AN EXPLORATORY INVESTIGATION OF NEW PRODUCT ADOPTION DECISION CRITERIA REPORTED BY NON-FOOD RETAIL CHAIN BUYERS

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ABSTRACT

How can the small, unknown supplier break through the central buying unit of a major retail chain organization? Despite what would appear to be an insurmountable barrier, this exploratory investigation offers hope. Small suppliers, using the right marketing strategy, can win over the biggest chains as customers.

The large retail chain is a powerful force in the marketing of goods and services to the consumer. If a manufacturer of consumer goods is to achieve success with his products, it is often essential that these items be purchased for resale by large retail chain organizations, such as Sears, K-Mart and Tandy Corporation. The ultimate success of a new consumer product may depend on its initial acceptance by large retail chains. Chain stores typically use central buying units to screen new products (Gordon 1961, p. 3). "While buying committees play a strategic role in providing market exposure for a new product, a manufacturer's path to this decision-making body is indirect and clouded with uncertainty (Hutt 1979, p. 88)."

This research will attempt to identify those criteria used by large retail chains when deciding which of the many new products offered to them each year by manufacturers they will purchase for resale in their chain. Knowledge of these decision criteria would be very useful to marketers in firms producing new products and attempting to win acceptance by large retail chains.

Methodology

A literature search gave little comprehensive insight concerning the issue. No enumeration of potential decision criteria used in the non-food industry was found, although a study by Hileman and Rosenstein (1961) listed criteria used in the food industry, and Gordon (1961) indicated several questions that supermarket buying committees must answer before deciding the fate of a new product. Several studies, also in the food industry, have been conducted more recently. Borden (1968) conducted a small exploratory study of certain aspects of the introduction of new products to the supermarket trade by food manufacturers and processors. In a series of case studies he looked at the elements in the acceptance or rejection of new grocery products by supermarkets. The study found that the elements which were relevant in the new grocery product adoption decision were: (1) the product proposition (consisting of the product itself, and the complete marketing plan as it relates to the consumers and to the trade), (2) sales communication, and (3) trade buying behavior, criteria, and attitude.

In a survey conducted by Doyle and Weinburg (1973), the supermarket buyer's decision was found to be generally based upon rating eight characteristics. Alford and Mason (1975) found the two most important general criteria by which new grocery products are evaluated are uniqueness of the product, and advertising support.

Heeler et al. (1973) modelled the supermarket product choice process to reduce management appraisal time and obtain a greater understanding of the variables and decision rules used. Montgomery (1975), building on Heeler's work, explored the relationship between 18 potentially important variables and a supermarket buyer's decision to accept or reject a new product, using multiple discriminant analysis and a hierarchical threshold model, termed a "gatekeeper" analysis.

Because of the dearth of criteria reported in the literature for the non-food chain industry, the authors conducted personal interviews with non-food buyers to learn which criteria they use. These were compared with the grocery industry criteria, and a set of 33 criteria was formulated for this study of non-food chain store buying practices.

The study reported here is an attempt to address the void in the literature relating to the non-food industry. It is an exploratory investigation which generates a list of criteria which buyers in a diverse set of non-food retail chains report as important considerations in evaluating new products offered to them.

This study identified the subjects to be examined as members of the CBUs of retail corporations operating in non-food areas. Examples of respondents to this study include Firestone, K-Mart, Sears, Shoppers Drug Mart and Woolworths.

Building on the criteria which have been reported for the supermarket industry, personal interviews with purchasing executives of Sears, Canadian Tire Corporation, the T. Eaton Co. Ltd. were used to identify non-food new product decision criteria. These interviews not only generated numerous decision criteria containing many items not mentioned in the grocery industry literature, but also provided the authors with fairly detailed interpretations of specific factors. It should be

<table>
<thead>
<tr>
<th>Table 1: Number of Stores in Chain</th>
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<tbody>
<tr>
<td>Number of Stores</td>
</tr>
<tr>
<td>------------------</td>
</tr>
<tr>
<td>5 - 9</td>
</tr>
<tr>
<td>10 - 29</td>
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<td>30 - 49</td>
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<td>50 - 99</td>
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<td>400+</td>
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<td>Totals</td>
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68
noted that these interpretations frequently were different from the meaning of the criteria which had been mentioned in the Hileman and Rosenstein paper.

