Chapter 10

MATCHING AND SORTING: THE LOGIC OF EXCHANGE*

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Exchange is essentially the act of improving the assortments held by the two parties to the exchange. Without the aid of organized marketing facilities, an individual seeking to acquire a product which could enhance the potency of his assortment was typically faced with a long and difficult search. Exchange was costly in human effort and confined to a very limited range of economic goods so long as the matching of small segments of supply and demand had to take place through such individual pairings.

Economic progress has consisted largely in finding more efficient ways of matching heterogeneous supply and heterogeneous demand. Matching can be divided into the three phases of shaping, fitting, and sorting, the first two concerned with the form and the specific application of a product. Sorting as a means of accomplishing effective matching is roughly equivalent with the domain of marketing as compared with production. Four aspects of sorting are discussed, each playing an essential part in marketing processes. Among these four aspects of sorting, economics has emphasized allocation or the breaking-down of a homogeneous supply. Marketing theory gives relatively greater emphasis to assorting or the build-up of assortments. An assortment is a heterogeneous collection of products designed to serve the needs of some behavior system.

1. The Function of Exchange

It is commonly stated that exchange takes place because each party to the transaction has a surplus of one product and a deficit of another. In marketing terms, it is somewhat more precise to say that exchange takes place in order to increase the utility of the assortments held by each party to the transaction. That is to say that the assortment held by A can be improved by adding to it a product in the hands of B. At the same time the assortment held by B gains greater utility from the product received in exchange than it loses from the product which it gives up. Exchange under this conception is a creative function. It creates value in the sense that there is greater value in use for all of the products involved.

after the exchange than before the exchange. This is directly contrary to the conception held by some that exchange can only represent a transfer of values, and that any gain on one side must reflect a loss on the other. This doctrine of creative exchange is based on the notion that value pertains to assortments in use and not merely to individual products.

The notion of an assortment and its significance for the theory of marketing has already been presented in a preliminary way. The reader will observe that there is an analogy between the term “group” as applied to individuals and the term “assortments” as applied to goods. As with all analogies, it is important to understand its limitations as well as its valid application. A group regarded as an operating system performs many functions which are beyond the scope of the individual. Its entire performance is motivated by what it can contribute toward achieving the goals of the individual participants. A group has a structure and operating functions, but its apparent aims and objectives are entirely derivative.

**Assortment of Goods**

An assortment of goods has a kind of structure and internal consistency, but it has no purpose except to serve the purposes of the individuals of the group to whom the assortment belongs. A product may have a place in an assortment which is vaguely similar to the status which an individual enjoys in a group. There is, of course, no sense of belonging as in the case of the individual, and no attempt to achieve status as a means of promoting other goals. It is only from the viewpoint of some interested observer that a product fits into an assortment. In the case of the assortment of goods in the possession of a consumer, it is natural to adopt the viewpoint of this consumer in considering whether a given product will contribute to the utility of the assortment.

In some respects it is more precise to speak of the potency of the assortment, since the value of the assortment as a whole lies in providing against future contingencies facing the consumer. As described in the previous chapter, each consumer unit, such as a household, tries to be prepared for the appropriate type of behavior in view of future contingencies. The contingencies facing the individual vary both as to their likelihood of occurring and as to the degree of urgency in case they should occur. The value or utility of a product is related to both the urgency and the probability of the contingency to which it is related. Between two products, the one of greatest utility to the consumer is the one which will make the greatest contribution to the potency of the assortment. In other words, the product to be next acquired is the one which will most greatly reduce the risks of being unprepared to meet an urgent situation.