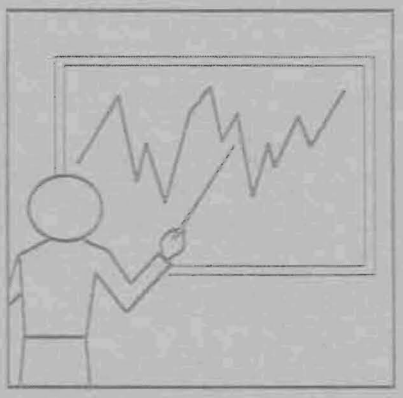
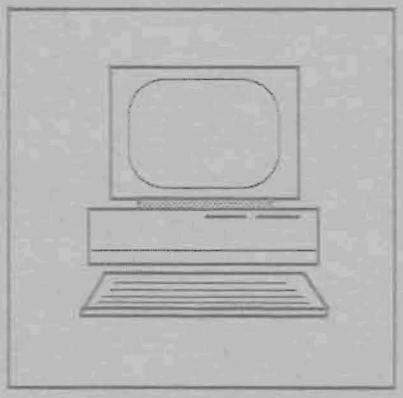
Cornell Food Industry Management Program





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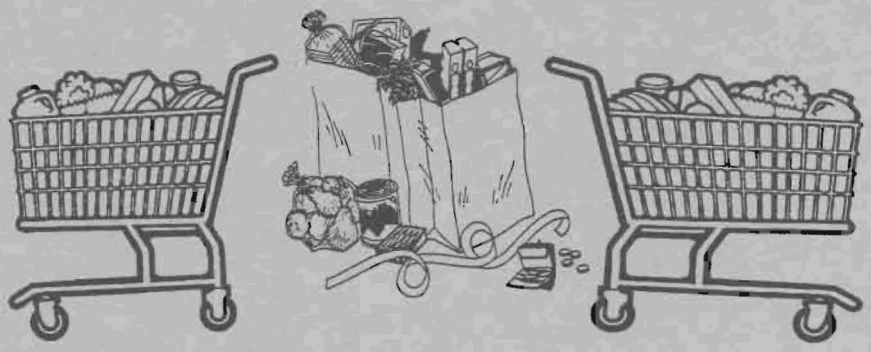
New Product Procurement: A Summary of Buying Practices and Acceptance Criteria at U.S. Supermarket Chains



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NEW PRODUCT PROCUREMENT: A SUMMARY OF BUYING PRACTICES AND ACCEPTANCE CRITERIA AT U.S. SUPERMARKET CHAINS*

ABSTRACT

The introduction of new products to U.S. supermarkets is a business function with significant implications for all food system participants — from manufactures and supermarket retailers to consumers. In 1991 over 16,000 new items were introduced into the U.S. grocery distribution system, more than a 1,000 percent increase from the average number of annual introductions during the 1970s. Despite the magnitude of product introductions, and given the central role supermarket buyers play in the ultimate success or failure of manufacturers' new products, the new product procurement process of U.S. supermarket chains has comparatively been little researched.

The intent of this study was to examine the new product review process of U.S. supermarket chains and thereby gain an improved understanding of supermarket procurement procedures. Additionally, this study reviews some of the factors behind the growing number of new product introductions and discusses the impacts and costs of the proliferation of grocery products on food system participants.

Data for the study came from a nationwide survey of the top 200 U.S. supermarket chains. Responses from more than 100 different chains provided information on the typical buying structures utilized by food retailers, the role supermarket buyers play in the introduction and acceptance/rejection of new products, and important attributes buyers look for when evaluating new products.More than 60 percent of all newly introduced products are turned down by supermarket chains and never make it onto store shelves. Of all products accepted by supermarkets, approximately one-half have been removed from retailers shelves within a year due in part to poor sales levels. The development and introduction of new products when combined with the substantial number of product failures consumes considerable resources among all participants in the grocery product distribution system. There are however, steps manufacturers can take to increase the probability of their new product being successful. These include developing and offering products that are fundamentally new, or that are in strong growth categories, to working more closely with their retail accounts and forging true "partnership" relationships. In today's competitive food industry it is imperative for manufacturers and retailers to understand each other's actions and expectations regarding the introduction of new products for the long term success and profitability of all parties.

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*The authors gratefully acknowledge the comments and editorial contributions of Professors William Lesser and Gene A. German.

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Section I:

INTRODUCTION

New products have been called the life-blood of the food industry, vital to corporate profitability and growth. To a large degree, the supermarket industry also relies heavily on new products as a source of excitement and energy. Roughly two-thirds of the dry grocery items on supermarket shelves today have been introduced in the past ten years and almost half of all new items accepted by the average retail grocery chain in a year are off store shelves in a year's time (Progressive Grocer December 1987). This continual transition of products carried by grocery stores is supported and fortified by the growing annual deluge of new product introductions into the grocery product distribution system. For food manufacturers, retailers and consumers there are both positive and negative consequences associated with the introduction of new products. The first section of this report discusses the recent trends regarding new product introductions, identifies the goals of this research and elaborates on the implications of new product introductions for all system participants.

Trends in Number of Product Introductions

According to *New Product News*, probably the most authoritative source tracking new grocery products in both the U. S. and foreign markets, 16,143 new grocery (food and non-food) items were introduced into the U.S. grocery distribution system in 1991 — a 22 percent increase from the previous year's figure and more than double the 7,271 products introduced in 1984, only seven years ago.[1] These figures are even more dramatic when compared to the average number of new product introductions during the 1970s of only slightly more than 1,000 per year. Indeed, the growth over this period represents a staggering 1600% increase in new product activity. *New Product News* defines a new product as "an addition to the consumer product line of a manufacturer — either a new brand or an extension of an existing brand".[2] Over the past five years, food products have on average accounted for 77 percent of all new grocery product introductions and in 1991 numbered 12,398 items (TABLE 1.1).

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[1] New Product News is a monthly publication that tracks the introduction of new products in supermarkets, gourmet stores, natural food stores and drug stores nationwide.

[2] Buzzell and Nourse (1967) first proposed that new products can be classified according to their degree of novelty. First, the rarest and most innovative product introductions are termed as distinctly new products, new product types or new product categories. Second, a more common form of "new" product are brand proliferations (imitations of successful new products by other producers) or line extensions (by the introducing firms). Finally, the most frequent type of "new" products can be called item proliferations, repositioning, or reformulations of existing items.

Table 1.1: New Grocery Products Totals, by Category, 1987-1991

Food Categories	1987	1988	1989	1990	1991
Baby foods	10	55	53	31	95
Bakery foods	931	968	1,155	1,239	1,631
Baking ingredients	157	212	233	307	335
Beverages	832	936	913	1,143	1,367
Breakfast cereal	92	97	118	123	108
Candy/gum/snacks	1,145	1,310	1,355	1,486	1,885
Condiments	1,367	1,608	1,701	2,028	2,787
Dairy	1,132	854	1,348	1,327	1,111
Desserts	56	39	69	49	124
Entrees	691	613	694	753	808
Fruits and vegetables	185	262	214	325	356
Pet food	82	100	126	130	202
Processed meat	581	548	509	663	798
Side dishes	435	402	489	538	530
Soups	170	179	215	159	265
TOTAL, food	**7,866**	**8,183**	**9,192**	**10,301**	**12,398**
Non-food categories					
Health and beauty care	2,039	2,000	2,308	2,379	3,064
Household supplies	161	233	372	317	423
Paper products	47	100	121	174	165
Tobacco products	51	12	29	31	19
Pet products	18	30	33	42	74
Total, nonfood	**2,316**	**2,375**	**2,863**	**2,942**	**3,745**
Grand total	**10,182**	**10,558**	**12,055**	**13,244**	**16,143**

Source: *New Product News*, January 7, 1992.

Five food product categories, bakery foods, beverages, candy/gum/snacks, condiments and dairy products, accounted for fully 64% of all new food product introductions in 1991.

PURPOSE AND OBJECTIVES

The development of new products and their subsequent market introduction absorbs enormous energy and resources in the grocery distribution system. There are costs and benefits for manufacturers, distributors and consumers (McLaughlin and Rao 1991). Yet comparatively little research has been undertaken that examines the new product review process of grocery retailers. The purpose of this study is to examine the new product review processes and acceptance criteria of U.S. supermarket buyers with a more generalized goal of gaining an improved understanding of supermarket buying practices. The specific objectives of this project are as follows: (1) to summarize the common responsibilities of supermarket chain buyers and the roles they play in product introductions; (2) to develop a profile of the typical U.S. supermarket chain new product review process; and (3) to catalogue the attributes and decision rules typically employed by buyers when reviewing new products. A secondary objective is to develop information allowing supermarket companies to compare their own corporate objectives/criteria for product selection with those most commonly employed industry-wide.

If an improved understanding of key retailer acceptance criteria can be achieved, individual decisions made by all system participants, and indeed the entire grocery manufacturer/retailer/consumer complex, can be made more efficient.

IMPLICATIONS OF INTRODUCTIONS FOR FOOD SYSTEM PARTICIPANTS

Lack of awareness and understanding of the systemwide consequences of new product introductions tends to pervade the grocery distribution system. Limited awareness among system participants as to what drives new product introductions and how they affect each party (manufacturers, retailers, consumers) is the general rule and contributes to problems and negative perceptions often associated with new products. This section summarizes key factors associated with new product introductions and the major implications introductions have for various system participants.

Manufacturer Issues

Perhaps the single most important force driving the soaring number of new product introductions is the numerous changes in contemporary consumers. The past two decades have witnessed dramatic changes in American family structure and the country's social and cultural norms which have had a pronounced impact on the food purchasing and consuming behavior of U.S. consumers. Food consumption today can

be characterized *inter alia* by more frequent eating away from home, increased numbers of single individuals cooking for themselves, families with separate eating times, kids preparing their own snacks or meals, less time to prepare meals, and more recently, renewed interest in healthy eating and low calorie foods, to name only a few. In response, food manufacturers have developed numerous new food products they feel will best satisfy consumers' changing lifestyles and preferences.

In addition to changing consumer preferences, manufacturers state that new products are necessary to maintain the interest of the trade (wholesale and retail supermarket buyers), as well as consumers in their brand names and product lines. New products are too frequently seen as a principal way to stimulate company growth, cash flow, market share and profitability.[3] Indeed, most companies proudly highlight in their annual reports the number of new items introduced and the percent of sales derived from new products. Investors take note of product introductions and Wall Street typically places higher premiums on manufacturing firms with extensive new product activity. It serves as a proxy for progressiveness.

Moreover, new products are often introduced to counter a competitor's entry or expected entry into a product category. This is considered essential to protect shelf space allotments, hard won market share, and the competitive advantage of being first to market. Additionally, adding a new item to an adjacent product space to attract incremental sales or to leverage a brand by means of a so-called line item extension is a major force behind new product introductions (McLaughlin and Rao 1991). It is much less expensive to create a variation of an existing product or even to market a variation of a known brand name than to introduce a totally new product. As a result, it has been estimated that only 5-10 percent of all "new" products introduced annually are "actually" new (Progressive Grocer October 1990).[4]

Changing technology (e.g. microwavable products, shelf stable foods, improved packaging) is another major stimulus to new product activity. Almost 80 percent of all U.S. households owned a microwave oven by 1991, for example; such changing household appliance availability presents a much wider array of technological opportunities to manufacturers.

Retailer Issues

In some cases food retailers report feeling a certain coercion to accept new manufacturer items given their substantial introductory advertising and promotion programs. Otherwise, the buyers say they risk alienating shoppers who expect to find such

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[3] *Progressive Grocer* reported in a 1987 study that on average new items carried shelf prices 23 percent higher than the items they joined on the shelf, bringing increased profits for both the manufacturer and retailer.

[4] An important consideration for both manufacturers and retailers is whether such line-extensions are attracting new incremental sales in the product category, or whether there is a point of diminishing return where line item extensions simply cannibalize sales of existing products in the category.

new items on store shelves after they already have been advertised widely in mass media. This is, after all, the objective of "push" marketing employed by most major manufacturers. Further, when a new product first hits the market, it is likely to be as inexpensive as it is ever going to be for both retailers and consumers due to the substantial amount of manufacturer rebates, trade allowances and introductory coupons. In fact, it is alleged that some retailers make new product acceptance decisions on the basis of the amount of media support and introductory allowances offered, rather than the long term viability of the product (Supermarket News October 7, 1991). Thus, manufacturers with strong new product introduction programs and the financial clout to spend heavily on advertising or promotion are rewarded and the product proliferation cycle is perpetuated.

"Trade deals" have become an important mechanism used by manufacturers to promote their products.[5] A commonly held belief by manufacturers has been that trade deals can often induce retailers to maintain or accept distribution of weaker products. The number of trade promotion programs available to retailers has increased substantially over the last decade as manufacturers have fought to get their products into increasingly scarce store shelf space. In 1983, promotional dollars spent by packaged goods manufacturers were divided as follows: media advertising—42 percent, consumer promotion—22 percent, and trade promotion—36 percent. In 1991 the breakdown was: media advertising—31 percent, consumer promotion—25 percent and trade promotion—44 percent (Donnelly Marketing March 1992). Retailers have seized on what was initially competitive behavior between manufacturers —in a sense, playing them off against each other to secure the best deal—with some retailers becoming so accustomed to receiving trade deals they scarcely will consider a new item without requiring some form of trade allowance. At issue is the practice whereby retailers have been accused of taking advantage of manufacturers' trade deals, and then not passing these benefits onto consumers.[6] Some manufacturers, perhaps most notably The Procter & Gamble Company (P&G), have declared that trade deals have gotten so out of hand that they no longer reflect the competitive situation in the marketplace. P & G's solution has been to reduce or eliminate the availability of trade allowances for some brands while at the same time reducing the list price that retailers pay for the product. This essentially forces retailers to pass on more of the benefits of the trade promotion to the consumer (in the form of lower suggested retail price), while effectively eliminating what has become a dependable revenue source for some retailers.[7]

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[5] A trade deal is a promotion directed to the members of the channels of distribution (e.g. supermarket chains), and can take the form of: off invoice price discounts, cumulative volume rebates, inventory financing, free goods, cooperative advertising, planning assistance, contests etc.

[6] While trade promotions are directed to the trade (e.g. supermarket chains), it is the general understanding between manufacturers and retailers that such allowances or promotion assistance will at least partially be passed on to the consumer (e.g. in the form of reduced prices or special sales) and thereby increase sales of the product.

[7] A *Supermarket News* article on P & G's new pricing strategy (January 27, 1992) reported that many retailers depend on money made from promotional allowances through forward buying and diverting and thus are very nervous about P & G's new policies. Another article in *Progressive Grocer's* April 1991 Annual Report of the Food Industry stated that some retailers have gotten to the point of using deal money to supplement their bottom line.

Such heavy reliance by retailers on trade promotions could seemingly impact the life cycle of grocery products in a negative fashion if some retailers increasingly base their decisions on whether to retain a product based on the availability of manufacturer deals rather than perhaps consumer interest. If retailers (as well as consumers) reach the point where they buy only items that are "on deal" (for consumers, only items "on sale") and employ "forward buying" techniques to avoid paying the full non-deal (non-sale) price, manufacturers may be forced to increase either the frequency and value of their trade promotions in order to make sales, or discontinue the item since extensive trade dealing often makes an item unprofitable (Blattberg and Levin 1987). As result, more new products will be introduced to replace manufacturers' discontinued brands and the proliferation cycle is continued.

Consumer and Systemwide Issues

Many of today's new products have the potential to match consumers' various and fragmented demands much more closely than can "mass marketed" products, designed in effect for the "average" consumer. Most new products today are targeted at much smaller consumer segments or niches than was the case during the "mass marketing era." However, due to the additional systemwide costs of such targeted matching, the introduction of numerous new products designed for specific market segments has been criticized. For the consumer, the added expenses of some of the inefficiencies created by the proliferation of "new" products are, in part, paid for in the form of higher item prices. Additionally, there is the added cost of time spent trying to differentiate between products with few apparent differences. "Consumers are becoming overwhelmed—even paralyzed—by having so many choices" (Marketing News August 6, 1990).

Conner (1980) summarized criticisms of product proliferation in the food industry: (1) Product proliferation is deceptive because most new products are imitations or minor variants on existing products and are often marketed by the same company. (2) Proliferation contributes to inflation because new products often have higher price/quality ratios than existing substitute products. (3) Proliferation results in waste from self-canceling advertising, high failure rates, and operating plants at suboptimal production levels. (4) The introduction of large numbers of new products may undermine rational decisions by rendering trial purchase and evaluation difficult. (5) Product proliferation may in effect be an anticompetitive strategy reinforcing product differentiation and raising barriers to entry.

McLaughlin and Rao (1991) discuss several systemwide issues surrounding product proliferation beyond the myriad of costs, procedures and operational challenges that new products raise for manufacturers, distributors and consumers. These broader issues, not specific to a single firm or group of participants, include, for example, the pro-proliferation claim that the increasing number of new products stimulates competition and increases consumer choice. A contrasting question is, "at what

point does increased consumer choice and variety become excessive, costly and wasteful"? Perhaps an even more important question is, "who should decide when there are enough new products or too many"? Marion (1986) summarizes systemwide welfare analyses of the optimal level of product variety by stating that no clear-cut judgement of the net effect of proliferation can be determined. Schmalensee (1978) argues that the greatest concern about proliferation should be in the product categories with very high levels of concentration. The main beneficiaries of increasing competition in these categories (leading eventually to lower unit prices) is from new entrants, and perhaps consumers; however, extensive proliferation by incumbent firms may leave no profitable market niches for a new firm to occupy. Thus, consumers may be better off initially because of the availability of additional new products, but eventually worse off because proliferation preempts entry by actual or potential competitors (Conner 1981).

The Effects and Costs of Product Proliferation

The great number of new product introductions into the grocery product distribution system is a phenomenon becoming increasingly burdensome and costly for all parties involved, food manufacturers, grocery retailers and consumers. Product life cycle theory (PLC) states that most products go through a distinct sales cycle of new product introduction or birth followed by growth, maturity and finally a decline or death of the product.[8] From an "equilibrium" perspective, such a life cycle would seemingly necessitate the continued development and introduction of new products by manufacturers if they are to remain competitive and maintain their position in the marketplace. However, for the past 20 years, the number of new products presented to U.S. grocery retailers has grown far more rapidly than established products have "died" or been removed from distribution.

Despite the obvious appeal and value of new products, they represent additional costs for the overall food system. The costs of proliferation accrue to food manufacturers in the forms of increased research and development expenditures, reduced manufacturing efficiency caused by increased production changeover, sales fragmented over more product lines and cannibalization of existing product lines, to name a few. Moreover, new products are typically accompanied by substantial introduction programs to both the trade and ultimate consumer that effectively increases product costs, administrative expenses and makes sales calls more complex and time consuming.

For the food retailer, product proliferation results in increased time and expense handling and monitoring a greater number of products. More products require added shelf space and the increased number of products are sometimes less profitable per square foot of selling space.[9]

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[8] While PLC's will vary among different products with some products not exhibiting a traditional PLC, studies by Buzzell (1966) of grocery food products indicate that the traditional "S" shaped PLC does exist for many food product categories.

[9] Booz, Allen & Hamilton in a recent study of one supermarket's shelf space found that when the number of beverage products on the shelf increased substantially, gross profit per square foot declined substantially.

