for supermarkets, (2) only about 10 percent of the more than 8,000 new products per year can be accepted because of cost, consumer acceptance, and shelf space limitations, and (3) it's difficult to make correct decisions (40 percent or more new products accepted are dropped within the first 12 months<sup>4</sup>).

<sup>3</sup> E. Mooney, *The Buying Committee. Vigilant or Vigilante*, „Supermarketing” 1972, Vol. 27, p. 48—57.

<sup>4</sup> *New Items in the Food Industry*, „Progressive Grocer” 1967, Vol. 46, p. 55—79.

Who are included on buying committees? The composition of buying committees does vary for different firms but 5 to 7 persons are likely to be present for most meetings of the committee. The grocery buyer and head buyer are members of nearly all food buying committees. Other members of the buying committee are listed in Table 1. District managers (supervisors of several store managers) are unlikely to be members of buying committees, as shown in Table 1 only 6 percent

Table 1  
Composition of food buying committees

Committee member	Percent reporting membership
Grocery Buyer	96
Head buyer	90
Deli, dairy and frozen foods buyers	61
Non-food buyers	39
Merchandise managers	36
Sales managers	36
Ad manager	26
District manager or store supervisor	6
Number of Firms	79

Source: Developed from Ed Mooney: *The Buying Committee: Vigilant or Vigilante*, „Supermarketing”, Vol. 27, p. 50.

were members in one study. Individual store members are rarely members of buying committees; supermarket chain buying committees exist at the division level with 10 to 40 stores in a division.

Manufacturers and their brokers do not attend buying committees. They make sales calls to a buyer or other members of the buying committee. Usually the manufacturer's salesperson or broker has 15 minutes or less to present the sales message on a new product<sup>5</sup>.

Since buying committees could easily consider over 100 new items per week, buyers hearing sales presentations do not always communicate information on new products to the buying committee. Committees serve as a buffer between buyers and salespersons, committees give buyers a means to resist sales efforts and a good excuse for avoiding involvement and commitment with the salesperson.

Buying committees often serve as a checking or corroborating function rather than as an actual decision-making function. In one study, the responsible buyer's inclination or recommendation was highly important and influential to the committee decision.

„Indeed, the buyer was the key to the decision. The committee generally went along with the buyer's wishes. Also, it was evident that

<sup>5</sup> Borden, op. cit., p. 194; Mooney, op. cit., p. 50.

a great deal of control over the committee decision lay in the hands of the buyer; he was in the position of deciding what to communicate and how to communicate to the committee, and thus exerted considerable influence on the decision"<sup>6</sup>.

Thus, the buyer is often a gatekeeper of the amount and type of information which the buying committee receives. The buying committee serves a ratifying function in the decision process by giving approval or vetoing the decision recommended by the buyer.

Buying criteria of the committees. Buying committees are not likely to refer to written criteria during their deliberations but they do tend to ask the same type of questions for evaluating many new food products. Buying criteria are the attributes or factors considered in making the decision of whether or not to purchase.

Three key buying criteria are used by buying committees. These criteria are expressed in the following questions:

1. Does the item look like it will sell?
2. Is the manufacturer going to advertise and promote the product strongly enough to make acceptance desirable or necessary?
3. Are the deal terms (primarily margin and allowance) in line with the category and experience with the manufacturer?<sup>7</sup>

Surprisingly, such criteria as conformity to a predetermined plan of supermarket management and potential profitability of the new item are not likely to be major factors and are often not considered in deliberations of buying committees<sup>8</sup>.

Whether or not the product will sell is usually decided on the basis of intuition, prior experiences of the buyer, and by inspecting the sample offered from the manufacturer. The process of using this criterion usually involves less than one minute. This judgement was not necessarily superficial or without value — „it seems safe to assume that a wealth of prior experience came into play on many decisions"<sup>9</sup>.

Strong manufacturer advertising support is likely to be the most important criterion in the decision on whether or not to add a specific new product<sup>10</sup>. However, this criterion interacts with the perception of the buyer toward the manufacturer's reputation. If the buyer perceives

<sup>6</sup> Borden, op. cit., p. 199.

