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RETHINKING RETAILER BUYING BEHAVIOUR

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Track: Rethinking retailing

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Research of retailer buying behaviour has previously focused on the buying decision. In this paper a new approach to studying retailer buying behaviour is suggested, one which focuses on the sensemaking processes leading up to a decision being made. A research project taking a sensemaking perspective is outlined and the implications and expected contribution of studying retailer buying behaviour from a sensemaking perspective are discussed.

Keywords: *Food retailing, retailer buying behaviour, sensemaking.*

How do retailers decide what products to buy? Previous answers to this question have tended to focus on the decision being made, e.g. what product to buy or what supplier to choose. Thus, a recent review found that the majority of previous studies of retailer buying behaviour have investigated the criteria retail buyers use to choose between products and suppliers (Hansen & Skytte 1998). However, little is known about the process leading up to a decision being made. The premise underlying this paper is that there is a need to rethink theories and research of retailer buying behaviour in order to gain a better understanding of *why* retail buyers make certain decisions rather than simply focusing on *what* they decide. For instance, instead of identifying what criteria retail buyers use to choose between products and suppliers it would be interesting to know why retail buyers use these and not other criteria.

This paper begins by arguing that the existing literature on retailer buying behaviour suffers from several shortcomings and suggests that a new perspective for understanding retailer buying behaviour is welcome. Specifically, it is proposed that one way to overcome the limitations of the existing literature would be to investigate the sensemaking processes involved in retailer buying behaviour. As an illustration, a research project investigating sensemaking processes in relation to the buying of pork by German food retailers is then outlined. Finally, the implications and expected contribution of studying retailer buying behaviour from a sensemaking perspective are discussed.

Why a new perspective?

Understanding retailer buying behaviour has become increasingly important. Retail chains have become gatekeepers to consumer markets, as food producers wanting to sell their products to consumers have to sell them to retailers first. To be chosen as a supplier under these conditions, knowledge of retailer buying behaviour could help a food producer tailor his market offerings to specific retailers. The existing literature on retailer buying behaviour ought to assist food producers in gaining an understanding of retailer buying behaviour. Unfortunately, the conceptual framework for understanding retailer buying behaviour found in the existing literature suffers from a number of shortcomings that limit its practical usefulness. First, the cognitive processes involved in retailer buying behaviour have been overlooked, which is unfortunate because cognitive processes are linked to organisational actions and, ultimately, firm performance. Second, the contexts of retailer buying behaviour have been neglected, yet retailer buying behaviour is embedded in, at least, social, orga-nisational, competitive and societal contexts. Third, previous studies of retailer buying behaviour have been static. However, as retailers and suppliers increasingly engage in long-term relationships it seems reasonable to expect retailer buying behaviour to evolve as these relationships develop. Finally, relations between various concepts related to retailer buying behaviour are poorly understood and findings on retailer buying behaviour appear scattered and unrelated.

It might be argued that overcoming these limitations is simply a matter of research design. However, I believe that it would be beneficial for researchers to fundamentally rethink retailer buying behaviour and use a new approach to study it. The new approach for studying retailer buying behaviour advocated in this paper is the sensemaking perspective. I believe that taking a sensemaking perspective will help overcome the limitations of the existing literature and contribute to a deeper understanding of retailer buying behaviour.

A sensemaking perspective

Sensemaking has to do with the construction and reconstruction of meaning by organisational actors as they attempt to develop a meaningful framework for understanding some stimuli (Gioia & Chittipeddi 1991). From a sensemaking perspective, the central research questions are how actors construct what they construct, why and with what effect (Weick 1995). In relation to retailer buying behaviour, the central questions are thus how retail buyers construct a meaningful framework for carrying out their task of buying products, why and what effects this has.

The sensemaking perspective draws on a diverse intellectual heritage. It has roots in cognitive anthropology, semiotics, ethnography, phenomenology, in the social constructionist view of organisational life and in cognitive psychology (Sackman 1991, p. 45). Common to many of these roots is that they are grounded within constructivism and interpretivism. Constructivism and interpretivism are general descriptors for loosely coupled methodological and philosophical persuasions that share the goal of understanding the complex world of lived experience from the point of view of those who live it and the assumption that to understand this world of meaning one must interpret it (Schwandt 1994).

Sensemaking includes, at least, the processes of comprehending, understanding, explaining, attributing and predicting (Starbuck & Milliken 1988). Common to these processes is that they involve placing stimuli into some kind of framework. Sensemaking is more than the placement of stimuli within frameworks, however. Thus, Thomas, Clark and Gioia (1993, p. 240) describe sensemaking as “the reciprocal interaction of information seeking, meaning ascription and action”. Sackman (1991, p. 33) writes about sensemaking mechanisms that organisational members use to attribute meanings to events, mechanisms that include “the standards or rules for perceiving, interpreting, believing, and acting that are typically used in a given cultural setting”. Weick (1995) argues that sensemaking has seven properties distinguishing it from other explanatory processes. Sensemaking is thus “understood as a process that is (1) grounded in identity construction, (2) retrospective, (3) enactive of social environments, (4) social, (5) ongoing, (6) focused on and by extracted cues and (7) driven by plausibility rather than accuracy" (Weick 1995, p. 17).