Deloitte and Touche Product Introduction Cost Study

In 1990, a study (Deloitte and Touche 1990) sponsored by six of the leading U.S. grocery trade associations reviewed the processes and systemwide costs for introducing a new item and for deleting an unsuccessful item. The study results provide a basis for improved understanding of a complicated and little researched area. The results can be extrapolated to the industry as a whole only with caution, however, since neither the firms nor products studied were randomly selected. Mindful of this caveat, the overall findings include: (1) Generally, product introductions follow a twenty-four-step process from manufacturer research and development to retail shelf performance monitoring. Manufacturers participate in eighteen of these twenty-four steps and retailers are involved in eleven. (2) Product deletions, in general, follow a ten step process from monitoring product performance by all sectors after the product is in distribution, through the disposal of excess raw materials and inventories of finished products. Manufacturers are involved in seven of these steps and retailers in eight. (3) The average cost for a manufacturer to introduce a new product is $222.12 per Stock Keeping Unit (SKU) per store that accepts distribution. The average cost for a retailer to accept a new item is $13.51 per SKU per store operated. (4) The average cost to a manufacturer of deleting a product is $3.94 per SKU per store (not including the cost of product markdown, the cost of disposing the product or the cost of plant and equipment write-off). The average cost for a retailer to delete a product is $10.77 per deleted SKU per store operated (including an average markdown cost of of $5.34 per deleted SKU per store operated.) (5) For manufacturer product introductions, the key cost activities are: Research and Development; Market Analysis; New Product Implementation; Introductory Trade Deals and Allowances; and Consumer Advertising and Promotion. For manufacturer product deletions, the key cost activities are: Product Deletion Implementation; Disposal of Excess Raw materials and Finished Goods; and Product Markdowns. Introductory trade deals and allowances and consumer advertising and promotion account for 64 percent of total manufacturer grocery introduction costs.

For retailers, store-level costs (e.g. store labor, shelf re-sets) account for 62 percent of total retailer product introduction costs. Disposal of excess raw materials and finished goods account for 90 percent of manufacturer deletion costs, and store-level costs (exclusive of product markdowns) account for 79 percent of retailer deletion costs. One of the troubling findings of the Deloitte and Touche study is the portion of both introduction costs and deletion costs (e.g. labor to place/remove items on store shelves, disposal of excess goods, cost of plant and equipment write-off) found attributable to functions that do not add value to a product or to the benefit/satisfaction consumers receive when purchasing an item.[10]

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[10] Information for this section came from; Deloitte & Touche. "Managing the Process of Introducing and Deleting Products in the Grocery and Drug Industries.", June 1990.

Space Limitations

A factor contributing to supermarket chains' displeasure regarding product proliferation is that the growth rate of new product introductions is much greater than the growth rate of the size of new grocery stores (Table 1.2). The result is that retailers simply do not have enough space to accommodate the number of new items presented to them. Table 1.2 clearly demonstrates that while new store size increased by about 40% over the decades of the 1970s and 1980s, new grocery products introductions grew at a staggering 1600% rate. In fact, *Progressive Grocer* (December 1987) reported that six out of ten new products are rejected by chain buyers before they reach store shelves, due in part to simple store space limitations.

Table 1.2: New Product Introductions and Average Size of New Grocery Stores

		1970/81-91				
	(Average 1970-81)	1988	1989	1990	1991	Percent Change
New Item Introductions	1,085	10,558	12,055	13,244	16,143	1388%
New Store Size (sq ft)	27,200	40,800	40,600	40,000	38,000	40%

Source: *New Product News* and *Food Marketing Institute* 1991.

ORGANIZATION OF REMAINDER OF THE REPORT

Section II of this report contains an overview of the typical procurement processes of retail supermarket chains and discusses several previous research efforts that have addressed this topic. Section III summarizes the survey methodology and reports the response rate while Section IV presents the empirical results. Section V addresses additional hypotheses regarding the meaning of some key survey findings and develops implications of the study for various sectors of the grocery industry.

Section II:

THE NEW PRODUCT PROCUREMENT PROCESS

This Section outlines the typical new product procurement or buying structure of U.S. supermarket chains. It also summarizes several earlier research efforts related to supermarket procurement which in part guided the scope of the current research effort.

BASIC SUPERMARKET PROCUREMENT PROCESS

Grocery manufacturers present their new products offerings to supermarket buying departments who, in turn, are typically responsible for determining which of manufacturers' new products to accept or reject. This decision-making function has been likened to that of a "gatekeeper", allowing some new items to pass into the distribution system and onto store shelves while screening others out. Grashof (1970) enumerated three types of supermarket buying structures that are still the prevailing buying structures employed today: buying committee, individual product line buyers, and a combination of line buyers and buying committee. Under the individual product line buyer scenario, supermarket buyers typically review products and buy for specific product categories, (e.g. dry goods, perishables, general merchandise, etc.). It is likely these buyers also have have additional responsibilities such as assisting with marketing or store level merchandising activities.

Many companies rely not just on individual buyers but on a buying committee as well for their new product review. The membership of a corporate buying committee typically consists of directors of procurement, merchandising, consumer affairs, and often other more senior level executives. The accept/reject decision under the buying committee structure rests with the entire committee rather than a single buyer. With the third type of buying organization, a combination line buyer and buying committee structure, the process is slightly different. In most cases, manufacturer representatives or food brokers first present their new items to the individual line buyers responsible for a particular category (e.g. dry grocery buyer, dairy products buyer, general merchandise buyer, etc.). The next step occurs when the line or category buyers re-present to *their* buying committee the items they have been shown, since, in many cases, manufacturers or brokers are not permitted to present their items directly to chain buying committees. Line buyers may re-present all of the products they have been shown since the last committee meeting or only a subset of new products which they believe merit the committee's further review. The committee then makes the final accept/reject decision, usually in accordance with what the line buyers recommend.

Previous Research

Several earlier studies have sought to gain a better understanding of the factors supermarket buyers deem most important when reviewing new items. Such an under-

standing would help manufacturers allocate scarce marketing and research and development budgets to the factors that "counted" the most among customers-buyers, tailor their new product presentations, and target introductory marketing activities in such a fashion as to improve their products' probability of acceptance. Heeler, Kearney, and Mehaffey (1973) developed a model that suggested streamlining the new product evaluation process by pre-screening new product offerings into "no chance" and "consider further" categories. Their conclusion was that the buying process could be made more efficient by eliminating new products that did not pass an initial acceptance level. Only products that passed the preliminary review would receive a full review. Montgomery (1975) analyzed the supermarket buyer decision process and proposed a list of key variables buyers should employ in making the decision to accept or reject a new product for distribution. While Montgomery's study utilized supermarket buying professionals, their reactions and evaluations used in the construction of a decision model were based upon hypothetical products. Conner (1981) tested the relationship between market structure and the number of annual new product introductions on data from the 1970s, and concluded that food product proliferation is a mode of industry conduct arising from markets characterized by differentiated oligopoly.

McLaughlin and Rao Study

In light of the tenfold increase in product introductions during the 1980s (see Table 1.1), McLaughlin and Rao (1990) analyzed the buying decision processes of a large northeast supermarket chain. They tested a considerable number of hypotheses using actual buyer decisions. Their major findings include: (1) The presence of certain nonprice incentives such as slotting allowances may be correlated with inferior products. The authors speculate that one reason for this otherwise counter-intutive finding might be that manufacturers may offer additional support for products they fear are not truly unique and, conversely, buyers may recognize and accept truly superior new products on their own merit without requiring additional inducements; (2) Buyers may initially accept products that are accompanied by slotting allowances or other inducements, perhaps because of the financial incentive alone, only to discontinue them relatively sooner than competing new items without allowances; (3) Given the high costs of test marketing a new product, manufacturers may simply decide to present the item to chain buyers without going through test marketing. Supermarket buyers are frequently in a better position to assess potential consumer demand than manufacturers and may serve therefore as a quick and less expensive "test market". In this case, the large numbers of new product introductions in recent years may not represent inefficient product proliferation, but an efficient manufacturer strategy to increase variety (and profit) while reducing systemwide costs. To a degree, this hypothesis is supported by the findings of an internal study in 1990 by Ralph's Grocery Company, Compton, California which found that 38 percent of all products deleted from the chain's shelves during a 22 month period were as result of the manufacturer stopping production of the product or removing it from distribution (Supermarket News January 21, 1991).

Furthermore, McLaughlin and Rao found that the factors that seemed to have the largest impact on the probability of buyers' acceptance were the product's gross margin, whether the product had been presented to competing retail firms in the same market and the quality of the product itself. A limitation of the McLaughlin and Rao study is that it was based on actual observations of only one supermarket firm. Replication of their research with additional firms should yield insights that are truly industry-wide, and thereby strengthen their findings. That is one of the objectives of this study.

Progressive Grocer Study

In 1987 *Progressive Grocer (PG87)* presented the results of a study of supermarket buying practices based on an analysis of new product introductions and buying practices of the Minneapolis based grocery wholesaler Super Valu and other selected grocery chain buyers.[11] The results of that study provide a useful point of comparison for the survey results of the current project. In fact, a number of the questions asked in the Progressive Grocer (Super Valu) study are replicated in this project for comparison puroposes. Among the key findings of the *Progressive Grocer* study were: (1) New items carry prices 23 percent higher than similar items they joined on the shelf; (2) Items introduced in the previous 10 years (1978-87) accounted for 52 percent of total dollar sales in the dry grocery category; (3) These new items account for 47 percent of all unit movement. The president of Ralph's Grocery Company, Compton, California made the following observation in the PG87 study: "although many of the new products introduced each year are viable, surprisingly few ever become residents of the true upper echelons of performance".

Grocery Marketing Study

Grocery Marketing (December 24, 1991) reported results from a 1991 survey of buyers of the nation's top 100 retail supermarket chains and 20 largest food wholesalers. The study sought to develop a profile of the typical retail chain buyer.[12] The *Grocery Marketing* research not only underlines the increasing industry concern surrounding new product introductions, but also provides an opportunity to compare survey findings for those questions that are similar in the current Cornell survey. One notable difference between this research and the *Grocery Marketing* survey is that the latter study surveyed primarily individual line buyers while this survey was sent to senior level personnel often in charge of procurement decisions for the entire company. The current report is also more focused on the buying decision making processes and the buying structure typically employed by supermarket chains.

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[11] Throughout the remainder of this report, the 1987 Progressive Grocer study and an earlier 1978 study may be referred to as PG87 and PG78.

[12] Throughout the remainder of this report, the 1991 Grocery Marketing study reported in the December 24, 1991 issue of *Grocery Marketing*, may-be referred to as GM91 or Grocery Marketing (1991).

New Product Procurement Summary

McLaughlin and Rao (1990) reported that 69 percent of all products accepted by the chain they researched were dropped within two years. While grocery manufacturers are responsible for introducing the growing number of new products, the high percentage of failures in a relatively short period of time suggests there are opportunities for improvement in the acceptance decisions made by supermarket buying departments. The results presented in the following Sections enumerate and describe the typical supermarket buying processes for new items and identify areas for efficiency improvement in supermarket chain procurement practices.

Section III:

SURVEY METHODOLOGY AND RESPONDENT PROFILE

In order to gain a first-hand understanding of the new product review process and acceptance criteria of U.S. supermarket buyers, a mail survey of the top 200 U.S. supermarket chains was conducted in September - October 1991, following the Total Design Method (TDM) framework.[13] Dillman's TDM describes in detail the specific steps that should be followed in constructing and implementing a mail survey to ensure maximum response rate.

The survey (Appendix A) consisted of five sections eliciting information on specific buying practices, new product acceptance criteria, respondents' roles in the new product introduction process, and background information on the company and on the survey respondents. Questions were developed by reviewing existing information and research results, by noting the gaps in existing empirical research on grocery chain procurement practices, and through discussions with industry professionals. Moreover, buying executives from six different supermarket companies around the U. S. assisted in pretesting the survey. Their extensive comments and requests for clarification on an early survey draft were incorporated in the final version.

Mailing List

The Chain Store Guide (CSG) directory was employed for the names and titles of the officers and key personnel for each of the top 200 U.S. supermarket companies. Since the survey was developed to gather information on retail grocery product procurement (e.g. dry groceries, frozen foods, dairy products, HBC items and general merchandise), the survey was typically addressed to senior level procurement personnel (e.g. Vice Presidents of Grocery or Procurement or Director of Grocery Buying). Individual line buyers were not surveyed.

In accordance with the TDM, five mailings to the selected participants were planned. The first mailing was a personalized letter sent ten days before the survey was mailed, notifying the surveyees that shortly they would recieve a mail survey and asking for their assistance with the study. The announcement letter was followed by a copy of the survey and another personalized cover letter worded so as to stimulate interest in the study and encourage response. A self addressed, postage-paid reply envelope was enclosed. Roughly two weeks after the survey was mailed, a postcard was sent to the entire survey population, even to those who had already responded.

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[13] Top 200 U.S. supermarket chains as listed in the 1991 edition of The Chain Store Guide (CSG); Directory of Supermarket, Grocery & Convenience Store Chains.

This was a combination "thank-you" and acknowledgement to those who had already returned the survey, and an encouragement to respondents who had not yet done so. The fourth mailing, approximately three weeks after the initial survey was mailed, went only to non-respondents and contained a second copy of the survey, a self addressed, postage paid reply envelope, and another personalized cover letter encouraging surveyees to complete and return the questionnaire.

Survey Response Rate

Approximately 59 percent of all surveys eventually returned had been received three weeks after the survey was initially mailed, and before the second survey was sent to non-respondents. Table 3.1 breaks down the timing of survey responses.

Table 3.1: Timing of Survey Returns

Weeks After Survey was Initially Mailed	No. Surveys Returned	% of Total Surveys Returned
One week	9	8
Two weeks	34	30
Three weeks	24	21
Four weeks	13	11
Five weeks	12	11
Six weeks	16	14
Seven or more weeks	6	5
Total	114	100

Approximately two months after the initial survey had been mailed, a personalized thank you letter was sent to all survey respondents.

Of the two hundred supermarket chains that received a survey, 114 complete surveys were returned, representing 102 different supermarket chains[14] or 51 percent of the top 200 companies. The combined 1990 sales of these 102 firms was $139.5 billion or 73 percent of *all* sales by U.S. supermarket chains in 1990.[15] Thus the analysis and

[14] Several chains returned multiple questionnaires representing different divisions. If surveys were received from more than one division of such national chains, for response rate purposes, only one response was counted (e.g. 102 different firms, 114 total surveys returned). For purposes of analysis, all complete survey responses were included as long as the information was not duplicative.

[15] Total sales for the responding firms were derived from published sales figures in GSC. The 1990 sales figure for all U.S. supermarkets is from the April 1991 Progressive Grocer, 58th Annual Report.

conclusions in this report represent the practices and views of buyers who account for nearly three quarters of U. S. supermarket sales. Table 3.2 breaks down responses by size of responding firm.

Table 3.2: Rank of Responding Chains, 1990 Sales

Firm Rank By Size*	No. Responding In Category	% Of All Responses
Top 10 chains	9	9
11 - 50	24	24
51 - 100	26	25
101 - 150	19	18
151 - 200	24	24
Total	102	100

* Source: 1991 edition of *CSG*

Source: New Product Buyers Survey results

PROFILE OF RESPONDING FIRMS

While the underlying strategic mission of many supermarket chains may arguably be quite similar (e.g., to satisfy consumers and generate a profit), their organizational structure varies considerably from very large companies operating multiple divisions across the country (although several supermarket chains have national "presence," such as Safeway, Kroger or American Stores Inc., no one firm is represented in more than 20 or so states) to local chains operating within the narrow confines of a given metropolitan area.

Firm Structure

Forty three percent of respondent companies in this study are organized by regional divisions while the remaining 57 percent operate from a single headquarters location. The average number of grocery stores per chain in this study is 326 (Table 3.3), however, the median is only 85 since responses from several very large chains skew the mean much higher than the median. The average number of stores per regional division is 128 (Table 3.4).

Table 3.3: Number of Stores Per Chain

No. of Stores	% Responding In Category
1 - 150	66%
151 - 300	8
301 - 500	9
501 - 1000	4
Above 1000	13
	100%

Mean number of stores; 326, median number of stores 85

Table 3.4: Number of Stores Per Division

No. of Stores	% Responding In Category
1 - 50	12%
51 - 150	65
151 - 300	19
301 and above	4
	100%

Mean number of stores; 128, median 100

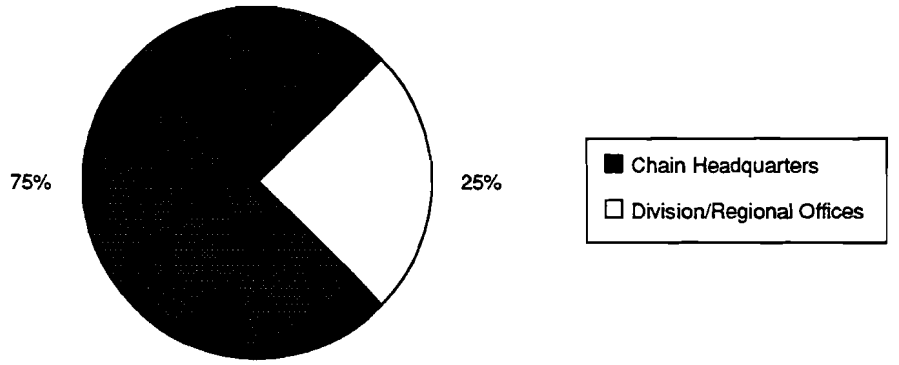
As the average size of newly constructed supermarkets has gradually increased in recent years, the number of items carried by stores as measured by number of SKUs has also increased.[16] The average number of SKUs carried in respondents' stores was 20,117, compared to the average number of SKUs carried by *all* U.S. supermarkets in 1991 of 18,392 (Progressive Grocer April 1992). Larger stores with more room for more new products have been one catalyst behind industry growth during the past decade, with growth of the largest supermarkets (annual store sales of at least $12 million) rising the fastest (Progressive Grocer April 1992). In 1987, the average number of SKUs carried by respondents to the *Progressive Grocer* survey was 15,292 — over one-third fewer than carried by today's top chains.

[16] See Table 1.1 for changes in average size of new supermarkets from the 1970s to 1990.

Location of Buying Function

The vast majority of the time product buying is carried out at chain headquarters, even when the chain is organized by regional offices (Figure 3.1).

Figure 3.1: Location of Principal Chain Buying Functions



Industry interest in centralized buying (where buying functions of a multi–regional retailer are consolidated into one location) is increasing. The forces driving more centralized buying were summarized by one buying executive, "by uniting what was regional buying into a centrally focused effort will give a retailer greater clout in the market by professionalizing buying, trimming costs, and ensuring the presentation of all deals to the central buying location" (Supermarket News, January 20, 1992, p. 14). The A&P Company, for example, the nation's fourth largest supermarket chain, recently switched to centralized buying and credits the move with saving its southern divisions. Centralized buying is in part a response to manufacturers' practice of regionalized pricing, and it is viewed as a way for multiregional chains to improve their chain-wide operating efficiencies and bargaining power in a challenging business climate.[17] A disadvantage of centralized buying is that there may not be a perfect match between localized consumer wants and purchases made on a national or regional level.

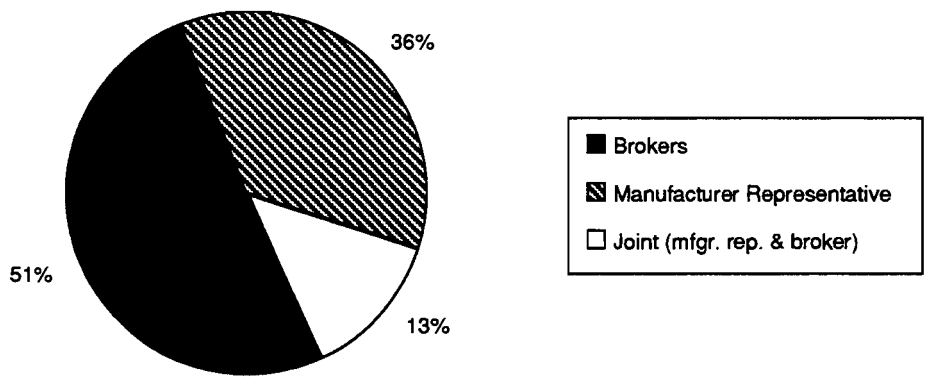
New Product Presentations

Food brokers who typically represent several grocery manufacturers at the same time, play an important role in the new product introduction process. A broker serves as an independent sales agent for a manufacturer and is often responsible for introducing new items on behalf of the manufacturers. Brokers typically are also responsible for

[17] Centralized buying is used by the many discount retailers such as, Wal-Mart and K-mart, who have also been experimenting with various food retailing formats. This has caused some supermarket chains to evaluate the discounters operations and adopt some of their practices.

handling a variety of other tasks such as assisting retailers with merchandising activities, maintaining the presentation of their manufacturers' products lines on store shelves, and generally serving as the front line representative to retailers on behalf of the manufacturers they represent. Since in many instances it is more economical to hire brokers to handle these tasks in the numerous markets across the country than to employ full-time company sales representatives, many brokers have seen their business increase in recent years as economic conditions have worsened. It is for these reasons that it is brokers who make the initial presentation of many new items to the retailer on behalf of their manufacturer principals (Figure 3.2).