<sup>7</sup> Borden, op. cit., p. 203.

<sup>8</sup> Borden, op. cit., p. 203; B. Montgomery, *New Product Distribution. An Analysis of Supermarket Buyer Decisions*, „Journal of Marketing Research" 1975, Vol. 12, pp. 255—264.

<sup>9</sup> Borden, op. cit., p. 205.

<sup>10</sup> D. G. Hieman, L. A. Rosenstein, *Deliberations of a Chain Grocery Buying Committee*, „Journal of Marketing" 1961, Vol. 25, p. 52—55.

the manufacturer as having a track record of several successful new product introductions, the manufacturer is likely to be perceived as having planned heavy advertising expenditures in media directed to gaining consumer acceptance even when this may not be true. However, if the manufacturer is considered to have a weak reputation on introducing new products successfully, the buyer is likely to closely evaluate the advertising support plan of the manufacturer.

A composite of buying criteria and decision processes. Several buying criteria discussed and some not discussed are shown in Figure 1. The figure is a composite of how decisions may occur in supermarket buying of new products. While the way questions are linked together varies from one supermarket buying committee to another, the several studies reviewed in this chapter suggest that Figure 1 is closely related to the actual buying process.

Notice in Figure 1 that (1) if the manufacturer's reputation is strong and (2) the product is considered to be significantly new, the product is accepted by the supermarket. Only two criteria are used: reputation and newness. However, if the manufacturer's reputation is considered average (diamonds 4 to 2) or weak (diamonds 4 to 9), then additional criteria are used to reach a decision.

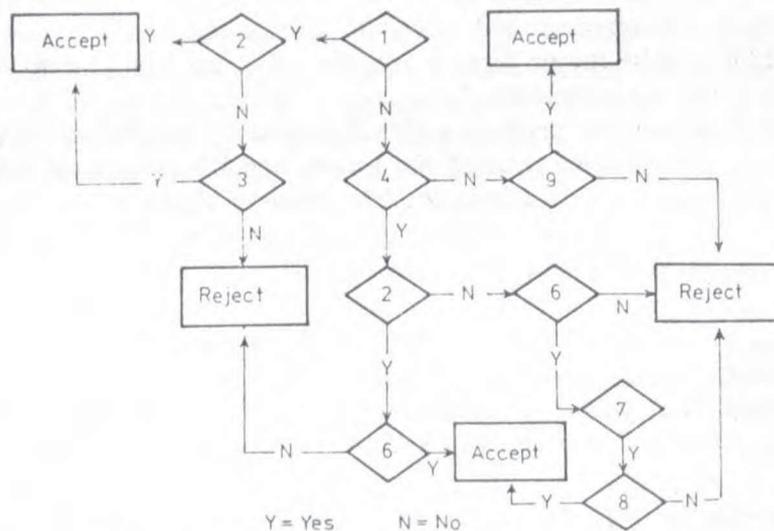


Fig. 1. A Composite Decision Process of Supermarket Buying Decisions

1) Is manufacturer's reputation strong? 2) Is product significantly new? 3) Is the manufacturer planning free samples or coupon offers to consumers? 4) Is manufacturer's reputation average? 5) Is advertising program moderate or heavy? 6) Is volume potential of product category high? 7) Is the quality of the sales presentation strong? 8) Do most competing supermarkets carry the product? 9) Is advertising support strong?

