Chapter 15

TRANSACTIONS AND TRANSVECTIONS*

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A transaction is a product of the double search in which customers are looking for goods and suppliers are looking for customers. It is an exchange of information leading to an agreement concerning the marketing of goods. This agreement is a joint decision in which the customer agrees to take the goods offered and the supplier agrees to sell at the stated price and terms. There is always explicit or implicit negotiation in which each side measures the current opportunity by its next best alternative. In general, the customers can either accept or reject the good offered. In the latter case the customer is holding his money for some other use. The supplier can either sell or withhold his goods from the market, in the latter case hoping to find a more eager customer.

1. Routine and Negotiated Transactions

It is useful to divide transactions into fully negotiated transactions and routine transactions. A fully negotiated transaction is usually one of strategic importance to one or both parties. It can be strategic because it is controlling for a number of transactions which are to follow and which will take place within the framework established by the initial transaction. It can be strategic even though it is non-recurring because it is large in relation to the total pattern of activities on one side or the other. Both types of strategic transactions deserve to be fully negotiated, the large transactions because of the risks of being wrong, the controlling transaction because of the promise of economies over an indefinite period by reducing the cost of negotiation.

Routine transactions take place under the rules stated or implied in effectuating the initial strategic transaction. Supply contracts sometimes continue over many years and other supply arrangements are equally enduring, sanctioned only by custom rather than legal contract. Sometimes intricate institutional machinery is created to routinize large sets of transactions involving many buyers and sellers. The Stock Exchange is an excellent example. Representatives

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of buyers and sellers have agreed on a set of rules for the protection of both sides. Millions of dollars change hands almost by the flick of an eyelash, but behind this instantaneous transaction lies one of the most carefully conceived bodies of regulations ever devised.

The same quality of foresight is in the background to facilitate trading on the grain and cotton exchanges or in the tobacco auctions. Consumer buying in a supermarket embodies the same principle. The consumer has become accustomed to her favorite store sometimes after some rather cautious trial purchases in which she pays close attention to price level and quantity of merchandise. Once she accepts the store with full confidence she is able to serve herself with no aid or interference from a sales person, the package and the price marked on it constituting the store’s offer which she is free to accept or reject.

2. The Substance of the Agreement

The agreement between the buyer and seller settles one or more issues about the movement of goods. The transfer may be complete and irrevocable or it may deal with a single aspect of the movement of goods. Considering transactions between business men at successive levels in the trade channels as well as transactions involving consumers, there are three main possibilities. These are transfer of sales responsibility, transfer of ownership and transfer of possession. The illustrations (X) in the table include transactions between various types of intermediaries as well as with the ultimate consumer.

The respective columns above pertain to transactions involving, in order, the service wholesaler (SW), the wholesaler without stocks (WWS), the commission merchant (CM), the broker (B), purchase by the consumer (CP), and leasing by the consumer (CL). The service wholesaler accepts sales responsibility and takes both ownership and possession of the goods. The wholesaler without stocks does not take possession of the goods but takes ownership. The commission merchant takes possession but not ownership. The broker does not take either ownership or possession but only sales responsibility. Since the consumer ordinarily is not buying for resale, sales responsibility is not ordinarily discussed with the consumer. In making a purchase the consumer takes both ownership and possession. In a rental or leasing arrangement the consumer takes possession only. However, sales responsibility is an important subsidiary consideration in the decision to buy or rent a home or an automobile. The con-