Figure 3.2: Presentation of New Products by Type of Sales Representative



There is, however, considerable lack of satisfaction concerning the quality of presentations made by the respective sales representatives. In general, buyers rated presentations made by manufacturer representatives or joint presentations (that is, both manufacturing reprsentative and broker present) more favorably than presentations by brokers alone (Table 3.5).

Table 3.5: Quality of New Item Presentations By Sales Organization

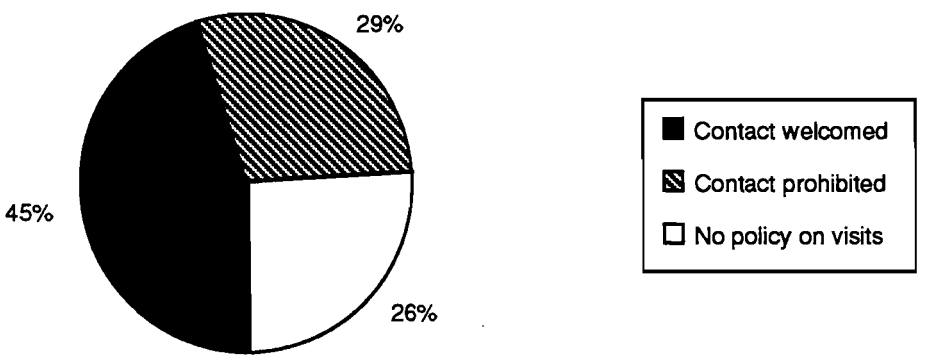
	Outstanding		Average		Inferior
	1	2	3	4	5
Presentations by manufacturers	4%	53%	40%	2%	1% =100%
Presentations by brokers	2	37	49	10	2
Joint (manufacturer & broker)	7	49	41	3	0

Progressive Grocer reported that "brokers draw slightly better ratings than manufacturer sales-forces for services, but the ratings for both are decidedly mediocre" (Progressive Grocer April 1991, P. 35). On a scale from A to F, *Progressive Grocer's* 1987 survey participants gave a "C+ grade" to new item sales presentations made by both manufacturers' representatives and brokers. Respondents offered additional comments ranging from being pleased with the "caliber of most presenters" to remarking that "presentations were often poorly planned". One consistent observation was the need for presentations to be concise and brief, providing enough of the right information without waxing unnecessarily about the product's virtues.

Company Policies

The majority of chains are quite permissive in allowing manufacturers' sales representatives or brokers to call on store managers with information regarding new products (Figure 3.3). However, fully 29 percent actually forbid contact with individual stores. This is the case even though store managers are not likely to be directly involved in the new product acceptance decision. They may well be involved, however, in various store level placement and merchandising activities for the new item.

Figure 3.3: Direct Sales Calls to Stores



Progressive Grocer noted in 1987 that 32 percent of its respondents also stated sales calls on stores were prohibited, but the remainder of the time contact was encouraged or there was no specific company policy.

In general, manufacturers state several possible reasons for special sales calls on store level management: (1) Since store managers interact daily with consumers in the marketplace, they may be able to provide helpful insights on the potential of a new item or may suggest promotion ideas they think would complement a particular product. These suggestions could then be incorporated into manufacturers' introduction program for the product. (2) If store managers are presented and told about a new item and

convinced of it's potential, their support may be leveraged to get the chain buying department to accept the product. (3) After the item has been accepted, sales representatives can alert store managers of any unique characteristics of the new product and give them incentives to support the item, thereby increasing the likelihood of its being handled in a manner so as to maximize sales.

Once a decision is made by the buying department to accept a new item, many additional decisions remain before the item is actually placed on store shelves. Depending on the importance of the issue and the degree of centralization within the company, ancillary questions may be addressed at the headquarters, regional office, or individual store level. The trend today appears to be that the majority of product related decisions are made at the corporate headquarters level. This is probably best explained as an attempt to ensure uniformity and improve chainwide efficiencies (Table 3.6). Food Lion, for example, the nation's seventh largest retailer, is so centralized that not only are chain buying function handled from headquarters but also functions such as individual store heating, refrigeration and lighting are now controlled by computer from a single headquarters location (*Progressive Grocer*, October 1990).

Table 3.6: Decisions Made at Various Organizational Levels of Supermarket Chains

Issue	Corporate Headquarters	Division/Regional Office	Store Level
	%	%	%
Set retail price	68%	21%	11% =100%
Authorization of distribution	67	22	11
Discontinuation of an existing item	68	23	9
Use of special new product display	51	17	32
Location in warehouse	67	28	5
Location in store	53	13	34
Shelf position	54	12	34
Number of shelf facings	50	11	39
Re-order magnitude	31	18	51
If new item has "acceptable sales"	67	22	11

With the exception of "re-order magnitude", all of the other major product related decisions are made the majority of the time at the headquarters level. This apparent desire to centrally control the procurement process is consistent with the overall move to central control in the supermarket industry.

Progressive Grocer also found a high degree of centralized decision making in its 1987 survey, although there are some differences in the specific findings of the two surveys. For instance, both surveys indicated that retail prices were usually set at chain headquarters, but *Progressive Grocer* respondents reported this was the case 95 percent of the time while the results presented in Table 3.7 indicate that headquarters determines the price only 68 percent of the time. It is possible that relatively recent expansion of personal micro and mini computers at the store level is shifting some decision-making responsibility to the store level.

These two studies do not span a period of time long enough to formalize hypotheses but one could speculate from these results that there is an very high degree of centralization of authority in retail chains and much more limited autonomy and decision making left to store level management. Thus, despite the fact that 43 percent of the survey sample reported operating regional divisions or branches, the key buying personnel and procurement decisions are made at the chain's corporate headquarters.

PROFILE OF INDIVIDUAL RESPONDENTS

As the U.S. supermarket industry has grown and matured, marketing and operational activities associated with running a supermarket business have become increasingly complex. This trend is evidenced in the growing sophistication of the procurement personnel who responded to this survey.

Job Titles and Buying Responsibility

The majority of individuals receiving the survey for this study were senior level buying executives. The assumption was made *a priori* that more senior level personnel could speak more knowledgeably about the procurement practices for the entire company being surveyed than could company product line buyers. The five most commonly cited "groups" of job titles among survey respondents are listed in Table 3.7.

The 1991 *Grocery Marketing* survey of buyers targeted its mailing only at individuals of the nation's 100 largest retail chains with job titles of "buyer", "senior buyer", or "buyer/merchandiser". However, responses were in fact received from individuals with a variety of titles as summarized in Table 3.9 (Grocery Marketing 1991). A comparison of Tables 3.7 and 3.8 indicates that over 45% of the Cornell survey respondents possess a title of at least Vice President, whereas only 3% of the *Grocery Marketing* study had Vice President titles. Thus, in comparing the results of the two surveys, it is important to recall the much more senior nature of the Cornell survey respondents.

Table 3.7: Job Titles of Survey Respondents

% of All Responses	Titles
36%	**Vice President** of: Buying/Merchandising, Grocery, Purchasing, Grocery Operations, Procurement Central Purchasing, Marketing, Operations
30	**Director** of: Grocery Merchandising, Grocery Procurement, Marketing, Grocery Buying, Grocery Sales, Merchandising, Purchasing, Operations
18	Miscellaneous **senior positions**: President, Chief Financial Officer, Chairman, Controller, Senior Grocery Buyer, Buying Coordinator, Category Sales Manager, Buying Department Manger, Sales Promoter Grocery Merchandiser, Supervisor of Buying, Grocery Purchasing Specialist, Procurement Manager
9	**Senior or Executive Vice Presidents** of: Grocery, Purchasing, Procurement, Buying & Merchandising, Marketing
7	**Head Buyer** or Purchasing Specialist
100%	

Table 3.8: Job Titles of *Grocery Marketing* Survey Respondents, 1991

% of All Responses	Titles
29%	Buyer/merchandisers
21	Buyers
16	Senior buyers
9	Directors of product areas or a function
6	Merchandisers
4	Procurement managers
3	Vice Presidents
2	Category managers
10	Other
100%	

On average, the participants in Cornell study have purchasing responsibility for 140 stores, although the median purchasing responsibility is for a considerably smaller 70 stores. Responses from individuals who have buying responsibility for particularly large chains boosts the average above the median.

Length of Employment

Traditionally, advancement in supermarket companies has come from within the organization itself. Many supermarket employees began their careets in a stock clerk or cashier position and, over the years, have been rewarded for their loyalty and performance with promotions to a management or supervisory positions. This scenario is reflected in the high average number of years respondents reported working for their current employer: 19.9 years (Table 3.9). *Grocery Marketing* (1991), surveying more junior personnel (almost one-third of their respondents were buyer/merchandisers), had a greater concentration of respondents with fewer years of service with the same employer. The results of both surveys however suggest that long tenures with the same employer are common with supermarket buyers.

Over time, the "promotion from within" tradition has been a strategic advantage for supermarket chains which have had a pool of loyal, experienced employees who could be drawn upon to fill store management positions as companies grew. The average number of years respondents have been in their current procurement position is 7.4 (median of five). This substantial length of time may be inherent in the seniority of the relatively senior level of survey respondents: additional promotion opportunities are limited. However, *Grocery Marketing* found that the mean number of years spent at the same position among its more junior respondents was a slightly longer 7.7 years. An alternative explanation may simply be the general long employment tenures and loyalty seemingly characteristic of management level personnel in supermarket companies.

Table 3.9: Years of Employment With Current Employer

Employment Tenure	% Responding In Category	Grocery * Marketing %
20 years or more	52%	41%
10 - 19 years	29	37
5 - 9 years	13	12
1 - 4 years	4	10
Less than a year	2	1

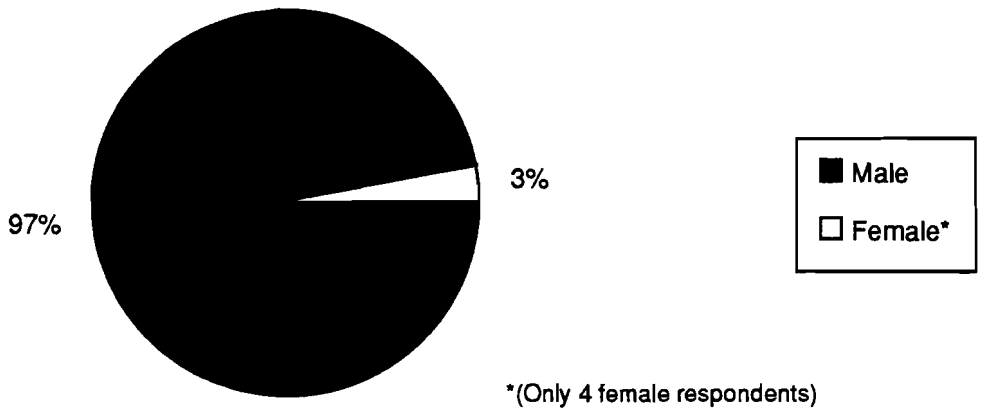
Mean number of years with current employer, 19.9; median 20 years

*(Responses to a similar question in the 1991 *Grocery Marketing* study; mean number of years with current employer, 14.6.)

Personal Background

Exclusive of a few positions—e.g.,cashiers, front end office and deli personnel—the supermarket industry has traditionally been predominantly a male domain. Supermarket buying departments appear to be even more male dominated than the industry as a whole. *Grocery Marketing* (1991) reported that 89 percent of its surveyees were male, and while 66 percent of its male respondents had worked in the supermarket industry for at least 20 years, this was the case for only 18 percent of female respondents. The Cornell survey results are even more imbalanced where a staggering 97% of all buyer respondents were male (Figure 3.4).

Figure 3.4: Gender of Survey Respondents



Moreover, female respondents had worked for the same supermarket company for a shorter period of time than their male counterparts, 15 years (mean for entire sample, 19.9 years), with the average number of years in their current position 6.3 years (average for entire sample, 7.4 years).

The mean age of all respondents was 44.6 years, however, the mean age of the female respondents was 39.4 years, perhaps suggesting that the buying department is slowly beginning to incorporate women into its "sanctum" as younger women are becoming more commonplace in the grocery industry (Table 3.10). The mean age of all *Grocery Marketing* respondents was a similar 44.2 years; the mean age of its females respondents was also a significantly lower 38.5 years. There is no appreciable difference between the two studies' responses in the various age cohorts, and in fact, there appears to be is a normal distribution of management level procurement employees in the supermarket industry, across typical "working age" age cohorts.

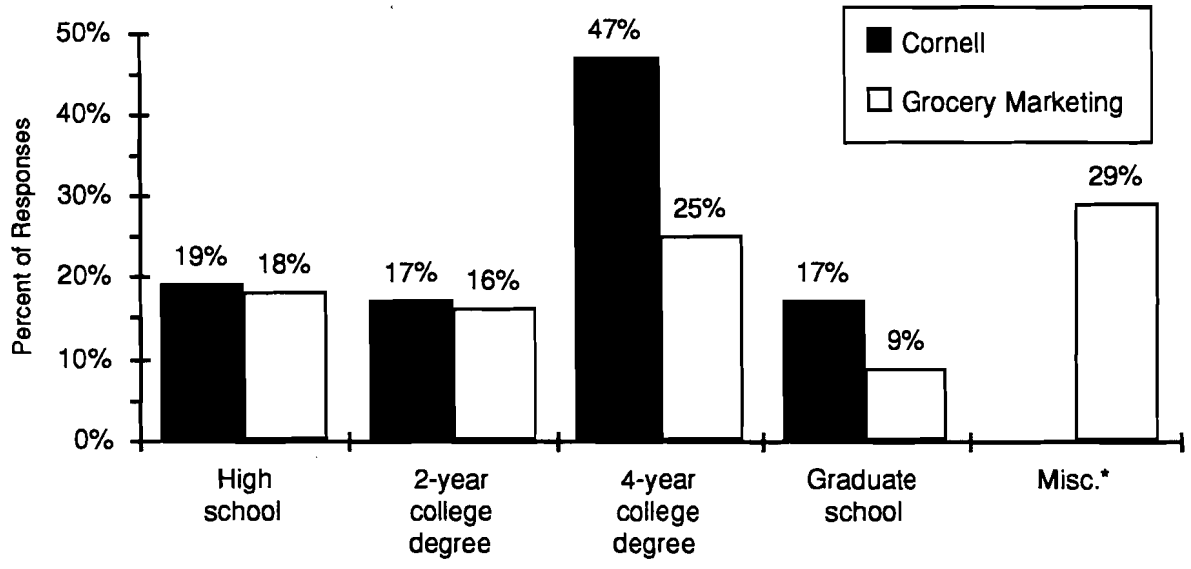
Table 3.10: Age of Survey Respondents

Age	% Responding In Category	Grocery * Marketing %
65 or older	< 1%	2%
55 - 64	14	14
45 - 54	31	28
35 - 44	42	41
25 - 34	13	14
under 25	0	0
	100%	100%

*(Responses to a similar question in the 1991 *Grocery Marketing* study).

In the past the need for a formal college education was not of paramount importance in the supermarket industry. In fact, *Grocery Marketing* (1991) noted that a four year college degree seemed to be the exception, not the rule for the respondents to its buying survey. By contrast, a four year college degree was more the *rule* than exception in the Cornell buyer survey, reflecting the more senior positions of the respondents in the latter study. (Figure 3.5).

Figure 3.5: Level of Education Obtained



(*Misc.: 28% reported completing some college and 1% reported post high school vocational training, GM91)

Grocery Marketing (1991) reported a slight edge in the educational attainment of their female respondents; 29 percent of females had some college vs. 27 percent of males, 29 percent of females had four year college degree vs. 28 percent of males. While the Cornell survey only had four female respondents, a slight edge in female's level of education was also the case: two had four year college degrees, one an associates degree and the other a high school degree. In general, the level of education among the management level participants in the Cornell survey was consistently high with almost two-thirds having at least a four year college degree.

The overall level of formal education among *Grocery Marketing's* survey respondents was below the average level of education found among Cornell respondents. Before being promoted to their current buying position, 28% percent of the *GM* respondents were merchandisers, 21 percent were store managers and 14 percent were department managers, indicating perhaps that a lower level of education was acceptable for personnel who had "worked their way up through the ranks." At the corporate level however, managers' higher degree of formal education undoubtedly reflects the changing reality of today's supermarket industry where the need is for more highly trained and skilled personnel to manage increasingly complex operations.

Popular Media

Numerous trade journals and business publications are targeted towards members of the supermarket industry. Participants were asked to list the four publications they most frequently read. Over 200 *different* publications were cited, ranging from popular press magazines, to supermarket industry periodicals, the national business press, and regional food related publications and newsletters. The ten most popular publications ranked by number of times cited are listed in Table 3.11.

Table 3.11: Frequently Read Publications

Title of Publication	Number of Times Publication was Cited	% of All Responses
Supermarket News	50	16%
Progressive Grocer	38	12
Time Magazine	37	12
Sports Illustrated	21	7
Fortune	20	6
Forbes	15	5
Newsweek	13	4
Supermarket Business	12	4
Wall Street Journal	8	3
Business Week	7	2
Other miscellaneous publications		29
		100%

While respondents might have felt some "obligation" to list business publications instead of popular publications, the titles cited give some sense of preference among industry professionals. Such information should be of use to manufacturers as they attempt to most efficiently reach their target audiences. Of note, for example, is that only three out of ten of the most frequently read periodicals are food industry related.

A corollary question asked respondents to list their four most frequently watched television programs. Numerous programs or types of programs were listed, and in fact, there was almost as much variation among respondent preferences regarding TV shows as there was with magazines. The nine most commonly watched TV shows or types of programs, ranked by number of times each show or type of program was cited, are summarized in Table 3.12.

Table 3.12: Frequently Watched Television Shows/Programs

Shows - Programs	% of All Responses
Various sitcoms	30%
News Programs; local news and network news broadcasts	20
Sporting events; e.g football, basketball, golf, etc.	19
60 Minutes News Program	14
CNN News	5
20/20 News Program	4
PBS programs	3
Cable programs	3
Various movie channels	2
	100%

This question did not result in as many specific show titles or names as did the frequent publications question, none- the-less, it indicates to manufacturers that certain types of programs, such as local or national news or sporting events, are most popular among this audience.