Source: Adapted from D. B. Montgomery, *New Product Distribution: An Analysis of Supermarket Buyer Decisions*, "Journal of Marketing Research", Vol. 12, p. 26

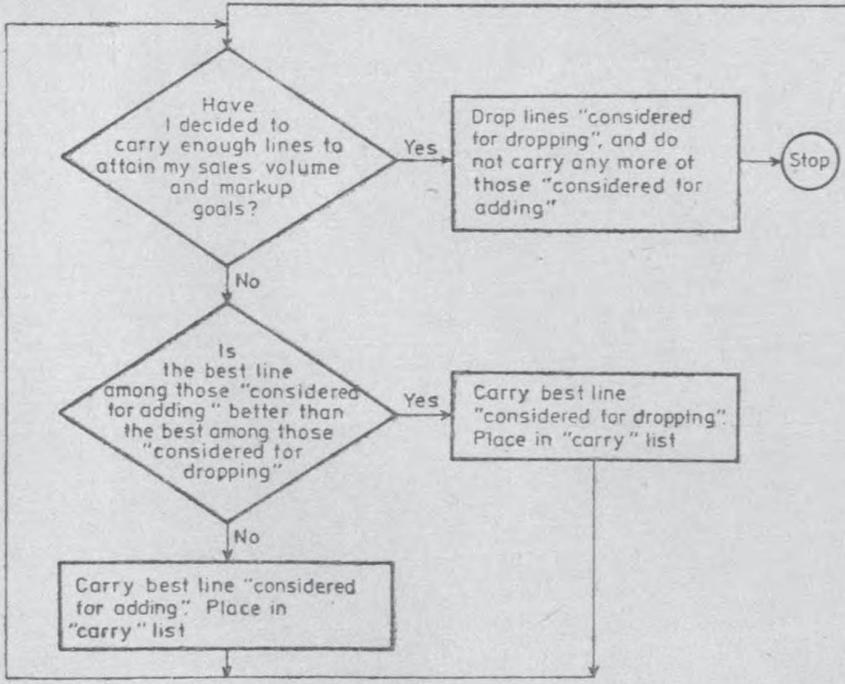
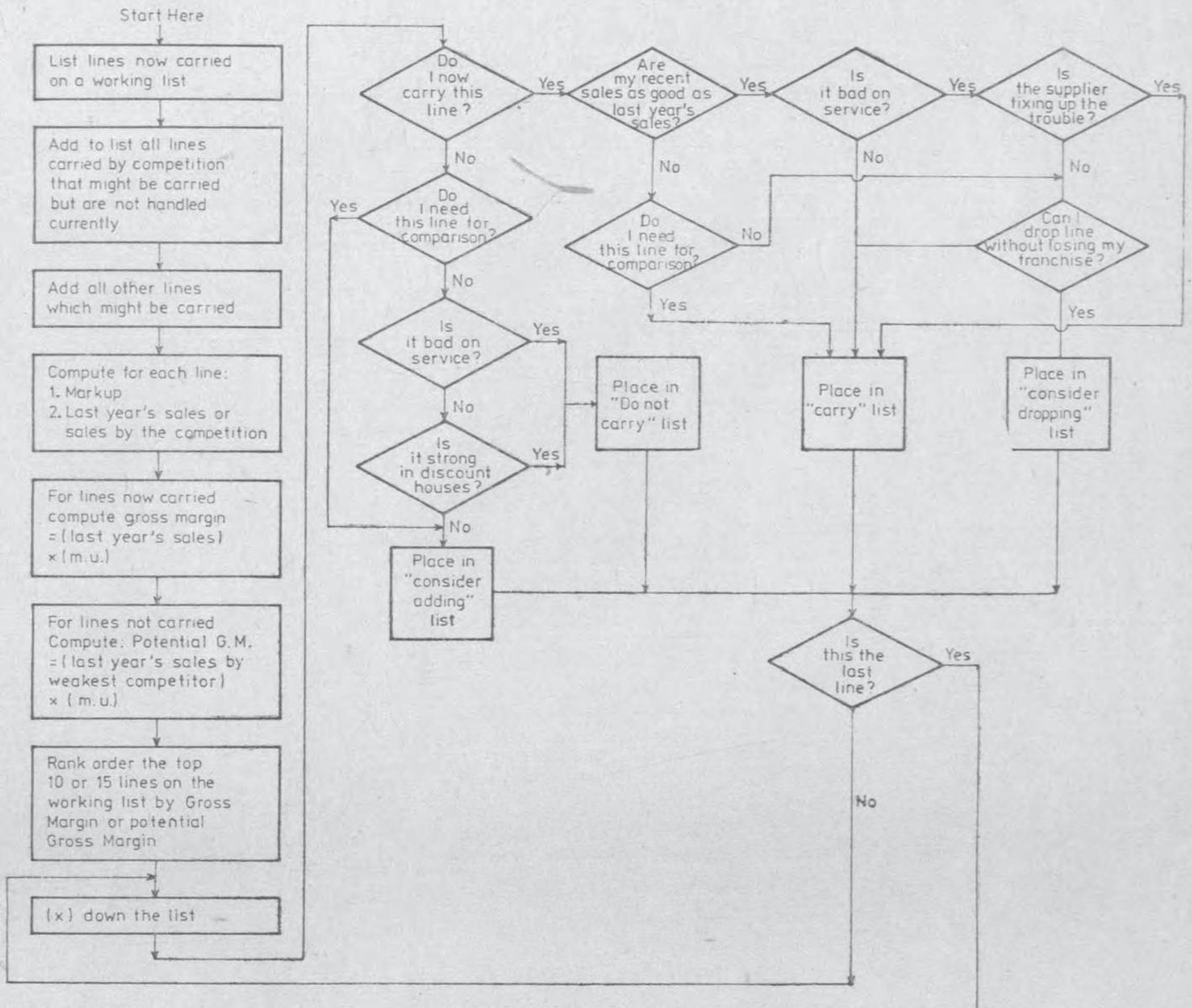