A three-page, self-administered questionnaire was developed and pre-tested through repeat personal interviews with the buying executives mentioned above.

Respondents were identified as follows: First, non-food chain stores with five or more geographic locations were selected using the Directory of Retail Chains in Canada (1982). There were 270 chains in the population. Then each firm was contacted by mail and was asked to submit a list of its various product categories or classes, each group of which was the responsibility of a principal buyer. Names and addresses of these principal buyers were requested, and follow-up letters were used to ensure maximum participation. In the cases of the largest chains, this technique was supplemented by telephone calls and personal visits. One hundred and forty-four firms agreed to participate. The response rate to this initial request to participate in the study was 53%. A total of 506 names was generated.

The research questionnaire was mailed to the 506 buyers, with a second wave mailed a month later. Two hundred and seventy-two usable questionnaires were returned, providing a 54% rate of response from principal buyers within these firms. It should be noted that the results of the survey presented here reflect self-reports by the chain store buyers, and not determining behaviors.

The type of non-food chains was quite varied. Nevertheless, more than 80% of respondents came from either department, hardware, automotive, clothing, drug or shoe chain stores. Half of the respondents reported sales in excess of $75 million. Although 21% of the respondents had greater than 20 years of experience in the buying function, one-quarter of the buyers had been buying for five years or less. The number of new items adopted by an individual buyer during the preceding year was considered to be an indication of his relative new product adoption activity. At the "heaviest" end, 30% of the respondents purchased 100 or more new items per year, while the "lightest" 28% purchased 10 or fewer new items per year. In geographic coverage of the chain organizations, nearly one-fifth of the respondents' operations were restricted to one province, while approximately two-fifths were nationwide in scope. The most-represented type of product line was clothing (36%), followed by supplies and furnishings for the home (19%) and for renovation (17%). Twenty-nine percent of the respondents worked in chains employing five or fewer buyers, while 26% worked in companies with more than 50 buyers. Eighteen percent of the respondents were less than 30 years of age, and only 14% were older than 50. All but four of the respondents had completed high school, while 62% had completed a higher level of education. The number of stores in the responding chains is shown in Table 1.

Criteria

The list of 33 decision criteria which had been developed and revised according to personal inter-

views with purchasing executives was organized under seven categories. Respondents rated the 33 criteria on a five-point Likert-type scale according to their importance in assessing whether or not to adopt a new product (5 represented most important, and 1 was unimportant). The seven categories are listed in sequence of their mean weighted importance to respondents in Table 2. Criteria were weighted by summing the five-point ratings, across all the respondents. Those who did not respond to a particular question were excluded from the calculation of the mean. It can be seen that the most salient criteria, in order of importance are:

1. Expected profit contribution
2. Supplier's ability to fill repeat orders quickly
3. Product quality
4. Retailer or dealer markup
5. Product meets government regulations
6. Competitive price
7. Supplier's known track record
8. Manufacturer's initial supply capabilities
9. Potential market volume
10. Product fits new trends in market

These choice criteria were commonly held no matter what chain store size, experience, age or education of the buyer, or type of chain. One way ANOVAs were found insignificant at the 0.10 level.

Despite the fact that the choice criteria were common to respondents across the demographics, follow-up personal interviews indicated that there were additional criteria (not initially investigated in the study) which were considered relevant. Those most frequently mentioned are listed below in order of importance. They cannot be compared in relative rank to the other 33 criteria because all respondents did not have the opportunity to evaluate them.

1. Exclusivity - the desire of the buyer that his chain be the only outlet in his trading area to handle the new product.
2. Physical Distribution Considerations - terms of purchase vs. SKUs (stock-keeping units), transport mode vs. freight rates, rebates, etc.
3. Image - the ability of the new product to be congruent with the image projected by the retail chain and the types of products it already carries.
4. Trustworthiness - the perceived honesty and reliability of the supplier.

These additional four factors may have an impact on the ranking of importance of choice criteria reported here, and should be investigated in future research.

Dimensions Related to Degree of adoption

Several hypothesized relationships related to the number of new products adopted in a year by a buyer were tested at the 10% level using chi-square analysis. The 10% level was selected because of the exploratory nature of the study.