Section IV:

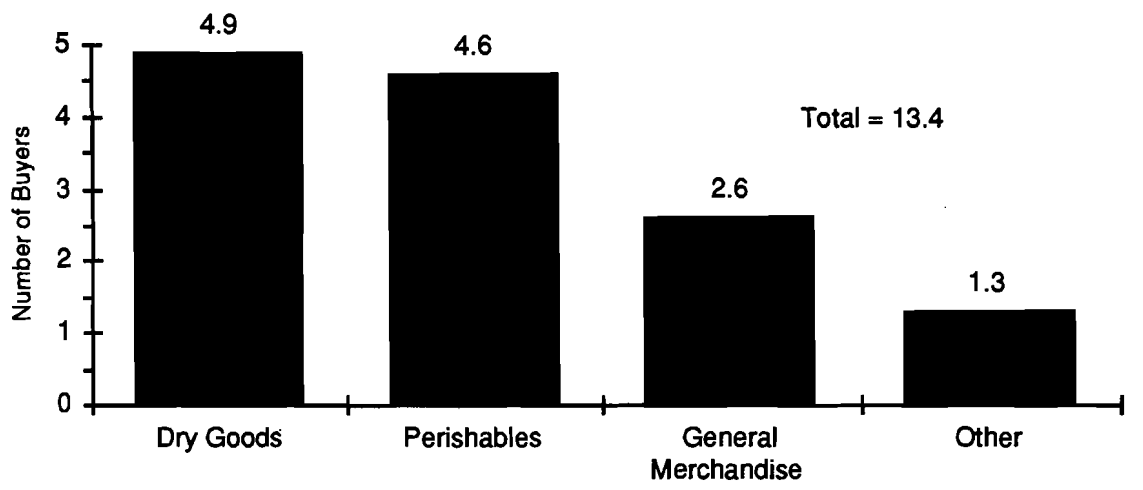
EMPIRICAL RESULTS AND ANALYSIS

This Section reports the results of the buyers survey in the order of the five survey sections: A) Buying Procedures, B) New Product Acceptance Issues, C) Your Role in New Item Introductions, D) Organization Background, and E) Personal Background. The findings of several previous research studies noted in Section II are cited frequently as points of comparison to the survey results. Generally, except where otherwise noted, the data presented focus on the typical procurement practices and behavior of supermarket *grocery products* buyers. Procurement of perishable products, such as produce and meat, is quite different from dry grocery buying practices and, as such, was not considered in this study.

A. BUYING PROCEDURES

When all product categories in a supermarket are considered (dry groceries, perishables, general merchandise, and health and beauty care), the average supermarket chain employs 13.4 buyers at the headquarters buying department. Dry grocery buyers outnumber other major categories of buyers, accounting for 37 percent of all buyers (Figure 4.1).

Figure 4.1: Mean Number of Buyers Per Product Category



Since however, dry grocery products normally represent nearly 50 percent of supermarket sales (Progressive Grocer April 1991), it appears that non-grocery departments have more buyers relative to their share of store sales than do grocery departments. It is possible that the standard procurement practices for non-grocery products are less well

developed than for grocery products simple due to their more recent appearance into the supermarket and, resultingly, their procurement is still slightly more "time-intensive" for buyers.

The number of buyers per product category varies widely, with dry goods (the largest sales category in most chains) accounting for the greatest variation among survey respondents (Table 4.1). Part of this variability appears to be due to the sales levels of the supermarket company: larger companies in general employ more buyers per category than smaller companies. This result is perhaps not surprising since larger companies by definition move larger volumes of product, often with greater variety, that necessitates greater buyer time.

Table 4.1: Range of Buyers Per Product Category

	Number of Buyers
Dry Goods	1 to 17
Perishables	1 to 12
General Merchandise.	1 to 15
Other*	1 to 2

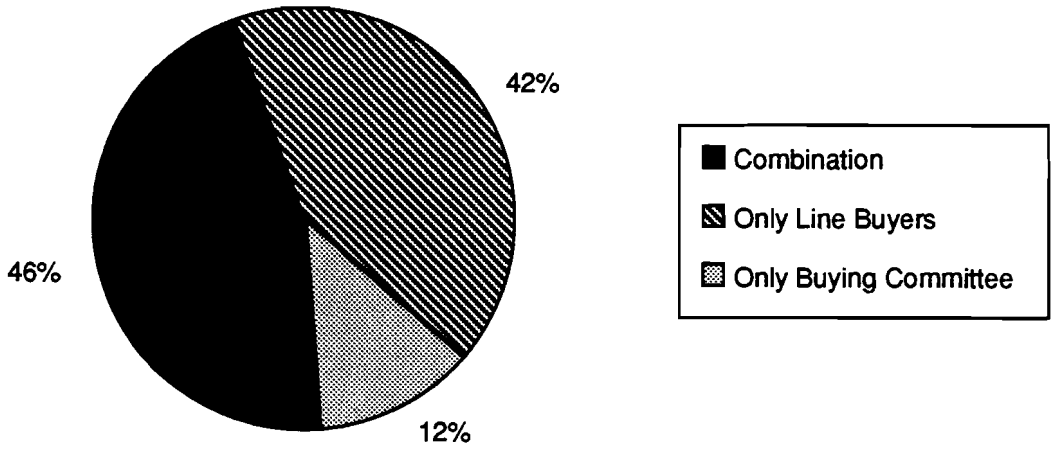
* Buyers in the "other" category included buyers for store supplies, floral products, bakery items, liquor/alcohol and direct store delivery.

Although, when considering all product categories, survey respondents reported 13.4 buyers at headquarters, they reported a total of 18.9 buyers company-wide. Thus, on average, U.S. supermarket chains employ an additional 5.5 buyers at division buying offices, away from the principal headquarters buying office.

Buying Structure

Section II discussed three types of supermarket buying structures commonly employed by retailers: buying committee, individual line buyers, or a combination of committee and individual buyers. According to survey participants, the "combination" structure is the most favored buying format, utilized by almost half of all chains (Figure 4.2). However, nearly an equal number of firms (42 percent) utilize "only line buyers" when evaluating new items, whereas only 12 percent evaluate new items by buying committee alone.

Figure 4.2: Review of New Products by Buying Structure



For those forty seven chains (46 percent of respondents) using a "combination" buying structure, generally there is wide agreement (84 percent of the time) between line buyers and buying committee members on whether to accept/reject a new item. For instances when there is disagreement, that is, when the buying committee questions the initial judgement of the individual buyer(s), survey participants were presented with six possible scenarios that could be followed to resolve the differences between buyers and the committee. Respondents ranked the likelihood of each particular action being taken to resolve such disagreements (Table 4.2).

Table 4.2: Resolving Disagreements on New Product Evaluations

Percent of Respondents Ranking Attributes as ——>	Always	Sometimes	Never
	%	%	%
Buying Committee makes final decision	29%	65%	6% =100%
Head Buyer makes final decision	26	55	19
More information requested from vendor	15	81	4
Further in-house analysis conducted	15	81	4
No standard process	3	26	71
Other*	33	34	33

(*Other category responses included: "customer demand for a product or category of products is a factor in resolving a dead-locked evaluation", "giving a questionable item a 'third' review with an additional chance to present its benefits", "allowing the president or other top managers to make the final decision.")

In the majority (55 percent: 29% + 26%) of cases, the buying committee or the head buyer play central roles and always make the final decision. Importantly however, over 80 percent of the time buyers will sometimes conduct additional in-house analysis or request more information from the vendor before making a decision.

The Buying Committee

For the 58 percent of all firms employing a buying committee either alone or in combination with individual (Figure 4.2) buyers, the average committee consists of seven members (Table 4.3).[18]

Table 4.3: Number of Members on Company Buying Committee, Ranges of Responses

No. Of Buying Committee Members	Percent Response In Category
1 - 6	53%
7 - 12	43
13 - 18	2
19 - 24	2
	100%

Mean Number of Members, 6.6; Median number, 6.3

Grocery Marketing reported the nearly the same figure (mean of seven), in its 1991 study with approximately half of its respondents reporting committees consisting of six members or fewer. Apparently little has changed over recent years in this regard since the PG87 study found the average size of a buying committee to also be seven members, about the same size as found in the earlier 1978 Progressive Grocer survey (*Progressive Grocer* November 87, May 78). Thus, despite a considerably greater number of products to evaluate compared to a decade ago, the number of people responsible for these evaluations has remained the same.

Responding firms that employed buying committees were asked to list the job titles of committee members. The eight most commonly reported job titles are reported in Table 4.4.

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[18] Forty-six percent of the chains in the 1991 Grocery Marketing study indicated having a corporate buying committee.

Table 4.4: Common Job Titles of Buying Committee Members

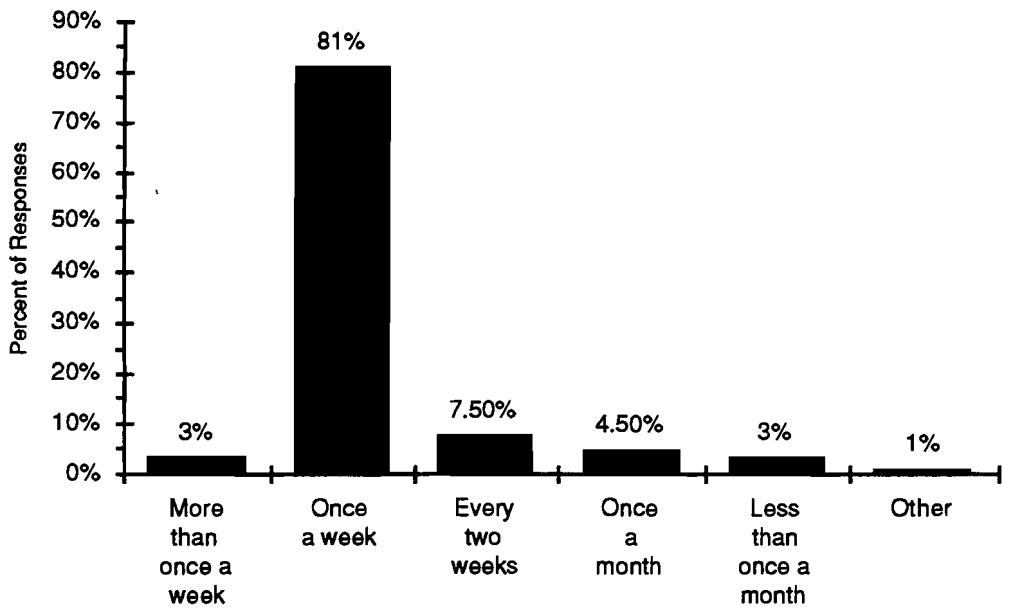
% of All Responses	Titles
45%	Line buyers, representing various product categories
14	Vice Presidents of departments; (e.g., purchasing, private label, merchandising, operations, consumer affairs,)
12	Directors of various departments; (e.g., purchasing, merchandising, procurement, store operations)
8	Head Buyers
8	Merchandisers
6	Other Specialists; (e.g. planners, shelf allocation managers, pricing coordinators, store set managers, sales promoter, merchandising technologist, advertising manager)
4	Category Managers
3	Other special buyers; (e.g. direct store delivery, diverting buyers)
100%	

Some research in the past speculated that buying committees consisted primarily of senior level executives representing the diverse interests of the firm (German 1992; McLaughlin and Rao 1991). However, with almost 50 percent of all job titles cited being that of "line buyer", this study suggests that committee make up is more evenly divided between senior level executives and buyer level personnel.

Membership on company buying committees is fairly constant with 96 percent of respondents indicating that members on the committee do not rotate every year. Similarly, *Progressive Grocer* found in 1987 that 90 percent of the respondents in its study reported that buying committee members were not rotated. In the current Cornell study, one responding firm that did report rotating members stated that grocery managers were rotated at each meeting, but that this was done more to increase their exposure to the process than for decision making reasons.

Over 80 percent of supermarket buying committees meet, on average, about once a week, while another 12 percent meet at least once a month (Figure 4.3). These results contrast sharply with the PG87 study where only 48 percent of respondents indicated that the buying committee met on a weekly basis. An explanation for the discrepancy may lie in *Progressive Grocer's* survey analysis, where it was noted that buying meetings tend to occur less often during periods that are traditionally slow for product introductions, and indeed, committees may skip a weekly meeting if the items to be considered are only line extensions. Additionally, with the number of new product introductions increasing by more than 50 percent during the four years between these studies (see Table 1.1), perhaps it now has become imperative that buying committees meet every week regardless of the season.

Figure 4.3: Frequency of Buying Committee Meetings



The average length of a buying committee meeting is about 3 hours (2.9) but with substantial variations, from one to ten hours, depending on the firm (Table 4.5). The PG87 study reported that on average buying committee meetings last two to three hours, (mean 2.9, median 3).

Table 4.5: Duration of Buying Committee Meeting, Ranges of Responding Firms

Meeting Length In Hours	% of all Responses In Category
1 - 1.5	24%
2 - 2.5	34
3 - 3.5	18
4 - 5	16
6 - 8	6
9 - 10	2
	100%

Mean meeting time, 2.9 hours; median, 2.5 hours

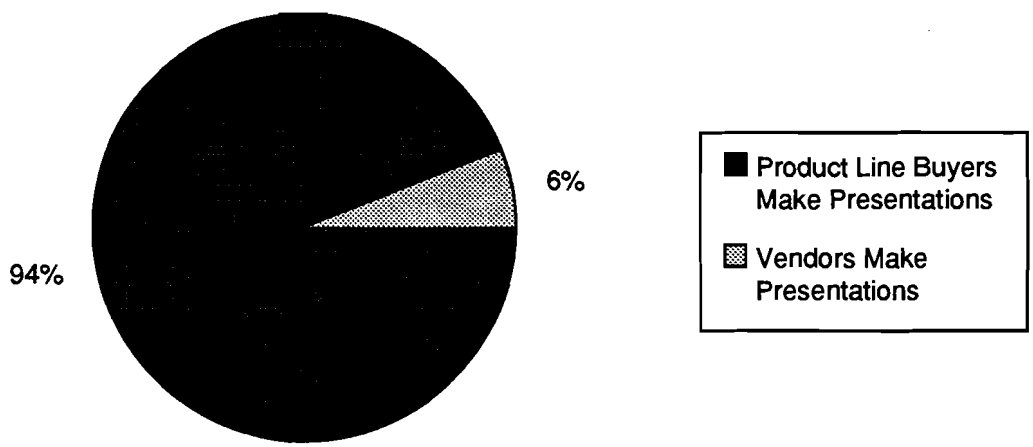
These figures had not changed from the PG78 study, although buying committees in 1987 were typically reviewing substantially more items than they were in 1978. While the number of new product introductions has increased by an additional 50 percent between 1987 and 1991 (Table 1.1), the average length of a committee meeting is still 2.9 hours (Table 4.5). When coupled with the previous finding regarding the similarity between buying committee size over between 1978 and 1991, it appears that each new product receives substantially less executive time today. That is, the same number of buyers (at least in terms of members on the buying committee) use approximately the same committee time to review a set of new product introductions that has grown fivefold.

Since the bulk of "new product" introductions may be categorized as simply new flavors or sizes (repositioned items or reformulations), it is possible that the review process for such line extensions may be fairly straightforward, requiring little additional review time.[19] Thus, the length of the average committee meeting apparently has not had to increase in proportion to the increase in product introductions.

Presentations to the Buying Committee

Section II discussed the typical procedures for presenting new items to the chain buying committee. Of the 58 percent of respondents whose companies have buying committees, nearly all (94%) indicated that all presentations to the committee were made by company product line buyers, not manufacturers or other sales representatives (Figure 4.4).

Figure 4.4: Product Presentations to the Buying Committee

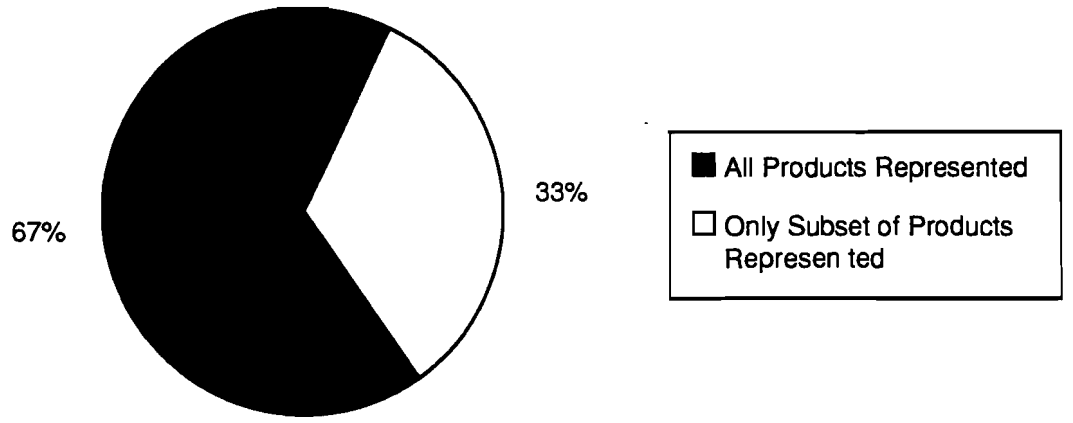


[19] As noted previously it is estimated that only about 5-10 percent of all "new products" introduced annually are actually *new* products (Progressive Grocer October 1990).

In 1987, 87 percent of wholesale/retail firms did not allow manufacturer representatives or vendors to personally present their new items to the buying committee (Progressive Grocer 1987). While the two surveys used slightly different questions, the very high percentages — 94 percent and 87 percent—tend to reinforce the notion that manufacturer representatives or brokers rarely have access to the inner sanctums of new item decision making.

An area of concern to many vendors is whether product line buyers are re-presenting *all* of the new items to the buying committee that they themselves have been shown, or only a *subset* of what they consider to be the most promising. McLaughlin and Rao (1990) concluded that generally each buyer re-presents to the committee only what he or she believes to be the most promising of all new items. This study, however, provides evidence that the majority of the time (67 percent) line buyers present *all* of the products they have been shown to the buying committee (Figure 4.5). The implication for suppliers is the same, however: since one-third of all new products never get any further than the buyer's initial screening, it is imperative that the initial product presentation to the buyer be professional and persuasive.

Figure 4.5: Products Presented to the Buying Committee



New food products today compete for shelf space not only with other food products but also with general merchandise, health and beauty care items and numerous other expanding product categories. Retailers seek to achieve an optimal balance of the total merchandise in their stores. It is often argued that this need for an optimal mix of products leads retailers to employ a committee buying format since the committee is likely to be more aware of the overall requirements for an effective merchandise mix and possesses a more complete understanding of company-wide objectives and strategies than do individual buyers. On the other hand, individual buyers may be more familiar with the commodities for which they are responsible, so may be in a better

position to pass judgement on the overall value of a new product. In some cases, line buyers have authority to approve or reject simple products such as line extensions while only presenting new or more complicated new product cases to the buying committee. For the 33 percent of companies whose line buyers pre-screen and present new items only selectively to the buying committee, these pre-screening buyers reject 36 percent of all product they are shown. This means that for supermarket chains that employ a "combination" buying structure, over one-third of all new items are typically rejected by product line buyers without ever being presented to the company buying committee.

Evaluation of Job Performance

Grocery Marketing (1991) reported that "net profit" was the most important factor in determining year end bonuses for supermarket buyers, with "achievement of goals set for the buyer" and "overall company performance" comprising the top three bonus determinants. Other factors in the GM91 study including "income from forward buying", "deal money accrued", "personal performance", "diverting income", and "meeting budget guidelines" were also cited as bonus determinants. The most important factors on which "job performance"—a measure broader than just bonus determination—was evaluated among *this* study's respondents are presented in Table 4.6. Inventory management was rated as the most important performance factor by participants followed by profitability.

An important implication from Table 4.6 for suppliers is the need to effectively address the criteria upon which the buyer cum customer is evaluated. When inventory management is identified as the single most important criterion upon which buyers are evaluated, then successful suppliers must develop initiatives to assist the buyer to accomplish his/her own inventory and logisitics objectives.

B. NEW PRODUCT ACCEPTANCE ISSUES

Section I presents a definition (employed in Gorman's New Product News) of a new product as "any new item from a manufacturer including flavors, colors or varieties, but not new sizes, packages or simple improvements". This study employs a broader conceptualization: new products in this report encompass *all* SKUs presented to a retail grocery chain including new sizes, packages, or other product modifications. This broader classification is used since, for the retailer, each different package size, flavor or other new feature requires a separate order number, scanning code, inventory slot and often a different price. Thus, when considered in this manner, each new SKU is "new."