Fig. 2. Logical Flow Models Marketing Analysis

Source: W. F. Massy, J. D. Savvas, *Logical Flow Models for Marketing Analysts*, „Journal of Marketing”, Vol. 28, p. 35

The research evidence suggests that the supermarket buying decisions are not compensatory. That is, the product is not evaluated for five or six attributes with a low score on one attribute compensated possibly by a high score or another attribute. Instead, buyers appear to combine their experience in deciding if the product will sell with the manufacturer's reputation, and promotional support planned by the manufacturer in a noncompensatory manner.

### 3. BUYING BEHAVIOR IN A DEPARTMENT STORE<sup>11</sup>

Which manufacturer's product lines should a department store carry in its electrical appliance department? One model of how this question was answered by managers in one department store is the focus of the third example of buying behavior of resellers.

The model is a description of the buying behavior for electrical appliance product lines of manufacturers. A product line is a related group of products offered by a manufacturer, for example, a line of toasters. All products in one product line usually have the same brand name. The model is shown in Figure 2.

The model has two basic parts: developing the working list shown on the left side of Figure 2 and key questions to use for deciding whether or not to carry a specific product line.

Notice in Figure 2 that product lines which the buyer carries or may carry are arranged into lists. Five lists are shown in the figure:

1. The working list.
2. Consider adding list.
3. Do not carry list.
4. Carry list.
5. Consider dropping list.

Product lines end up in one of two places: the carry list or the do not carry list. The working list, consider adding list, and consider dropping list are constructed as internal steps in the buying process.

What criteria are used for deciding which product lines to add or drop? Notice that several cutoff steps or questions occur in the model. First, gross margin (last year's sales multiplied by markup) is used as the buyer's primary criterion for ranking lines. Product lines ranked below the top 10 or 15 may not receive further consideration they are cutoff from further processing.

Second, look at the first diamond in Figure 2, „Do I now carry this

<sup>11</sup> B. on W. F. Massy, J. D. Savas, *Logical Flow Models for Marketing Analysis*, „Journal of Marketing” 1964, Vol. 8, p. 30—37.  
9 — Folia oeconomica 17

line?" If yes, the buyer may quickly place the line in the carry list after asking only two more questions. If no, the buyer will ask several questions and then place the line in the consider adding list which means additional questions will be asked later. Thus, previous experience with carrying the product line is an important buying criterion.

The next to the last diamond in Figure 2 is most important for new product lines placed in the consider adding list. The question asked in this diamond is, „Have I decided to carry enough lines to attain my sales volume and markup goals?" If additional lines are needed (the answer to the question is no), the best potential new line is compared with the best of the old lines on the consider to drop list and the one with the highest gross margin is chosen. Thus, sales volume and markup goals of the buyer are an important class of buying criteria.

Fourth, notice that potential new lines must include satisfactory service by the manufacturer and must not be strong in discount houses which compete with the department stores. The discount house question does not come up in evaluating currently carried products, although service considerations remain important. Exceptions are made when the lines are needed for comparison purposes (trading ultimate consumers up or down).

Thus, the following criteria are important in deciding the outcomes of the buying process for electrical appliances for the department store:

1. Gross margin comparisons.
2. Previous experience.
3. Sales volume and markup goals.
4. Need of line for comparisons by consumers.
5. Quality of manufacturer's service.
6. Strength of line in discount houses.

Thus, a limited number of criteria is used by the buyers in this department store for deciding whether or not to carry a product line of electrical appliances.

While only one model is described here, other evidence exists to corroborate that the buying process of resellers can be described with a useful degree of accuracy and the process includes a limited number ( $5 \pm 2$ ) criteria<sup>12</sup>.

<sup>12</sup> See R. M. Cyert, J. G. March, C. G. Moore, *A Model of Retail Ordering and Pricing by a Department Store*, [In:] *Quantitative Techniques in Marketing Analysis Homewood*, R. E. Frank, A. A. Kuehn, W. F. Massy (eds.), Illinois 1962, p. 502—522; J. S. Berens, *A Decision Matrix Approach to Supplier Selection*, „*Journal of Retailing*" 1971—1972, Vol. 47; D. H. Granbois, *Applications of Attitude Research in the Distribution Channel*, [In:] *Moving A Head With Attitude Research*, Y. Wind, M. G. Greenberg (eds.), Chicago 1978, p. 123—131.

## ANSWERING KEY QUESTIONS ON BUYING BEHAVIOR OF RESELLERS

Now that the buying behaviors of a few resellers have been described, let's consider some answers to the questions asked earlier in this chapter.

**Choice of suppliers.** Established resellers are unlikely to search for suppliers. Suppliers are likely to visit resellers to make sales presentations. The opposite type of behavior is exhibited by ultimate consumers and retailers for most consumer products.

Manufacturers, wholesalers, and brokers are suppliers of resellers. A wholesaler is both a buyer and a reseller. Brokers are resellers but not buyers of products.

Suppliers become approved when the reseller agrees to buy or accept the supplier's products for resale. A reseller limits the number of product lines of different suppliers to 15 or less.

The reputation of the supplier and the product proposition are the most important criteria of resellers in evaluating suppliers. The product proposition includes the product itself, advertising support, and the trade deal (price, trade margin, and introductory allowances).

**Criteria for product selection.** Resellers use a limited number ( $5 \pm 2$ ) of criteria to decide whether or not to buy a product. Previous experience with the supplier, gross margin provided, strength of supplier advertising, and buyer intuition are important criteria. One or two criteria tend to be more important than other criteria. See Table 2 for further details.

**Process of buying.** The buying process includes three steps or more. The process starts with a personal sales presentation by a supplier for new products. For established products, the process starts

Table 2  
Key questions and answers in buying behavior of marketing channels

Key question	Answer
Choice of Suppliers	
Who are the suppliers of a reseller?	Manufacturers or other resellers.
How does a supplier become „approved“?	Through a personal sales presentation and product purchase.
How many suppliers does a reseller use?	Less than 10 or 15 depending within a product category.
What criteria does a reseller use to select suppliers?	Reputation of supplier and product proposition.

Table 2 (contd.)