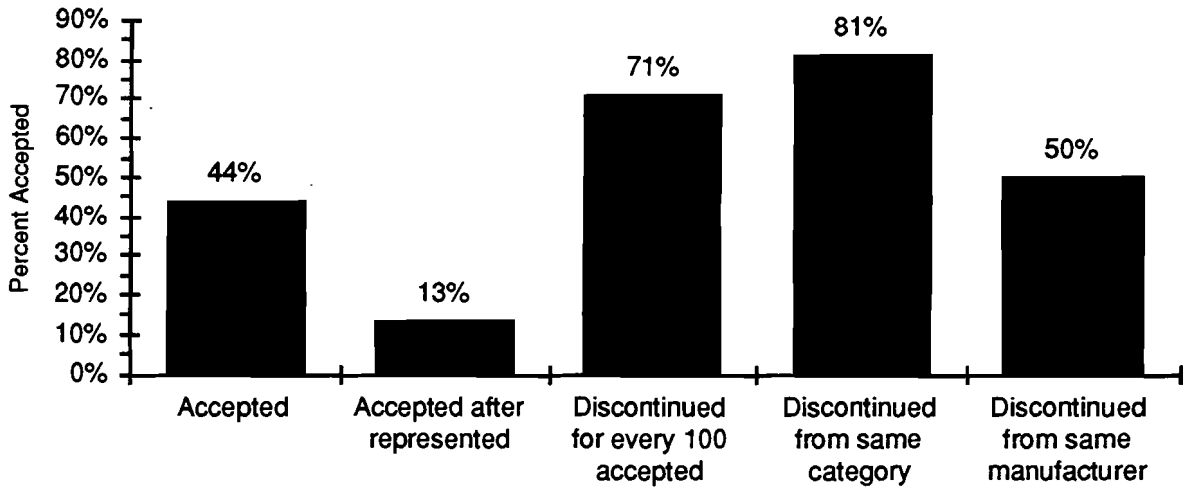
Table 4.6: Leading Buyer Performance Evaluation Criteria

% of all Responses	Performance Factors
22%	**Inventory management**; (turnover of inventory or product lines, and ability to control level of inventory on hand.)
18	**Profitability**; (category profitability, gross profit margins, category profit margins, net profits.)
16	**Service levels**; (service level to stores, in stock service level etc.)
13	**Negotiating skills**; (ability to get the best trade deal, aggressiveness in purchasing at lowest cost, the percent of items purchased on deal, ability to negotiate with vendor, secure maximum slotting allowances or bonus merchandise.)
13	**Job skills**; (efficiency in performing duties, accuracy, attention to detail, communication skills, follow-through, creativity, honesty.)
9	Sales and **merchandising** of items, product movement out of warehouse
5	**Buyer's knowledge**; (knowledge of brands, product line, category growth, knowledge of category.)
3	**New items success**; (success of new items in stores, benefits of new product line, long term profitability of new products, competitiveness with other chains.)
1	Relations with suppliers; (relationship with vendor, **professionalism**, teamwork between buyer/supplier.)
100%	

New Product Acceptances

According to survey participants, less than half (44 percent) of all new products presented to supermarket chains are accepted (Figure 4.6). This is a slightly larger number than found in other studies completed during the past five years, although those studies were conducted on smaller samples. PG87 reported that 40 percent of all new items presented to retail buyers were accepted and GM91 reported that approximately one of three items presented to buyers were accepted. McLaughlin and Rao (1990) found a mean acceptance rate of approximately 32%, with rates differing widely by product category from pet foods with a 61 percent acceptance rate to baby foods with only an 11 percent acceptance rate. They also reported finding no correlation between the number of items accepted and the number of items introduced to the respective product categories.

Figure 4.6: New Product Acceptance Percentages



A small number of items (13 percent) that were presented and rejected once by supermarket buyers were accepted after being modified and re-presented by suppliers at a later date (Figure 4.6). It should therefore be noted that when the overall acceptance rate discussed above (44 percent) is adjusted for re-presentations, the initial (first-time) acceptance rate falls to 31 percent, consistent with earlier findings of McLaughlin and Rao (1990). The most common industry practice is for buyers to allow once rejected items to be re-presented at a later date, but indicated that acceptance rates tended to be lower for such items (*Progressive Grocer* 1987). One buyer stated, "manufacturers will often re-submit rejected items with additional monies or promotion allowances". In nearly all cases, however, such represented items have far lower acceptance rates

One explanation for space shortages on retailer shelves lies in the imbalance between the number of new items accepted by retailers and the number of existing items they discontinue (approximately 10 to 7). Although a rule-of-thumb accepted widely in the industy is that one item is removed from the system for every new item accepted ("one in, one out") in an attempt to maintain an approximate " product mix equilibrium", results from this study indicate this rule is only exercised about 71 percent of the time. Some relaxation of this rule-of-thumb may have occurred in recent years consistent with the steady rise in new product introductions. For example, PG87 reported that 98 percent of buyers "usually or sometimes" discontinue an item when accepting a new one. This was also found to be the predominate practice in the PG78 survey when 99 percent of buyers reported "usually or sometimes" discontinuing an item when accepting a new one.

Chains do, however, appear to be more consistent in deleting an existing item from the same product category as the newly accepted item (81 percent of the time) but only half of the time does the discontinued item come from the same manufacturer as

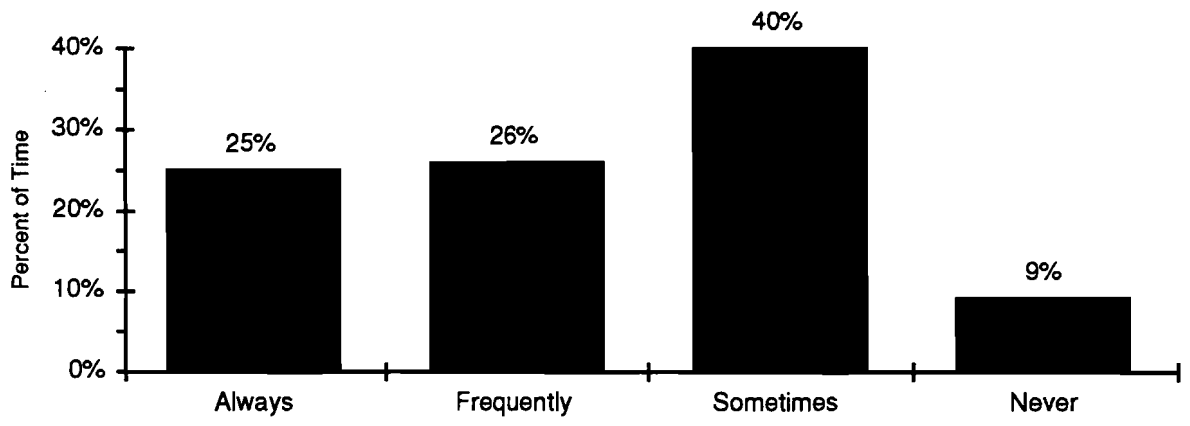
the newly accepted one (Figure 4.6). By contrast, in 1987, *Progressive Grocer* reported that 67 percent of its survey respondents said they did not necessarily pick an item to delete from the same manufacturer that introduced the new item. In conclusion, the current survey results appear to corroborate an observation made in the 1987 *Progressive Grocer* study, namely that retailers report looking more at the merit of an item than at the vendor when making a deletion decision.

Company New Product Policies

McLaughlin and Rao found that 69 percent of all newly-accepted products in the one company they studied had been deleted from store shelves within two years. Such high product mortality coupled with proliferation of new products and the resulting pressure on store shelf space, has led some retailers to implement certain "sales guarantee" and even "failure fee" policies. Such policies typically hold the manufacturer completely or partially responsible for the costs of removing a new product from the chain's distribution system that is not performing satisfactorily—that is, below the retailers' and manufacturers' established sales expectations.

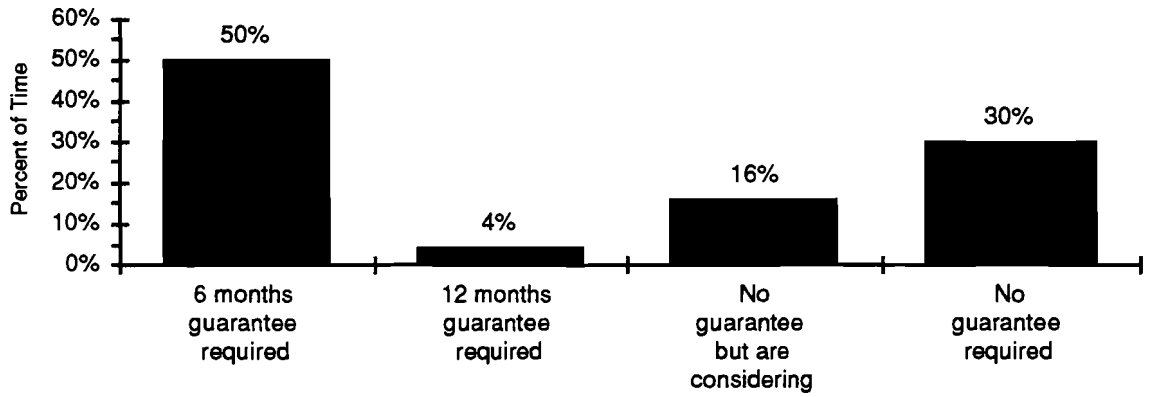
One general finding of the Deloitte and Touche study discussed in Section I is that deleting an item from the distribution system has costs associated with it that are almost as great as adding the item. *Supermarket News* reported some of the study results and quoted a retailer, "if they [manufacturers] want us to take on a new item they will have to agree on some level of guaranteed sales, and if the new item doesn't reach that level, then the product belongs to the supplier and he will have to reimburse us for the costs of removing the item" (*Supermarket News*, November 26, 1990, p. 46). Manufacturers have apparently responded to retailers concern in this regard, since over half of the time manufacturers always or frequently offer some form of sales guarantee as part of their new product introduction program (Figure 4.7).

Figure 4.7: Frequency With Which Manufacturers Offer Sales Guarantee Policies for Their New Products



Grocery Marketing (December 1991) noted that the availability of manufacturer "failure fees" received a mean ranking of slightly less than "somewhat important" when retailers were evaluating new products. However, a little more than half of supermarket chains do require some form of new product sales guarantee from manufacturers before accepting a product, with "acceptable sales within six months" being the most commonly requested guarantee (Figure 4.8).

Figure 4.8: Frequency With Which Sales Guarantee Policies are Required



On the other hand, a sizeable percentage of retailers still do not require manufacturer sales guarantees (46 percent), although 16 percent are reportedly considering instituting such a stipulation.

With increased numbers of new products to choose from but limited shelf space on which to place them, retailers monitor the sales of new items very closely. *Supermarket News* quoted a chain buyer saying, "where we might have given an item a year to prove itself in the past, we dump it in 6 months now if sales are not sufficient because we need the space" (Supermarket News, October 7, 1991, p. 38). This statement appears to reflect a near industry-wide consensus: over 90 percent of survey respondents reported giving new products 6 months or less to achieve a satisfactory sales level (Table 4.7). *Progressive Grocer* (1987) found similar figures in its study five years ago (mean 5.2 months, median 6 months), again suggesting that retailers have been closely monitoring new item sales for at least the past several years.

In certain product categories, the pressure on new products to prove themselves is even more acute. Severe space limitations in the frozen foods product category, for instance, combined with lifestyle changes leading to increased popularity of frozen foods and thus more introductions (particularly frozen microwavable products touting convenience and healthiness) is a prime example. Some retailers are reportedly cutting back on the typical 6 month trial period for new frozen products to 90 day trial periods.

Table 4.7: Time Given A New Item to Reach Satisfactory Sales Levels

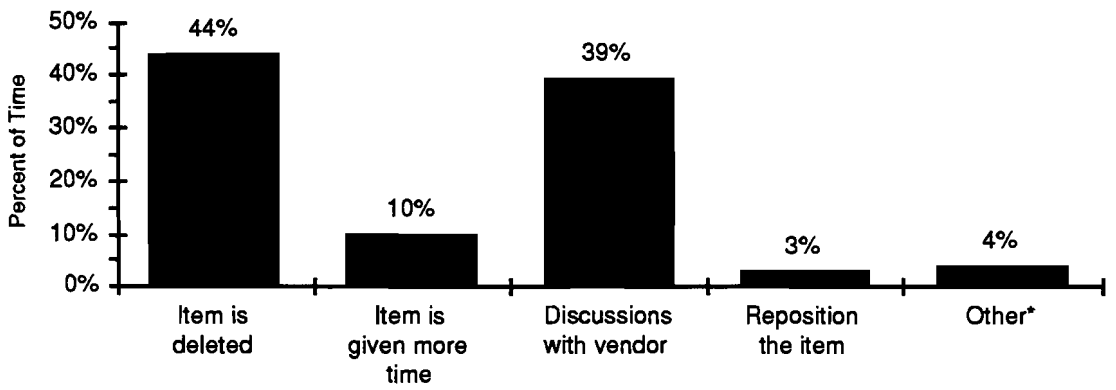
Months	% of All Responses In Category
3 - 3.5 months	16%
4 - 4.5 months	10
5 months	4
6 months	62
7 or more months	8
	100%

Mean number of months, 5.6; median, 6 months

Supermarket News quotes a buyer from a Texas chain, "in the past 6 months, I would estimate that 50 percent of all new frozen items accepted have failed or are on they way out with insufficient sales" (October 7, 1991, p.40).

Several options may be followed after the introductory sales period if new item sales are not satisfactory (Figure 4.9).

Figure 4.9: Action Taken if New Product Sales are Unsatisfactory



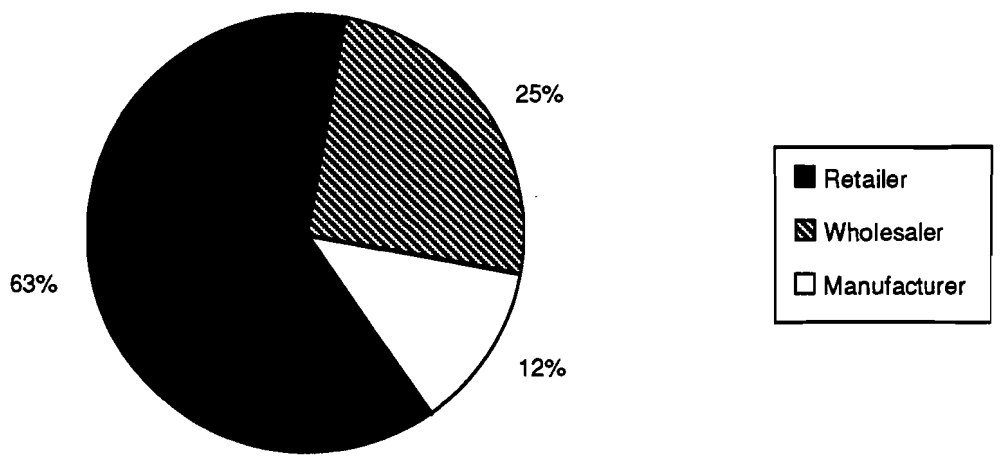
*Other category responses were: "if an item is not selling well discussions are typically held with the vendor before the trial period ends;" "original sales projections for new items are sometimes found to be overstated, in which case the item's sales are re-evaluated with corrected projections."

The single most common action taken is simply to delete the item (44 percent). However, about half of the time, retailers either work out a new arrangement with the vendor or give the item additional time to succeed rather than out right deleting the product.

The more advertising support a manufacturer provides for a new item, generally the more time the item will be given to "catch-on". Some buyers reported that if a new item is not doing well, the sales representative will sometimes offer a deal or markdown credits towards the next order. If, however, the product is not moving or is not getting adequate support from the manufacturer and the manufacturer is not willing to provide any special compensating allowances or credits for the retailer, then standard retail procedure is almost always deletion.

Section II reported the findings of a study conducted at Ralphs Grocery Company regarding a 22 month period from 1989 to 1990 when 38 percent of all products removed from the chain's shelves were removed as result of manufacturers either stopping production of the product or discontinuing distribution. On average, however, respondents to the Cornell survey reported that manufacturers were responsible for a far smaller percentage (12 percent) of item discontinuations (Figure 4.10). A possible explanation for the difference is that general merchandise and health and beauty care were categories with particularly large numbers of manufacturer deletions/removals at Ralphs. Since the primary audience of the Cornell survey was the dry grocery procurement professional, the Cornell sample simply may not have as intimate a knowledge of activities in other product categories.

Figure 4.10: Who Makes the Decision to Discontinue an Item



New Product Numbers

According to respondents, the average number of new items added to a typical chain grocery store during the past 12 months was 1,325. The average number of items deleted during the same period was 1,130, or in other words, the typical store experience a net addition of 17 percent more products than it deleted (Table 4.8). These annual addition/deletion figures are more than three times larger than what *Progressive Grocer* reported only five years ago (421 additions, 318 deletions). However, PG87's addition/deletion figures calculate to a considerably larger net product gain of 32 percent.[20]

Table 4.8: Additions and Deletions of Products During the Past 12 Months

No.of Items	Additions: % Response in Category	Deletions: % Response in Category
1 - 500 —>A*	34%	38%
501 - 1000	30	26
1001 - 1500	10	17
1501 - 2500 ——	14	11
2501 - 4000 >B*	8	5
4001 and above —	4	3
	100%	100%

Median number of additions, 870; median number of deletions 750

*Refer to summary and conclusions, Table 5.6

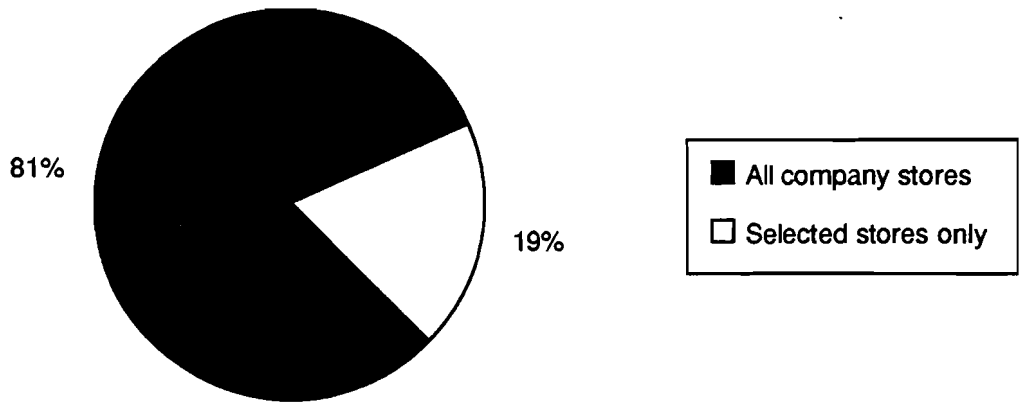
Regardless of the different totals, both studies clearly support the observation that more items are being added to the system than are being subtracted, and provide empirical evidence of why retail shelves are becoming increasingly congested. At the same time, the hypothesis that more products in today's environment are being discontinued for each new product introduced is supported by the data in this study.

The vast majority (81 percent) of new items accepted by chain buying departments are placed in all company stores (Figure 4.11). The remaining share of new products, placed in selected stores only, can probably be attributed to the larger multi-regional chains operating multiple divisions and attempting to fine tune their recent

[20] Figure 4.6 shows that for every 100 new items accepted 71 were deleted, for a net gain of 29 percent. This figure differs slightly from the imbalance respondents indicate between products actually placed on store shelves and products deleted from stores shelves of 17 percent, due most likely, to the tendency at headquarters not to uniformly add/delete items from all stores at once.

target marketing efforts: buying certain products for placement in selected stores in neighborhoods or regions with specific localized tastes or customers with distinct cultural or ethnic preferences. The key message here for suppliers is that whereas the great majority of buyers place new products in full distribution immediately, a significant minority (19%) of buyers will place certain products in certain stores only. This insight into buying practices is critical to manufacturers increasingly attempting to focus on very narrow demographic or lifestyle targets. An optimal strategy, for example, may be to request that a particular retailer only place the new product in the stores with a well-defined demographic profile.

Figure 4.11: Placement of New Products



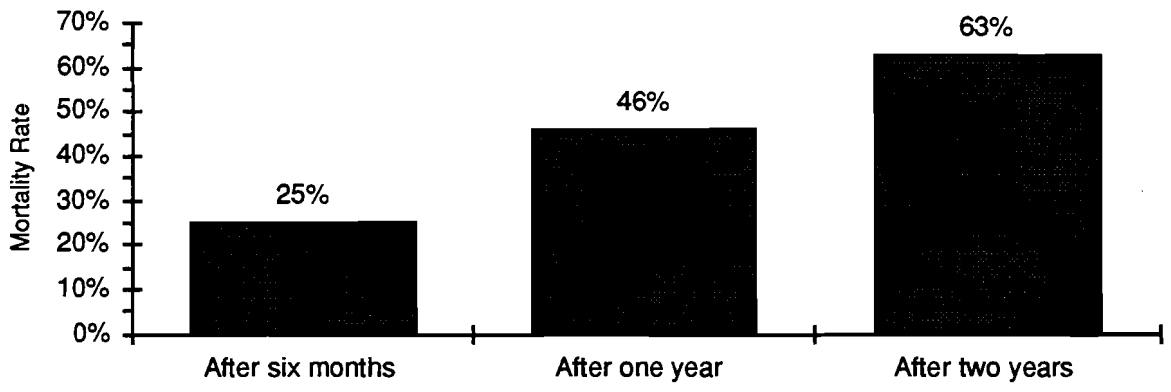
Life Span of New Products

An important concern of both retailers and manufacturers is the "life-span" of newly introduced items. Some industry critics allege, for example, that food manufacturers introduce poorly conceived new items that exhibit strong sales during the introductory period as a result of "deals," only to falter shortly thereafter when the "deal" period expires and the product has to be removed from store shelves. Another possibility however is that today's new products are experiencing traditional product life cycles with pressure for numerous product changes driven by increasingly whimsical consumer demand and aggressive competitors' actions. According to survey responses, almost half of all new products accepted by retailers are removed from store shelves within a year of the item's initial acceptance (Figure 4.12). This is indicative of the high product turnover or short life span characteristic of a considerable percentage of new grocery products.

McLaughlin and Rao (1990) found that over two-thirds of all products accepted by the chain they analyzed had been deleted from store shelves within two years of initial acceptance. Buyers, when interviewed, reported a variety of reasons for deleting

products during this time period. The top three factors cited as: (1) lack of consumer interest (45 percent of all deletions), (2) expiration of manufacturer introductory allowances (13 percent), and (3) introduction of a superior competing item (12 percent). These three factors are consistent with a conclusion made by Buzzell and Nourse (in Hisrich and Peters 1984) that about 80 percent of the reasons given for discontinuing a new product involved "marketing misjudgments or inadequacies of the product", e.g. poorly conceived products introduced without the full commitment of the manufacturer.

Figure 4.12: Mortality Rate of New Products



(Percent of Newly Accepted Products Removed From Store Shelves)

C. BUYER'S ROLE IN NEW ITEM INTRODUCTIONS

The "gatekeeper" title often given to supermarket buyers is symbolic of the critical role they play in the new product introduction process. With the constant stream of product introductions (Section I), the pressure is great on supermarket buyers to decide which new products to accept and to do so with alacrity. The decision making process and acceptance criteria chain buying departments employ in their evaluations of new products, therefore, have important implications on the design of manufacturers' introduction and marketing strategies. Understanding how buyers spend their time and how they develop weights for the various decision criteria is *de rigeur* for manufacturers' new product success.

Buyers Role

Respondents reported working an average of 56.7 hours per week in their various capacities (Table 4.9).[21]

[21] See Table 3.7 in section III for breakdown of respondents by job title.

Table 4.9: Hours Worked Per Week

Hours Per Week	% Responding In Category
40 - 45	5%
46 - 50	28
51 - 55	17
56 - 60	34
61 - 65	10
66 and above	6
	100%

Mean number of hours, 56.7; median 56 hours

However a job title of "buyer" does not mean that evaluating new products and buying are the only functions the individual performs. In fact, over three-quarters of the "typical" buyers' time is spent performing duties other than directly reviewing or evaluating products. Reviewing new items accounts for a relatively small portion of buyers' time and responsibilities (Table 4.10).

Table 4.10: Percent of Buyers' Time Spent Performing Various Job Responsibilities

Buyer Responsibilities	% Of Time Spent
Order entry, price changes, handling invoice problems	25%
Meeting with vendors to cover routine business	24
Assisting in development of marketing and merchandising plans	18
Reviewing new items	13
Other	11
Reviewing existing items	9
	100%

Eighty respondents listed items in the "other" category (11 percent of buyers' time). These included such activities as: store visits, price checks, dealing with store/customer issues, dealing with warehouse problems, working with vendors on advertising, promotions and displays, category analysis, management coverage of stores, attending company meetings, attending trade seminars, paperwork, special projects,

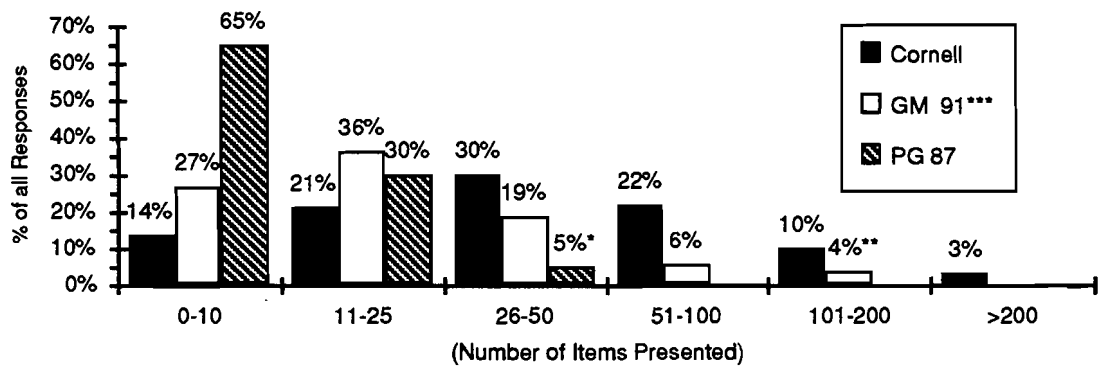
management issues, and other operations issues. Two responses reported "working on developing a new supermarket buying system to improve current buying practices".

New Product Introductions

Not all new products are introduced to all supermarket chains, but since maximum distribution is critical to the success of a new item, most new products are presented to the major integrated grocery wholesale-retail companies in the U.S. (McLaughlin and Rao 1991). However, the new product introduction figures reported in Section I are aggregate totals of new product introductions nationwide and thus also include new items introduced only in localized test markets that may never make it past the test market stage. For 1989, *New Product News* estimated that a typical grocery chain was presented between 3,000 and 4,000 new items. These figures, while far fewer than the total number of products introduced nationwide, still mean that a typical supermarket chain has to evaluate at least 50 to 75 new items a week.

In this study, the modal grouping of new products presented to the average grocery buying department on a weekly basis was 26 - 50 or, on an annualized basis, 1,352 - 2,600 new items. Figure 4.13 summarizes the number of new items that participants evaluated weekly in the Cornell survey, the 1991 Grocery Marketing survey and the 1987 Progressive Grocer survey respectively.

Figure 4.13: Number of New Items Presented in an Average Week



* For PG87; 5 percent in the 26-50 category, also includes *any* weekly new item presentations above 26 items.

** For GM91; 4 percent in the 101-200 category, also includes *any* weekly new item presentation above 101 items.

*** Nine percent of GM91 survey participants did not answer or report a value for this question.

According to Cornell survey respondents, more than one-third (35 percent) of the top 200 chains' buyers see at *least* 50 items per week. A significant finding is that the average buying department in 1991 saw between 5 and 25 times more items per week than the modal grouping of presentations reported only 5 years ago. In fact, the modal group of products presented on a weekly basis in the PG87 study was 10 or less, compared with a modal group of 26 - 50 items found in the Cornell study.

A substantial portion of growth in product introductions in recent years has come from new lines (e.g. introductions that use new or partially new brand names), in fact these grew from 23 percent of all introductions in 1986 to 36 percent in 1990 (Food Marketing Briefs, January 1992, p. 1). Conversely, the share of total introductions attributed to line extensions dropped from 77 percent in 1986 to 63 percent in 1990. With more original "new items" and fewer "me too" items (whose sales history buyers are more likely to be familiar with) the buying decision perhaps becomes more difficult. Buyers must try to decide from among existing products what to delete in order to make room for a promising new item that with which they are not likely to be as familiar and thus are probably less certain of the item's sales potential.

The average amount of time, including the actual supplier presentation, that each buyer spends evaluating each new product is 27.3 minutes (median of 20 minutes). In 1987, *Progressive Grocer* found the average length of a new item presentation to be 20 minutes, approximately the same length of time *Progressive Grocer* found in 1978. If roughly six of 10 items presented to a typical supermarket buying department are not accepted (see Figure 4.6), and the average time spent evaluating each item is 27 minutes, then buyers spend over 2.5 hours per week (over one-third of the total time buyers spend evaluating *all* new items on a weekly basis) listening to sales pitches for new products that never make it onto store shelves.

Critical Decision Criteria: Product Attributes

Determining which factors buyers consider most important when evaluating a new item should help manufacturers develop and introduce products possessing a greater likelihood of acceptance. Additionally, manufacturers' new product introduction programs could be tailored to what buyers really want, without offering superfluous programs likely only to add to the total costs of the item yet not significant enough to influence buyers' opinions.

Participants were given a list of product and vendor attributes and asked to rank the importance they accord each attribute when evaluating new products (Table 4.11). The attribute ranking is reported below (by attribute with greatest number of "very important" responses to attribute with the fewest number of "very important" responses) according to participants collective ranking of each attribute.

Table 4.11: Critical Buying Considerations: Product Attributes

Percent of Respondents Ranking Attribute as ——————> *Product Attributes*	Very Important %	Somewhat Important %	Not Important %
Strong growth in the category of the new item	80%	20%	— =100%
Item is fundamentally a new item, not a "me too" product	78	20	2
High expected profit contribution in the long run, (after introductory period ends)	73	25	2
High product quality, (taste, ingredients)	61	37	2
Appropriate for current season of year	54	46	—
Price levels competitive with similar products	50	48	2
High gross margin opportunity	50	46	4
Large number of firms in the market have already added the item	41	47	12
Innovative package design	38	55	7
High expected profit contribution in the short run, (during introductory period)	36	53	11
Few items already in stock that might compete with new item	31	60	9
High net margin/DPP rating	23	58	19

The *Grocery Marketing* Study (1991) and the current Cornell study can be compared with respect to the importances buyers accord to these various criteria. The *Grocery Marketing* study concluded, for example, that despite considerable time and effort spent by the supermarket industry analyzing and debating the merits of the value of Direct Product Profitability (DPP) "cash" in one form or another is still the leading deal making (or breaking) factor in buying decisions. Eighty seven percent of the respondents in the *Grocery Marketing* study rated product deals, discounts or allowances as extremely or very important considerations when reviewing new items. Although the wording and scaling of some of the attributes presented in the two surveys were not identical (e.g., 3 ranking choices here versus 5 in *Grocery Marketing* survey), the two surveys reach similar conclusions regarding many of the important attributes. Growth/demand potential, product quality and long run profit opportunity appear to be the critical product considerations in both studies. Attributes such as DPP, high net margin, and profit contribution in the short run, despite considerable attention in industry conversations and the media, are apparently less important considerations among supermarket buyers.

Critical Decision Criteria: Vendor Attributes

In addition to quality or uniqueness of the actual product (Table 4.11), attributes reflecting the reputation, involvement and financial commitment of the vendor are also key dimensions in the overall new product decision process (Table 4.12). The three most highly ranked vendor attributes among respondents could collectively be classified as "vendor financial support". This reinforces the conclusion reached by *Grocery Marketing* regarding the importance of vendor financial incentives in the new product review process. "Positive reputation of the vendor" also received a "very important" rating by a majority of respondents. Taken together, an inescapble conclusion of these responses is that larger, better known suppliers are often favored over those smaller and less well known. Smaller vendors, working with limited marketing budgets, thus face considerable challenges in obtaining unbiased evaluations of their new products.

A perhaps surprising result is that the majority of respondents (57%) ranked superior test market results as only "somewhat important". This, despite trade journals frequently quoting of chain buyers complaining that manufacturers do not do enough test marketing of new products before they are introduced. In fact, some retailers speculate that today's vendors sometimes use local retailers as "first line test markets" for their new products, thereby alleviating the costly and time consuming process of a national test market.

"Advertising/display allowances" and "discretionary promotion funding" were ranked extremely important by 76 percent of all GM91 surveyees. Similarly, buyers in the PG87 study noted that since it is not always easy to predict the sales potential of a new item, ancillary product support such as the amount of advertising and promotion a manufacturer offers with a new item often become a decisive factor in new item accep-

Table 4.12: Critical Buying Considerations; Vendor Attributes

Percent of Respondents Ranking Attribute as ——————> *Vendor Attributes*	Very Important %	Somewhat Important %	Not Important %
Strong vendor promotion (e.g. in store sampling, coupons, POP materials etc.)	77%	22%	1% =100%
Strong vendor advertising support (e.g. vendor TV advertising)	76	22	2
Adequate channel development funds (e.g., slotting allowances, co-op funds)	70	28	2
Positive reputation of vendor	56	42	32
Superior test market or market research results	26	57	17
High quality vendor sales presentation by company sales representative or brokers	19	68	13
High complementarity with existing "family of products" from same vendor	15	71	14
Low minimum order quantities	11	53	36

tance. Attributes such as delivery terms, minimum order quantities, etc., while important, apparently are not as significant as manufacturers' financial support and willingness to offer retailers introductory deals. However, the fact that so few buyers appear to be very concerned with low order quantities (11 percent) may well change dramatically as the entry of warehouse club stores places more emphasis on logistics and the efficiency of distribution systems.

Information Sources

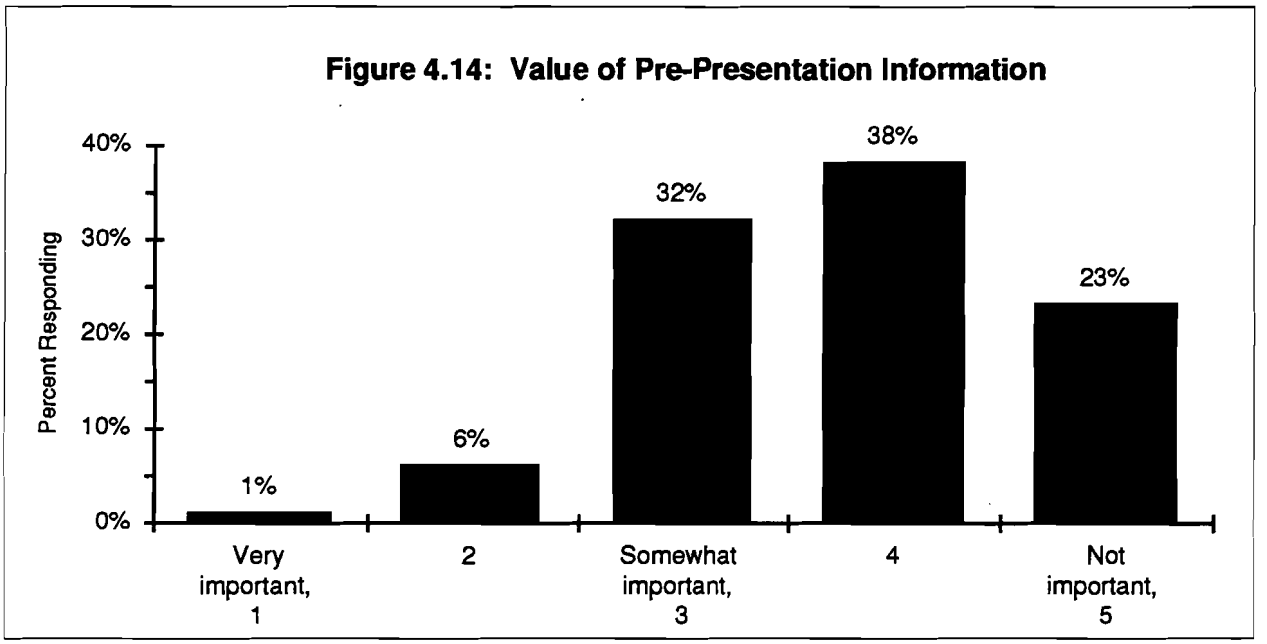
It is not uncommon for buyers to sometimes be exposed to product information about a manufacturer's new product before they have been formally presented the item (Table 4.13).

Table 4.13: Frequency with which Buyers Encounter Pre-presentation Product Information

Information Source	Often	Sometimes	Rarely	Never
Vendor supplied materials	10%	49%	38%	3% =100%
Informal internal conversations about new items	12	58	26	4
Trade periodicals	15	58	25	2
Trade conferences/meetings	3	43	43	10
Television	2	26	55	17
Other*	25	39	25	11

*Sources in the "other" category included: cable television, other company divisions, competitors stores, customer comments, and store visits in other markets.

Although the presumption behind such pre-presentation information is that it could influence buyers acceptance decisions, the majority of surveyees ranked pre-presentation information only between "somewhat important" and "not important" in their eventual decision (Figure 4.14). According to buyers, the new product presentation itself is the most useful source of information when evaluating a new item (Grocery Marketing 1991). Trade publications and internal studies are the next most frequently encountered and useful sources followed by trade shows and reports from research firms. Direct mail product literature and industry meetings/seminars were the least useful information sources.



It appears based on these finding that quality and thoroughness of the actual new product sales presentation is of greater importance in determining the likelihood of a new item becoming accepted than is any pre-presentation information. Presentations of new products at trade shows or expenditures on direct mail literature introducing an item do not apparently have much of an impact on the probability of the new product being accepted.

Trade Relations

Much controversy has surrounded increasing retailer demands in recent years for various "deal monies" from suppliers, including slotting allowances for new products, failure fees, as well as the general proliferation of new products themselves (see, for example, *Progressive Grocer* April 1991 and April 1992). Some manufacturers feel that the current state of trade relations is so bad that only government intervention in issues such as deals and allowances will resolve what have become, in some instances, divisive disputes.

Table 4.14 sheds some light on part of the reason for the poor communication between buyer and seller: the majority of the time buyers "rarely" or "never" provide suggestions to manufacturers about new products. In fact, on the issue regarding "Ideas for new products," where buyers—with their daily observation of consumers buying preferences—could seemingly be of the most assistance, fully 70 percent of

respondents apparently rarely or never provide such information or suggestions. It is unclear whether such lack of communication is the result of retailer buyers' reluctance to give up information and suggestions to manufacturers or simple manufacturer lack of interest in what buyers have to say. One indication of the latter comes from the comments of three survey respondents who stated that manufacturers "very rarely contact us [retailers] for our advice". These respondents also stated they would like to see closer working relationships between manufacturers and retailers and suggested that they [buyers] could provide manufacturers with an abundance of helpful market information.