Key question	Answer
Criteria for product selection	
What criteria does a reseller use to evaluate a product?	Previous experience with a supplier, gross margin, strength of supplier advertising, potential sales volume, intuition.
Is one criterion more important than others?	Yes, previous product sales success, or supplier reputation, newness, or advertising support.
How many criteria does a reseller use?	5±2
Persons and departments	
How many persons are involved directly in the buying process?	If product is new in supermarkets, 5 to 7 persons; less for product purchased previously.
Do persons involved have different roles in the buying process?	Yes. Person acquiring information may be different than evaluator or decision maker.
Is a buying committee used?	Most likely, yes, for new products.
What is the power of each person involved in the buying process?	Merchandise buyer in supermarkets and senior buyer in department stores are likely to have most power.
Marketing communications	
What are the effects on resellers of marketing communications?	Gain awareness, convince buyer to formally consider product.
Which marketing variables are most important, least important?	Supplier reputation and advertising support, intuition, and trade margin are more important than competition and quality of sales presentation.
Process of buying	
What are the steps involved in buying by a reseller?	<ol style="list-style-type: none"> <li>1. Personal sales presentations by suppliers.</li> <li>2. Buyer decides whether or not to consider.</li> <li>3. Formal consideration by buying committee.</li> </ol>
How does the reseller first learn about a new product?	Personal sales presentation.
Does he evaluate one new product at a time or several at once?	Sequentially for supermarkets but in combination for department stores.
Does the reseller actively search for new products and suppliers?	Unlikely
What length of time is involved for each step in the buying process?	<ol style="list-style-type: none"> <li>1. Sales presentation by supplier is 15 minutes or less.</li> <li>2. Buyer consideration is one minute or less.</li> <li>3. Formal consideration varies depending upon if a sequential or combination rule is used.</li> </ol>

with inventory control notifying purchasing of the need to reorder due to stock depletion.

The buyer decides whether or not to formally consider new products. If the buyer decides to formally consider, samples of the product and a brief written report on the product are presented to a buying committee.

The buying committee evaluates new products one at-a-time in supermarket buying but may evaluate 10 to 15 in combination in department store buying. However, limited research evidence exists currently to know the evaluation procedure used most often by department store buyers or other resellers. See Table 2 for additional details on the buying process of resellers.

**Persons and departments.** A total of 5 to 7 persons are likely to discuss new product offerings in supermarket buying, fewer people are likely to be involved in department store buying. However, a buying committee of 2 to 7 persons is most often used in deciding to buy new products.

**Marketing communications.** Marketing communications by manufacturers are important in two important ways. 1) Personal sales presentations by suppliers produce awareness among resellers of new product offerings. 2) The advertising support provided by the supplier (manufacturer, for example) is a criterion used in evaluating the new product. The advertisement and news story on Jordache designer jeans is one example of the influence of such advertising support on trade (retailer) buying behavior.

Jordache took a big risk successfully. The company used advertising support to build a „consumer franchise”, that is, to get consumers to ask for Jordache when buying jeans in stores. The heavy regional advertising program also produced the belief among resellers that Jordache jeans were manufactured by an established company. Thus, the firm built an almost instant favorable reputation in the trade (among retail store buyers).

However, the Jordache campaign was very risky since the company was unknown initially to both consumers and resellers. Timing and speed in gaining approval as a supplier and then delivery was critical or the consumer franchise might have quickly disappeared as consumers became frustrated with being unable to buy the jeans. (Ask yourself, how many stores would you be willing to visit to find Jordache jeans? Answer, except for the most ardent shoppers, two or three stores would be visited before another brand of designer jeans would be bought).

Jordache relied on provocative advertising shown frequently in

a short time period to gain entry into consumers and resellers long term memories.

#### 4. IMPROVING RESELLER BUYING BEHAVIOR

Can we reduce the time and effort necessary in new product buying in supermarkets? Can successful buyers be differentiated from unsuccessful buyers among resellers? If so, how are the two groups different? How can we learn of improvements needed in behavior in buying and selling in the trade? Several authors have developed prescriptive models for improving buying behavior of resellers<sup>13</sup>. Such models include the following step-by-step approach to supplier selection:

1. Determine what decision criteria the retailer deems relevant in a given supplier-selection situation.
2. Use the method of paired comparisons to rank-order each criterion.
3. Decide upon the group of suppliers whose lines will be considered for possible addition on the store's assortment.
4. Compare each supplier with every other supplier by means of the paired comparison technique so as to determine how well each compares with every other relative to each rank-ordered criteria.
5. Using a decision matrix, develop a score for each supplier based upon the results of Steps 2 and 4.
6. Choose the highest-ranked supplier for inclusion in the firm's assortment<sup>14</sup>.