Table 4.14: Degree to Which Buyers Provide Suggestions Regarding Manufacturers' New Products

Issues	Often %	Sometimes %	Rarely %	Never %
Packaging of new product	11%	34%	35%	20% =100%
Sizes of new products	12	26	42	20
Promotion/advertising programs for new products	28	35	21	16
Suggested retail prices	22	33	28	17
Ideas for new products	3	27	47	23
Other suggestions given to manufacturers[22]	32	36	16	16

[22] Other" suggestions included: timing of new product introductions, suggestions on package size, ideas for product promotions or tie-ins, target market areas, label wording, suggest that a "new" improved item be introduced as a product improvement thereby replacing an existing item rather than being introduced a a totally "new" item, and suggest there be more long term manufacturer support for products and sharing with retailers manufacturers' strategies or goals for their products.

Section V:

SUMMARY AND CONCLUSIONS

Section IV presented the empirical results of the buyer survey, primarily in the form of descriptive statistics. This Section examines more closely these results and offers observations and hypotheses regarding their meaning for food retailers and manufacturers.

Part A

Buying Committees Over Time

Fifty-eight percent of firms responding to this study employ a buying committee (Figure 4.2) and the average number of members on these committees is 6.6. *Grocery Marketing* (1991) reported a mean of 7 members in its study, as did *Progressive Grocer* in its 1987 study. Furthermore, *Progressive Grocer* also found the average size buying committee 14 years ago in its 1978 study to be 7 members. Given the relative consistency of these results over time, one can conclude that the large increases in new product introductions (Table 1.1) have not resulted in concommitant increases in the size of buying committees: indeed, give the slightly smaller mean committee size reported in this survey, the opposite is more likely to be the case. The clear message that marketers should derive from this trend is that each of their increasing number of new product launches is competing for a increasing scarce buying committee commodity—time.

Buying Structure

When examining new product acceptance rates by "buying organizational structure," differences are found for the "only buying committee" and "combination" buying structures when compared with the average acceptance rate for the entire survey population (Table 5.1), however, these differences are not statistically significant at the .90 confidence level. Differences in acceptance rates between the "only line buyers" structure and "only buying committee," or "only buying committee" and "combination" are also not statistically significant.

Table 5.1: Aggregate New Product Acceptance Percentages By Buying Structure

Buying Structure	Acceptance Percentage
Only line buyers 44%	
Only buying committee	38
Combination	46

Acceptance percentage for survey population, 44 percent.

The "combination" buying structure's particularly high acceptance percentage (46 percent) likely reflects the pre-screening that typically occurs under this format, whereby line buyers review and reject some products before passing on the most promising new items to the buying committee (Part A, Section 4). As result, the buying committee, which typically makes the final decision, often only sees the more promising new items and therefore accepts a higher percentage of these products.

By reviewing the "average amount of time" spent evaluating *each* new item by the respective buying structures, additional insight can be gained regarding the decision making behavior of the alternative buying formats (Table 5.2).

Table 5.2: Average Amount of Time Spent Evaluating Each Item

Buying Structure	Evaluation Time in Minutes
Only line buyers	32
Only buying committee	15
Combination	26

Average for survey population, 27 minutes.

Evaluation time differs by buying structure with the "only buying committee" group significantly different from the survey population at a 95 percent level of confidence. Under this buying format (employed, however, by only 12 percent of survey respondents, see Section A Chapter 4), key players from various departments are present at product evaluations. As a result, any questions raised about an item can be expeditiously dealt with and a decision can be arrived at quickly, thus, explaining the shorter amount of time spent evaluating a product. Under the other two buying structures, there are more opportunities to disagree about an item (recall that combination structure is where two parties evaluate an item) or additional information may be requested (line buyer structure where product knowledge is more parochial, thus additional information/analysis is more frequently requested) before a decision can be made. As a result, these buying scenarios apparently require considerably more time to review a product (Table 5.2). It is important to note, of course, that the total evaluation time spent by the retail company may not be less with the "committee only" structure since this organizational structure typically includes more individuals thus more executive time in order to arrive at the ultimate decision.

Buyer Evaluation and Profitability

The success or effectiveness of buyers and the buying department is, to a large degree, measured by the eventual sales and profitability of products that are accepted

(Table 4.6). Hence, since profitability is such a critical factor, one might expect buyers to be more keenly interested in new product price/profit margin issues than manufacturer special trade deals or promotions in conjunction with their new product(s), unless, of course, the latter actually resulted in higher profit levels than lower list prices.

Progressive Grocer (April 1991) noted that from 1988 to 1990,both manufacturer and retail executives believed a switch from trade deals to a reductions in list prices would be beneficial to the entire industry. However, such a switch would not be easy; buyer mentality still focusses largely on trade deals and allowances which, in a less direct manner, also contribute to retailer profitability. In fact, the "ability to negotiate" agressively with suppliers for trade deals was third in the list of factors upon which retail buyers are evaluated (see Table 4.6). Lastly, according to Progressive Grocer (April 1991), more than a quarter of chain executives *do not* favor an end to the lucrative trade deals in return for a system of reduced list prices.

Part B

Sales Guarantee Policies

The following series of tables summarize characteristics of responding chains that require six month or twelve month sales guarantees when accepting new items. Table 5.3 contrasts chain buying structures with the degree to which a sales guarantee is required when accepting a new product.

Table 5.3: Firms Requiring Sales Guarantees, By Buying Structure

Buying Structure	Chains Requiring Sales Guarantee
Only line buyers	48%
Only buying committee	20
Combination	32
	100%

Companies that employ a "line buyer" buying structure are twice as likely to request manufacturer sales guarantee as are companies that employ a "buying committee only" strucure (Table 5.3). A possible explanation for this behavior is that with a "only line buyers" structure, there is essentially *one* individual making the initial buying decision for each product category. In the other structures, several individuals are involved in the buying decision. It is, therefore, likely that supermarket chains are more inclined to request manufacturer sales guarantees under the line buyer structure as this may provide the individual line buyers with a certain sense of security or "insurance" if they

alone must shoulder the burden of making a product acceptance decision that fails. Conversely, under the other structures, the larger number of participants involved in the product review may lead chain management to believe the evaluation is more thorough, resulting in fewer "acceptance mistakes", thus, in less need for sales "insurance" policies.

Table 5.4 compares the difference in acceptance rates (by buying structure) for firms that do and those that do not require sales guarantees, with acceptance rates (by buying structure) for the survey population. Although there is minor variation between the samples and the survey population, notably in the combination structure, the differences are not statistically significant. In fact, initial acceptance rates for firms requiring sales guarantees are the same as or less than firms that do not require guarantees, with the exception of the "only line buyers" buying structure (Table 5.4).

Table 5.4: Comparison of New Product Acceptance Rates for Firms Requiring Sales Guarantee with Total Survey Acceptance Rates

Buying Structure	Acceptance Percentage, Firms w/guarantee	Acceptance Percentage, Firms w/o Guarantee	Acceptance Percentage, Total Survey
Only line buyers	48%	39%	44%
Only buying committee	38	47	38
Combination	39	49	46

Overall acceptance rate for survey population, 44 percent.

Given the results in Table 5.3 an additional hypothesis may be put forth. The relatively high acceptance percentage reported by respondents employing a "only line buyers" structure (Table 5.4) appears to suggest that line buyers rely quite heavily on the "backstop" provided by a sales guarantee and thus perhaps feel more free to accept a higher percentage of products. Hence, it also appears that manufacturers may be able to achieve a slightly higher probability that retailers will accept their new product when sales guarantees accompany new product launches, at least with chains employing a "only line buyer" buying format.

Supermarket chains that require manufacturer sales guarantees have significantly higher product mortality rates (at a 90 percent level of confidence for 6 month mortality figures, 95 percent level of confidence for 12 month mortality figures) than do chains that do not requires guarantees (Table 5.5).

Table 5.5: Product Mortality Rates of Chains With and Without Sales Guarantees

	6 Month Product Mortality %	12 Month Product Mortality %
Sales guarantee required	28%	50%
No guarantee required	21%	41%

At first glance, these results appear contradictory. Sales guarantees are ostensibly offerred as assurance of a product's likely superior performance. Yet the significantly higher mortality rates among products with sales guarantees suggests otherwise. In effect, this result reinforces the conclusion in another recent research study that certain non-price incentives, such as product sales guarantees, are sometimes actually correlated with inferior products (McLaughlin and Rao 1990). The explanation may be as follows: suppliers may offer additional support such as guarantees or free goods in conjunction with new products they fear are not truly unique or may not be unconditionally successful, thus influencing buyers to accept some questionable products due to the presence of manufacturer incentives rather than on the merits of intrinsic product quality alone. On the other hand, buyers not requiring or relying on sales guarantees as insurance if the product fails, may search for and accept truly superior products on their own merit without requiring additional inducements.

Product Additions and Deletions

Considerable variation was reported by survey respondents regarding the number of products added and deleted in a 12 month period (Table 4.8). More than one-third of respondents reported adding/deleting fewer than 500 items (subset A in Table 4.8) during the past 12 months, while almost a quarter reported additions/deletions of over 1,500 items (subset B in Table 4.8). Table 5.6 profiles responding companies adding/deleting 500 or fewer new items per-store annually (subset A of Table 4.8) with companies adding/deleting more than 1,500 items annually per-store(subset B of Table 4.8).

Table 5.6: Company Profile By Number of Annual Product Additions/Deletions

	% Response **Group A** Stores, less than 500 items	% Response **Group B** Stores, more than 1500 items
1) Buying Structure		
Only line buyers	40%	60%
Only buying committee	14	4
Combination	46	36
	100%	100%
2) Acceptance rate	40%	45%
3) Average number of SKUs carried per store	16,909	24,114
4) Average number of stores in chain	251 (52 median)	412 (77 median)
5) Product mortality rate (6 month, 12 month)	(26%, 41%)	(24%, 48%)
6) Number of Items presented per week		
0 - 25	53	19
26 - 50	38	35
51 and above	9	46
	100%	100%

The profile that emerges from Table 5.6 for chains adding/deleting fewer than 500 items annually is that such firms are smaller chains (median 52 stores vs. 77 for those adding/deleting more than 1500), typically carry fewer SKUs per store (43 percent fewer than firms with over 1,500 annual addition/deletions), and have buyers that are presented fewer new items on a weekly basis (91 percent see 50 items per week or fewer compared to only 54 percent seeing this amount for the over 1,500 group). Moreover, almost two-thirds of the larger chains utilize "only line buyers" as their primary buying structure whereas a "combination" structure is employed as the preferred format among smaller chains.

A message here for manufacturers is that smaller firms (Group A) appear to have slightly lower initial acceptance rates than do the larger (Group B) firms, although the differences are just barely statistically significantly. Additionally, these smaller firms do

not accord any more loyalty to products they accept than do larger firms over six months, but the smaller firms do exhibit a statistically significant lower mortality rate over a 12 month period than do the large chain group (41% vs. 48%). Thus, whereas, the larger chains initially accept a greater proportion of new products, they also apparently have a tendency to delete more of these items before one year is up.

Product Life-Span

Figure 4.12 in Section 4 summarizes the "mortality rate" or average life span of products, after they have been accepted and placed on supermarket shelves. On average, 63 percent of all new products have been deleted from store shelves within two years of their initial acceptance. This national figure is very similar to the two-year mortality figure of 69 percent found by McLaughlin and Rao in their 1990 study of one supermarket chain. Thus, this study, corroborates the earlier finding that roughly two-thirds of all newly accepted products will be discontinued before two years. Since only approximately one-third of all new products presented by suppliers are accepted for retail distribution in the first place (Section 4, Part B and McLaughlin and Rao 1990), these mortality figures lead to the conclusion that only approximately 10 percent of all newly launched products are successful enough to survive in the marketplace beyond two years. Thus, while definitions of success and failure are somewhat arbitrary, if a "product failure" is defined by the lack of long term success, then roughly 90 percent of all new products fail (before two years).

SECTION C

Buyer's Responsibilities

It is vital for manufacturers to understand the range of duties performed by buyers other than those dealing strictly with procurement. As Table 4.10 demonstrates, buyers have limited time to devote exclusively to the evaluation of new products; in fact, on average, this activity accounts for only 11 percent of their time. Futhermore, reviewing existing items accounts for only an additional 9 percent of buyers time; numerous other duties take up the majority of their working hours.

Product Evaluations

Section Four, Part C, reported that the average amount of time, including the actual supplier presentation, that each buyer spends evaluating a new item is 27 minutes. The median evaluation period was reported to be 20 minutes. Further examination compares new product acceptance rate with six and twelve month mortality rates for buyers who spend 20 minutes or less evaluating an item, with buyers spending more than 20 minutes per item (Table 5.7) .

Table 5.7: Product Evaluation Time, Acceptance Rates and Mortality Rates

Factors	20 Minutes or Less Per Evaluation	More than 20 Minutes Per Evaluation
Acceptance rate	46%	42%
6 Month mortality rate	21%	29%
12 Month mortality rate	44%	49%

Buyers who spend 20 minutes or less evaluating an item tend to have higher initial acceptance rates than those spending more than 20 minuets but, contrary to expectations, they also have have lower six and twelve month product mortality rates than do buyers who spend more initial time evaluating new products. However, the differences between the groups are not statistically significant. It is possible that supermarket chains that spend more initial time evaluating new products are, in all aspects, more critical and thorough, setting not only higher standards for product acceptance but for continuation of sales as well. Thus, the products they ultimately accept are less likely to fail after six or twelve months.

Critical Decision Criteria: Product Attributes

Table 4.11 summarizes what survey participants consider to be important "product considerations" when evaluating a new item. Of particular significance is the response noting the "very important" ranking given by the majority of respondents to *high gross margin* opportunity, whereas *high net margin* was only ranked "somewhat important" by the majority. This result is somewhat puzzling give the considerable industry attention over the past decade given to DPP as a far more effective performance measure than gross profit. These results once again demonstrate the continued strength of the gross profit tradition long employed by the supermarket industry even, as this study shows, when juxtaposed against an apparently more logical response, "high net profit". The fact that the percentage of buyers (23 percent) who rated net profit/DPP as "very important" was the lowest "very important" ranking of all the various product attributes, illustrates the relatively low meaning to buyers of this seemingly important measure. In fact, nearly one of every five supermarket buyers reported that net profit is not important.

A number of "very important" rankings (Table 5.8) can collectively be considered as evidence that retailers have genuine interest in high quality unique products that will be successful over the longer term. Quick returns (typical of weaker products presented with substantial introductory allowances) do not appear important to most buyers, or at least they did not report them as such.

Table 5.8: Top Four Product Attributes Considered When Evaluating New Products

Product Attribute	% of Respondents Ranking Attribute Very Important
Strong growth in the category of the new item	80%
Item is fundamentally a new item, not a "me too" product	78
High expected profit contribution in the long run, (after introductory period ends)	73
High product quality, (taste, ingredients)	61

Supplier-Retailer Partnerships

Much emphasis in the food industry in recent years has been placed on supplier/retailer "partnerships" with both suppliers and retailers working together for greater mutual profitability. However, with the majority of respondents (Table 4.16) indicating they rarely or only sometimes have given suggestions to manufacturers, it appears that at least some partnership opportunities remain unfulfilled. Retailers' virtual daily contact with consumers provides them, for example, with an intimate knowledge of consumer wants and preferences, at least relative to other food channel members. This is information that manufacturers need. More cooperation and sharing of such information between both parties would assist manufacturers develop and introduce products that better match consumers wants (fewer products failing due to lack of consumer demand). This in turn, should result in improved systemwide efficiencies and profits for all participants in the marketplace.

Part D

New Product Presentations

Table 3.5 ranked new product presentations by manufacturer representatives, food brokers, and joint, manufacturer-broker presentations. Broker presentations were ranked lower by buyers than were manufacturer representative presentations, with

over 60 percent of respondents ranking broker presentation as average or below. These findings should be of concern to manufacturers considering two key factors: first, the initial new item presentation itself is regarded as the most useful source of product information among buyers when evaluating an item (see Section 3) and, second, over half of all new products (51 percent) are introduced by brokers (Figure 3.2). If, at the margin, the difference in an item being accepted or rejected is the quality of the item's initial presentation, then manufacturers should work very closely with their broker forces to ensure the presentation is the best possible.

CONCLUSIONS

With the proliferation of new products continuing apace, (4,797 new products through May 1992, 4 percent ahead of 1991's total- New Product News May 11, 1992) a more complete understanding of supermarket buying practices and acceptance criteria is vital for effective decison making in both supplier and retailer frims as well as for the formulation of improved public policy and systemwide efficency.

Manufacturers/Suppliers

For suppliers, the increasing number of products means greater competition when introducing a product and a reduced likelihood of successfully reaching supermarket shelves with their new offerings. This study demonstrates, for example that knowing that the average chain buyer spends over three-quarters of his/her time performing duties other than directly reviewing or "buying" products (Table 4.10), should give suppliers ideas on how to best approach and work with buyers. What value can manufacturers add to their products that will facilitate the buyer's job or, otherwise stated, that will enhance the buyer's own performance with his superiors? Additionally, realizing that more than half of all chains employ buying committees (Figure 4.2), and that for over 90 percent of these chains (Figure 4.4) only <u>their</u> buyers can present products to the buying committee, it becomes very apparent that sales representatives or brokers must do a superior job of explaining the product to the line buyer so that the buyer's subsequent presentation to the committee portrays the product in the most favorable manner.

While the number of new product introductions has increased dramatically during the past decade, the length of supermarket buying committee meetings has not increased proportionally (Table 4.5). As result, the review time per item has been compressed. For suppliers, this means that any accompanying product fact sheets, or promotions, or deal schedules must be concise, emphasize the product's strengths, and provide the information buyers need to enable them to make an informed decision in an hectic, high pressured environment. Alternatively, if manufacturers realize they will not be able to present their new product, or product line,adequately in a 20 minute

presentation, it might be best for them to arrange a special "top-to-top" sales/promotion presentation between upper level executives from both firms rather than run the risk of having the product rejected.

Knowing the key factors on which buyers' job performance is typically evaluated (inventory turnover, category profitability, deal money accrued etc., Table 4.6), suppliers can tailor their new product introduction programs so as to make buyers' jobs a little easier. A likely side benefit of such action for suppliers is that they may see *their* new products considered more favorably by buyers.

Identifying the product and vendor attributes that supermarket buyers value most highly or knowing that many buyers would like to be asked their opinion concerning the potential for a new item, (see Table 4.16) and in many cases, would be pleased to share information about consumer shopping behavior for instance, may improve a supplier's relationship with a particular buyer or chain.

Recognition of any of these factors accompanied by action by suppliers to forge closer, more proactive alliances with buyers could provide them with a strategic advantage in their dealings with retail accounts.

Supermarket Chains

For chain buyers, buying departments, and chain executives, this nationwide buying study provides a reference with which to compare current procurement practices and perhaps modify or improve existing procedures. In recent years, a supermarket industry effort is underway to take unnecessary costs "out of the system". In large measure, this pressure has been caused by increased industry competitiveness and by the growing presence and success of alternative format stores such as the wholesale clubs. The "direct-from-manufacturer" procurement practices of the clubs provides an immediate stimulus for supermarket chains to optimize procurement practices in order remain competitive. Additionally, for both suppliers and retailers, the sheer costs and potential systemwide inefficiencies caused by the introduction of "questionable new products" with expensive programs of R & D, distribution logistics, elaborate advertising and promotional programs and, subsequent high failure rates should be reason enough to closely evaluate current procurement practices and initiate programs to reduce the number of fringe or "me-too" products introduced.

Finally, the "gate-keeper" function of supermarket buyers will only grow in importance as product proliferation continues, competition for shelf space escalates, technology advances and more sophisticated management leads to improvements in systemwide operating practices. Suppliers that make the effort to become more knowledgeable about the specific needs and preferences of individual retail customers and retailers who evaluate and optimize their buying practices will be best prepared to face these challenges.

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APPENDIX A

New Products
Buyers Survey

The purpose of this survey is to examine the new product review process and acceptance criteria of U.S. supermarket buyers.