An example using this prescriptive model is shown in Table 3. The first criterion in Table 3 is „supplier can fill order” which is weighed by a value of 6. Supplier A is rated 3 on this criterion with ratings of 0 for low to 4 for high. Supplier A's rating is multiplied by the weight of the first criterion to produce a score ( $3 \times 6 = 18$ ) as shown in the first cell of Table 3. The other cells are computed in a similar manner.

The total scores are shown at the bottom of Table 3.

Supplier C has the highest summed score of 52. Thus, supplier C would be selected.

Such a model suggests that resellers should use a compensatory decision rule. For example, supplier C's high rating on criterion 1

<sup>13</sup> For example, see J. S. Berens, *A Decision Matrix Approach to Supplier Selection*, „Journal of Retailing” 1971—1972, Vol. 47, p. 47—53; W. D. Kellner, *Evaluation of Supplier Performances*, [In:] *Toward Scientific Marketing* S. A. Greyser (ed.), Chicago 1963, p. 508—512.

<sup>14</sup> Berens, op. cit., p. 49—50.

Table 3

A Sample of the Decision Matrix Approach to Vender Selection

Criteria	Criteria Weight (Step 2)	Supplier A	Supplier B	Supplier C	Supplier D	Supplier E
1. Supplier can fill reorders*	6	3 18	2 12	4 24	1 6	0 0
2. Markup is adequate	4	2 8	4 16	3 12	0 0	1 4
3. Customers ask for the line	1	1 1	2 2	4 4	3 3	0 0
4. Supplier's line has significant changes from season to season	2	3 6	4 8	2 4	1 2	0 0
5. Supplier's line contributes to fashion leadership	5	2 10	1 5	0 0	3 15	4 20
6. Supplier's line is out to fit customers well	2	1 2	0 0	3 6	4 8	2 4
7. Supplier advertises line in local media	1	0 0	1 1	2 2	4 4	3 3
Supplier total scores		45	44	52	38	31

\* The criteria of column 1 of the table were found by the author to be of importance in the selection of fashion men's wear in the study noted in foot-note 4 of this article.

Source: J. S. Berens, *A Decision Matrix Approach to Supplier Selection*, "Journal of Retailing" 1971-1972, Vol. 47, p. 52.

(weighed 6) compensated for this supplier's poor rating on criterion 5 (weighed 5).

The steps in the prescriptive model would have to be adjusted if a noncompensatory decision rule was preferred by the reseller. For example, if the reseller insisted that only suppliers were considered with a rating of 2 or higher on the two most important criteria (crite-

ria 1 and 5 in Table 3), then all suppliers would be eliminated except for supplier A. Thus, different suppliers might be chosen depending upon the decision rule used.

An important point to consider is that the time and effort could likely be reduced if resellers formally used a prescriptive model whether or not the model was compensatory or noncompensatory. Also, the accuracy of making the best buying decision would be likely as high or higher than using an informal decision rule. Resellers should consider using a formal prescriptive model, at least as a first cut for eliminating supplier and product choices when many such decisions need to be made, for example, in deciding to accept new food products by supermarkets.

One example of such a prescriptive model has been tested for new product selections by supermarkets<sup>15</sup>. This model is shown in the following Equation (1):

$$y = -.071 + .669 (\text{supplier advertising}), \\ + .021 (\text{time discount on payables to suppliers}), \\ + .018 (\text{number of competing items stocked}), \\ + .003 (\text{gross profit percentage}),$$

where  $y$  = product acceptance (scale 1 for accept, 0 for not accept). Supplier advertising could have the value of 0, for no advertising, or 1, for supplier advertising. The time discount or payables is the number of days the supermarket has to pay the supplier and still receive a small discount (2%, for example) for prompt payment. The time discount could be 0, 10, or 20 days. The number of competing items could be 0, 1, 2, 3, 4, or 5 or more for supermarket products. The gross profit percentage could be 10, 20, 30, 40, or 50 percent.