Sponsored by:
Food Industry Management Program
Cornell University, Ithaca, NY 14853

SECTION A: BUYING PROCEDURES

1) How many ***buyers*** are there in each of the following product categories? *(Please give a number for each category. If none, please write "0". If you are in a regional division or branch office of the parent company, please answer this question from the division perspective.)*

		NUMBER OF BUYERS
1	**Dry goods** ***(e.g., groceries, dairy, frozen foods)***	_____
2	**Perishables** ***(e.g., produce, meat, deli, etc.)***	_____
3	**General merchandise, health & beauty care**	_____
4	**Other** ***(Please specify.)***	_____

2) Including all divisions, what is the ***total*** number of buyers in your company?

_____ **BUYERS**

3) For your company, who makes the decision to accept or reject new items? *[A "New Item" as defined in this study is any grocery item that requires a new SKU, e.g. dry groceries, frozen foods, dairy products, HBC items and general merchandise. Excluded are all perishables; e.g., produce, deli items, meats, floral and fish.]* *(Please circle ONE response.)*

1 **At our company, we use a *combination* of individual product line buyers *and* a buying committee to review new items.**

2 **At our company, we *only* use a buying committee to review new items.** ———>*SKIP TO QUESTION 6, PAGE 2*

3 **At our company, individual product line buyers (e.g., dry goods or frozen foods buyers) are the *only* ones who review new items.** ———>*SKIP TO QUESTION 14, PAGE 3*

4) Sometimes there are disagreements between product line buyers and the buying committee on whether to accept or reject a new item. For your company, approximately what percent of the time is there agreement between the buying committee and line buyers?

_____ **% TIME BOTH AGREE**

5) Below are several possible approaches that could be followed to resolve disagreements between buyers and the buying committee regarding acceptance of new items. Indicate for your company how often each approach is likely to be followed.

	(Please circle ONE response per statement.) ALWAYS	SOMETIMES	NEVER
a. **Buying committee makes the final decision**	1	2	3
b. **Head buyer makes the final decision**	1	2	3
c. **More information is requested from vendor**	1	2	3
d. **Further in-house analysis is conducted**	1	2	3
e. **There is no standard process**	1	2	3
f. **Other** ***(Please specify.)*** _____	1	2	3

6) How many members are on your company's buying committee?
(If you are in a regional division or branch office of the parent company, please answer this question from the division perspective.)

_____ **MEMBERS**

7) Please list the committee members' job titles.

1	_____	5	_____
2	_____	6	_____
3	_____	7	_____
4	_____	8	_____

8) Does membership on your company's buying committee rotate (e.g. membership in the committee changes every year.)?

1 **YES** 2 **NO**

9) How long is an ***average*** buying committee meeting?

_____ **HOURS**

10) How often does the buying committee meet? *(Please circle ONE response.)*

1	**More than once each week**	4	**Once a month**
2	**Once each week**	5	**Less than once a month**
3	**Once every two weeks**	6	**Other *(Please specify.)***

_____

11) Who makes new item presentations to the buying committee for your company? *(Please circle ONE response.)*

1 ***Vendors*** **make presentations directly to buying committee** ————> *SKIP TO QUESTION* **14,** *BELOW*

2 ***Company's individual product line buyers*** **make presentations in the product categories they represent.**

12) Which of the following best describes the procedure followed by your company's product line buyers when presenting new items to the buying committee? *(Please circle ONE response.)*

1 ***All*** **products presented to individual product line buyers are subsequently presented to the buying committee for final review.** ————>*SKIP TO QUESTION* **14,** *BELOW*

2 **Only a subset of *products positively evaluated*** **by individual product line buyers are presented to the buying committee for final review.**

3 **Don't know.** ————>*SKIP TO QUESTION* **14,** *BELOW*

13) Approximately what percent of the ***original group of all vendor products*** presented to the product line buyers does this subset represent?

_____**% OF ORIGINAL GROUP**

14) Please describe the three most important factors on which the ***job performance*** of individual buyers in your company is evaluated.

1 _____

2 _____

3 _____

SECTION B: NEW PRODUCT ACCEPTANCE ISSUES

1) On average, out of every 100 new items presented to company or division buyers, how many are ***accepted***?

_____ **# ITEMS ACCEPTED**

2) On average, out of every 100 items ***initially rejected*** by company or division buyers, how many are accepted after they are re-presented in a modified form?

_____ **# ITEMS ACCEPTED AFTER INITIAL REJECTION**

3) For every 100 new items accepted, how many existing items are discontinued?

_____ **# ITEMS DISCONTINUED AFTER ACCEPTANCE**

4) Out of every 100 products discontinued, how many of these products come from the same ***product category*** as a newly accepted item?

_____ **#ITEMS DISCONTINUED FROM SAME PRODUCT CATEGORY**

5) For every 100 products discontinued, how many of these products are from the ***same manufacturer*** as the newly accepted items?

_____ **# ITEMS DISCONTINUED FROM MANUFACTURER**

6) How often do manufacturers offer a ***sales guarantee policy*** as part of their new product introduction program? *(Please circle ONE response.)*

1 Always **3 Sometimes**

2 Frequently **4 Never**

7) How much time does your company allow a new item to achieve a satisfactory sales level?

_____ **MONTHS**

8) Which of the following best describes your company's policy regarding manufacturers' "sales guarantees" when considering new products?
(Please circle ONE response.)

1 **Acceptable sales within *6 months* "guarantee" is required for most new products.**

2 **Acceptable sales within *12 months* "guarantee" is required for most new products.**

3 ***No sales* "guarantee" is required at present, but we are considering one.**

4 ***No sales level* "guarantee" is required.**

9) What action is taken if sales levels for a new item are unsatisfactory after this trial period? *(Please circle ALL that apply.)*

1 **Item is deleted**

2 **Item is given more time to prove itself**

3 **Discussions are held with vendor**

4 **Item is repositioned in store**

5 **Other *(Please specify.)*** _____

10) Of all new items accepted in a year, approximately what percent are likely to still be on store shelves?
(Please give approximate percentage for each category.)

1 **After *six* months** _____ %

2 **After *one* year** _____ %

3 **After *two* years** _____ %

11) What percent of the time are newly accepted products placed:
(Please give approximate percentage for each category.)

1 **In *all* of your company stores** _____ %

2 **In *selected* stores only** _____ %

100 %

12) Which of the following most often makes the decision to discontinue an existing item for your company?
(Please give approximate percentage for each category.)

		PERCENT OF TIME
1	**Manufacturer**	_____ %
2	**Wholesaler**	_____ %
3	**Retail chain**	_____ %
		100 %

13) During the past 12 months, approximately how many new items were added to an average store in your company?

_____ **# NEW ITEMS ADDED**

14) During the past 12 months, approximately how many items were deleted from a typical store in your company?

_____ **# ITEMS DELETED**

SECTION C: YOUR ROLE IN NEW ITEM INTRODUCTIONS

1) Approximately how many hours a week do you work?

_____ **# HOURS PER WEEK**

2) In your company, what percent of a typical buyers' time is devoted to the following major job responsibilities:
(Please give approximate percentage for each item.)

1	**Reviewing new items**	_____ %
2	**Reviewing existing items to continue or discontinue**	_____ %
3	**Assisting in development of marketing and merchandising plans**	_____ %
4	**Order entry, price changes, handling invoice problems.**	_____ %
5	**Meeting with vendors to cover routine business**	_____ %
6	**Other** *(Please specify.)* _____	_____ %
		100 %

3) About how many new items are presented to you in an average week? *[A "New Item" as defined in this study is any grocery item that requires a new SKU; e.g., dry groceries, frozen foods, dairy products, HBC items and general merchandise. Excluded are all perishables; e.g., produce, deli items, meats, floral and fish]* *(Please circle ONE response.)*

1	0 - 10	4	51 - 100
2	11 - 25	5	101 - 200
3	26 - 50	6	MORE THAN 200

4) In deciding to take on a new item, how important do buyers consider each of the following:

	(Please circle ONE response per item.) VERY IMPORTANT	SOMEWHAT IMPORTANT	NOT IMPORTANT
PRODUCT ATTRIBUTES			
a. High gross margin opportunity	1	2	3
b. High net margin/DPP rating	1	2	3
c. Few items already in-house that might compete with a new item	1	2	3
d. Large number of retail firms in the market have already added the item	1	2	3
e. High product quality (e.g., taste or ingredients)	1	2	3
f. Innovative package design	1	2	3
g. Item is fundamentally a new item, not "me too"	1	2	3
h. Price levels competitive with similar products	1	2	3
i. Strong growth in the particular category of the new item	1	2	3
j. High expected profit contribution in the short run *(during introductory period)*	1	2	3
k. High expected profit contribution in long run *(after introductory period ends)*	1	2	3
l. Appropriate for current season of year	1	2	3

(Please circle ONE response per item.)			
VENDOR ATTRIBUTES	VERY IMPORTANT	SOMEWHAT IMPORTANT	NOT IMPORTANT
a. Positive reputation of vendor	1	2	3
b. Strong vendor promotion *(e.g., in-store sampling, coupons, POP materials, etc.)*	1	2	3
c. Strong vendor advertising support, *(e.g., vendor TV advertising)*	1	2	3
d. High quality vendor sales presentation by company sales representative or broker	1	2	3
e. High complementarity with existing "family of products" from same vendor	1	2	3
f. Adequate channel development funds *(e.g., slotting allowances, co-op funds...)*	1	2	3
g. Superior test market or market research results	1	2	3
h. Low minimum order quantities	1	2	3

5) On average, how much time, including the presentation itself, do the buyers in your company spend evaluating *each* new item?

_____ MINUTES

6) Sometimes you receive printed materials about new items before the items have been presented to retailers. Please indicate how frequently you encounter the following sources of *pre-presentation* information.

(Please circle ONE response per item.)				
	OFTEN	SOMETIMES	RARELY	NEVER
a. Vendor supplied materials	1	2	3	4
b. Informal internal conversations about new items	1	2	3	4
c. Trade periodicals	1	2	3	4
d. Trade conferences/meetings	1	2	3	4
e. Television	1	2	3	4
f. Other *(Please specify.)* _____	1	2	3	4

7) How important is such *pre-presentation* information when making your decision to accept or reject a new item?
(Please circle the number that BEST applies.)

VERY IMPORTANT		SOMEWHAT IMPORTANT		NOT IMPORTANT
1	2	3	4	5

8) How often do you play an active role in manufacturer's new product development process by providing suggestions/comments on the following:

	(Please circle ONE response per item.) OFTEN	SOMETIMES	RARELY	NEVER
a. Packaging of new products	1	2	3	4
b. Sizes of new products	1	2	3	4
c. Promotion/advertising programs for new products	1	2	3	4
d. Suggested retail prices	1	2	3	4
e. Ideas for new products	1	2	3	4
f. Other suggestions I have given to manufacturers are:				
_____	1	2	3	4

SECTION D: ORGANIZATION BACKGROUND

1) Is your company organized by geographic regional offices?
(Please circle ONE response.)

1 YES 2 NO

2) How many grocery stores in total are there in your company?

_____ # GROCERY STORES

(2a) If you work in a regional division office, how many stores are in your division? _____ # DIVISION STORES

3) How many SKU's are carried by an average store in your company?

_____ SKU'S

4) Where is the buying function for your company most often carried out? *(Please circle ONE response.)*

1 CHAIN HEADQUARTERS 2 DIVISION/REGIONAL OFFICES

5) Who typically makes the ***initial*** presentation of a new item to your company? *(Please give approximate percentage for each group.)*

	PERCENT OF TIME
1 Manufacture representatives	_____ %
2 Brokers	_____ %
3 Joint (manufacturer & broker)	_____ %
	100 %

6) Please rate a typical new item presentation made by the following.

	(Please circle ONE response per statement.)				
	OUTSTANDING		AVERAGE		INFERIOR
a. Presentations by manufacturers	1	2	3	4	5
b. Presentations by brokers	1	2	3	4	5
c. Joint (manufacturer & broker)	1	2	3	4	5

7) To what extent are manufacturer sales representatives/brokers permitted to provide individual store managers with information regarding new items? *(Please circle the response that BEST applies.)*

1 **Representatives/brokers are *welcome* to contact store managers with new product information.**

2 **Representatives/brokers are *prohibited* from providing store managers with information on new products.**

3 **There is *no company policy* regarding contact between representatives/ brokers and individual store management.**

8) Once a decision is made to accept a new item, many additional decisions remain. For each of the following, please approximate the percent of time the following decisions are made at each level. Base your response on what happens the majority (greater than 50%) of the time. *(Total percentages for the 3 levels should equal or approximate 100%.)*

		Corporate Headquarters		Division/Regional Office		Store Level	
1	**Set retail price**	_____	+	_____	+	_____	= 100%
2	**Authorization of distribution**	_____	+	_____	+	_____	= 100%
3	**Discontinuation of an existing item**	_____	+	_____	+	_____	=100%
4	**Use of special new product display**	_____	+	_____	+	_____	= 100%
5	**Location in warehouse**	_____	+	_____	+	_____	= 100%
6	**Location in store**	_____	+	_____	+	_____	= 100%
7	**Shelf position**	_____	+	_____	+	_____	= 100%
8	**Number of shelf facings**	_____	+	_____	+	_____	= 100%
9	**Re-order magnitude**	_____	+	_____	+	_____	= 100%
10	**If a new item has "acceptable" sales**	_____	+	_____	+	_____	= 100%

SECTION E: PERSONAL BACKGROUND

1) What is your present job title?

_____

2) For how many stores do you have buying responsibility?

_____ STORES

3) How many years have you been an employee of your company?

_____ MONTHS _____ YEARS EMPLOYED

4) How long have you been in your current position?

_____ MONTHS _____ YEARS

5) What is the highest educational degree you received?
(Please circle ONE response.)

1 High school
2 Two years of college
3 Four years of college
4 Graduate school

6) Please list magazines and television shows that you read or watch most frequently.

MAGAZINE TITLES	TELEVISION SHOWS
1 _____	1 _____
2 _____	2 _____
3 _____	3 _____
4 _____	4 _____

7) How old were you on your last birthday? _____ YEARS OLD

8) Are you: 1 MALE_____ 2 FEMALE _____

Announcement Letter

CORNELL
UNIVERSITY

Food Industry Management Program

College of Agriculture and Life Sciences
Department of Agricultural Economics
206 Warren Hall
Ithaca, NY 14853-7801

Telephone: 607 255-1622
Facsimile: 607 255-9984

August 30, 1991

«Pro» «First» «Last»
«Title»
«Company»
«Street»
«City», «State» «Zip»

Dear «Pro» «Last»:

We would like to ask your assistance in participating in a nationwide survey of the *Supermarket New Product Buying Process*. Despite the continued surge of new product introductions into the grocery product distribution system, relatively little is know about the process and acceptance criteria of trade buyers. The information we receive from this survey of the nation's top 200 retail chains will provide a better understanding and a more comprehensive picture of the supermarket buying process.

In a few days you will receive a questionnaire from us. We are sending this letter in advance because our experience has shown that busy people appreciate knowing that a research study is underway and that they will be asked to participate.

For each company, we have tried to identify the individual most responsible for the company's grocery procurement process. If you feel there is someone in your company who could more appropriately answer our questionnaire on the new product buying process, we would appreciate your passing the survey along to this individual.

Please take a few minutes to complete the questionnaire when it arrives. All survey responses are an extremely important part of the research project. Also, let us assure you that all your responses will be held in strictest confidence and any publicly presented figures will only be in aggregate terms. Of course, each survey respondent will receive a complete copy of our study results as well as a number of our previous research reports on new product introductions if so interested.

Thank you in advance for your attention and assistance. If you have any questions regarding this study please contact us.

Sincerely,

Peter J. Fredericks
Study Coordinator

Edward W. McLaughlin
Associate Professor

Survey Letter

CORNELL
UNIVERSITY

Food Industry Management Program

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206 Warren Hall
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Telephone: 607 255-1622
Facsimile: 607 255-9984

September 7, 1991

«Pro» «First» «Last»
«Title»
«Company»
«Street»
«City», «State» «Zip»

Dear «Pro» «Last»:

The proliferation of new grocery products continues to accelerate -- over 13,000 in 1990, a 1000% increase over the 1970's average. Despite the sheer number of new product introductions and the importance of new products for both manufacturers and food retailers, the actual buying process and acceptance criteria of trade buyers is not well understood. The enclosed survey instrument that we are asking your assistance in completing, is part of a nationwide survey of the top 200 U.S. retail food chains. The questions we are asking of buyers, procurement or purchasing professionals or merchandisers such as yourself, will provide a better understanding of the supermarket new product buying process.

Besides yourself, there may be other individuals in your company, perhaps at a branch office, who have received this survey. This is intentional. We are interested in *all* survey responses. As mentioned in our previous announcement letter, if you feel there is someone in your company who could more appropriately answer the questionnaire, please pass the survey along to this individual.

Please take a few minutes today to complete the survey. All respondents will receive a complete report of our study results which, we believe will develop a much more complete understanding of the entire supermarket buying process nationwide than currently exists. Of course, your responses will be strictly confidential and any publicly presented results will only be in aggregate terms.

Thank you in advance for your cooperation and assistance. We have enclosed a postage paid return envelope for your convenience.

Sincerely,

Peter J. Fredericks
Study Coordinator

Edward W. McLaughlin
Associate Professor

Reminder Postcard

September 1991

Dear Supermarket Buying Professional:

Last week we sent you a survey seeking information on the new product buying processes in your company. This survey -- conducted by the Food Industry Management Program at Cornell University -- is part of a nationwide survey of the buying process in supermarket chains. As a buying or procurement professional, your responses are vital; they will help us to better understand the new product buying processes.

If you have already completed the questionnaire and returned it to us, please accept our sincere thanks. If not, please take a minute to fill it out and send it back today.

If for some reason you did not receive a questionnaire or it has been misplaced, please call (607)255-1622 today and we will be happy to send one to you immediately.

Thank you again for your assistance.

Sincerely,

Peter J. Fredericks
Study Coordinator

Edward W. McLaughlin
Associate Professor

Second Mailing Letter

CORNELL
UNIVERSITY

Food Industry Management Program

College of Agriculture and Life Sciences
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206 Warren Hall
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Telephone: 607 255-1622
Facsimile: 607 255-9984

October 1, 1991

«Pro» «First» «Last»
«Title»
«Company»
«Street»
«City», «State» «Zip»

Dear «Pro» «Last»:

About three weeks ago, we wrote to ask your participation in a survey of the new product buying process in your company. We have not yet received your response. We realize that this may be a busy time for you, but your response is extremely important to the success of this nationwide survey of supermarket buyers.

While we're encouraged by the responses we have received so far, your input is still very important to ensure that we get an accurate description of supermarket buying practices nationwide. Your input will enable us to have a more complete understanding of supermarket buying practices. All responses will be strictly confidential and any publicly presented results will only be in aggregate form. Additionally, all participants will receive a report of our survey results.

It is for these reasons that we make this appeal for your participation. In case our last correspondence did not reach you, we have enclosed a replacement questionnaire and a postage paid return envelope. Please complete and return this survey as soon as possible.

Thank you for your cooperation.

Sincerely,

Peter J. Fredericks
Study Coordinator

Edward W. McLaughlin
Associate Professor

Thank you Letter

CORNELL
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Food Industry Management Program

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Telephone: 607 255-1622
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November, 15 1991

«Pro» «First» «Last»
«Title»
«Company»
«Street»
«City», «State» «Zip»

Dear «Pro» «Last»:

Thank you for your assistance with our recent survey of the supermarket new product buying processes. The information you provided has been most helpful in providing a better understanding of the new product buying process as well as assuring that our survey is an accurate portrayal of industry practices.

We are in the process of tabulating and evaluating the results. We will send you a copy of the survey results as well as any of the other new product reports you indicated an interest in receiving, as soon as our analysis and report are completed.

Thank you again for you help with this project. We think you'll find the results as interesting as we have.

Sincerely,

Peter J. Fredericks
Study Coordinator

Edward W. McLaughlin
Associate Professor

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