Assuming a decision rule to accept new products when  $y$  was equal or greater than .50, the use of Equation (1) would result in the decision to accept a product having the following characteristics:

$$\begin{aligned} \text{supplier advertising} &= 1, \\ \text{time discount on payables} &= 20, \\ \text{number of competing items stocked} &= 0, \\ \text{gross profit} &= .30. \end{aligned}$$

Here,  $y = .649$ . The calculation for this new product is shown below.

$$\begin{aligned} y &= -.071 + .669 (1) + .021 (20) - .018 (0) + .003 (.30) \\ &= -.071 + .669 + .042 - 0 + .009 \\ &= .649. \end{aligned}$$

<sup>15</sup> R. H. Heeler, M. J. Kearney, J. Mehaffy, *Modeling Supermarket Product Selection*, "Journal of Marketing Research" 1973, Vol. 10, p. 34-37.

Equation (1) and the prescriptive model for supplier selection are examples of two decision rules for prescriptive buying choices of resellers. Each reseller would need to develop and test his own formal prescriptive model if he wanted to consider using such an approach.

One researcher developed and applied the prescriptive model shown in Equation (1) to 67 decisions in accepting or rejecting new supermarket products. A total of 25 of the products were accepted and 42 rejected. This researcher wrote the following observations: „Examination of the prediction scores for all 67 cases showed that a cutoff value of  $y = .13$  could be used to eliminate 50% of unaccepted products with minimal risk of eliminating any products which would eventually have been accepted. If similar cutoffs were developed for nongrocery items and all incoming products were screened at the Product Presentation Sheet stage, 3,837 out of 8,750 incoming products could be eliminated from management consideration, a saving of 1,900 man hours per year (Based on 1/2 an hour per product presentation and evaluation)”<sup>16</sup>.

The weights or coefficients shown in Equation 1 for the four criteria were calculated using multiple regression analysis. The weights could have been estimated using a different method, such as asking the supermarket buyers to assign a weight of 0 to 1.0 to each attribute reflecting the attributes importance when deciding on accepting or rejecting new products.

##### 5. SUMMARY

The study of the buying behavior of resellers includes answering five related questions:

1. How are suppliers selected?
2. What criteria are used for product selection?
3. What are the steps in the buying process?
4. What persons and departments are directly involved in the buying process?
5. What is the effect of different marketing communications on reseller buying behavior.

Each of these five questions were answered in the article following a review of three examples of the buying behavior of resellers.

Trade buyers can improve their buying behavior in reducing the time and effort in evaluating products by using prescriptive decision models. Examples of two such prescriptive models were presented.

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<sup>16</sup> Heeler et. al., op. cit., p. 36.

A. G. Woodside

POSTĘPOWANIE SPRZEDAWCY W KANAŁACH MARKETINGOWYCH  
W STANACH ZJEDNOCZONYCH

Analiza strategii zakupów dokonywanych przez pośredników wymaga odpowiedzi na pięć zasadniczych pytań:

- 1) Jakie są kryteria wyboru dostawców?
- 2) Jakie są kryteria doboru produktów?
- 3) Jak przebiega proces zakupu?
- 4) Które osoby i działy firmy pośredniczącej są bezpośrednio zaangażowane w proces zakupu?
- 5) Jaka jest skuteczność różnych działań marketingowych podejmowanych przez dostawców z punktu widzenia strategii zakupów pośrednika?

Na każde z tych pytań udzielono odpowiedzi w artykule w oparciu o trzy przykłady strategii zakupów pośredników.

Pośrednicy mogą polepszyć swą strategię poprzez zmniejszenie czasu i wysiłku w ocenie produktów posługując się w tym celu normatywnymi modelami decyzyjnymi. Przykłady takich dwóch modeli zamieszczono w artykule.