The sensemaking perspective thus outlined can help overcome all four limitations of the existing literature. First of all, sensemaking is obviously very much concerned with cognitive processes, as should be clear from the preceding discussion. Second, the sensemaking perspective acknowledges the importance of contexts. This is reflected in the assertions that sensemaking is social and enactive of social environments. Third, sensemaking is ongoing. Regarding the relationships between retailers and suppliers discussed earlier, this means that as these relationships develop, actions and symbolic interpretations of buyer and seller continually shape and restructure the relationship (Ring & Van de Ven 1994). Finally, it is my hope that studying retailer buying behaviour from a sensemaking perspective will contribute to developing a new conceptual framework that is better integrated than the existing literature. I will return to this last point towards the end of the paper.

A research project using a sensemaking perspective

Following the rather abstract discussion of sensemaking, the discussion now turns to presenting a concrete project taking a sensemaking perspective to studying retailer buying behaviour. The specific context chosen for studying sensemaking processes in German food retailers' buying behaviour when buying pork. Specifically, the project will investigate sensemaking processes related to the quality of pork and the documentation of pork quality. The project is aimed at considering two related issues that fall within an overall concern for understanding sensemaking processes involved in retailer buying behaviour. First, the project is concerned with the process by which retail buyers notice and interpret the environment (i.e., how retailers interpret customers, competitors, suppliers, regulation etc.). In this connection, it will be investigated how the identity and perceived image of the retailer influence this process, if at all? Second, the project is concerned with the process by which the interpretation of the environment, the identity and the perceived image of the retailer is expressed through organisational logic and buying policies.

Before discussing the methodology to be used for this project, the key concepts included in the two research questions will be considered all too briefly. Clearly, how retailers interpret the environment is central to this project. Organisations can be viewed as interpretative systems within which interpretations are socially constructed (Daft & Weick 1984). Organisational interpretation is the process of translating events and developing shared understanding and conceptual schemata among organisational members (Daft & Weick 1984). From a sensemaking perspective, organisational members notice certain environmental stimuli from which they construct an interpretation of the environment, upon which they act and in so doing create the constraints and opportunities they face, i.e. they enact their environment (Weick 1995). What is noticed depends on the organisational identity of the retailer, because this filters and moulds the organisation's interpretation of and action on an issue (Dutton & Dukerich 1991). Organisational members' perception of identity is influenced by what they believe outsiders think of them, i.e. by the image they believe outsiders have of the organisation (Dutton & Dukerich 1991). The first question thus concerns how the organisational identity and perceived image of retailers influence the environment that is enacted, e.g. which competitors are perceived, which suppliers are considered and which demands consumers are perceived as having regarding the quality of pork and the documentation of pork quality. This interpretation entails establishing what organisational needs retail buyers should satisfy. Organisational needs are "outcomes derived from perceived goals and the organisational *interpretation* of the activities needed to pursue these goals" (Grønhaug & Venkatesh 1991, p. 20).

The second research question is an extension of the first. It is based on the notion that organisations develop rules and procedures to handle repetitive tasks. Therefore, it will be investigated how the interpretation of the environment is translated into organisational routines, which can aid the retail buyer in performing repetitive tasks. Organisational routines are a form of collectively shared organisational memory about how the organisation should respond to certain stimuli (Walsh & Ungson 1991).

A methodology for studying sensemaking processes in retailer buying behaviour

Only limited theoretical and empirical work has been undertaken regarding sensemaking in relation to retailer buying behaviour. Therefore, the emphasis in the study is on understanding substantive phenomena, i.e. the states and actions of social units influencing retailer buying behaviour. The project will take an interpretative approach to the study of sensemaking processes in retail buying behaviour. The goals of this approach is to *describe* and *explain* phenomena in order to *diagnose* and *understand* them (Gioia & Pitre 1990). The interpretative approach builds on a number of assumptions (Daft & Weick 1984; Gioia & Chittipeddi 1991; Porac, Thomas & Baden-Fuller 1989). First, it is assumed that the activities and structures of organisations are determined by the micro-momentary actions of their members. Second, it is assumed that organisations are open social systems that attend to information from the environment, interpret the meaning of this information and externalise these interpretations via concrete activities. Third, meanings are assumed to be problematic and organisations must actively construct an interpretation by linking information with cognitive structures that are well learned and/or developing. Fourth, it is assumed that organisational interpretations are socially constructed (cf. Berger & Luckmann 1966). Finally, organisations are assumed to differ systematically with regard to the mode or process by which they interpret the environment.

The implications of these assumptions are twofold. First, understanding retail buying behaviour from a sensemaking perspective requires an accounting of the meanings ascribed by the members of the organisation. Second, understanding such subjective organisational phenomena requires that the researcher be grounded in the organisation's culture (Gioia & Chittipeddi 1991).

An interpretative approach contains first and second order levels of analysis (Gioia & Chittipeddi 1991), both of which are inductive in nature. In conducting the first order analysis, it is important for the researcher to be close to informants and their activities in order to understand the conceptual lenses that members of the organisations use to see and interpret their experience. The researcher thus collects data that are relevant to informants and attempts to preserve their unique representations. The result of the first order analysis will be ethnographic stories at the informants' level. The primary source of data will be semi-structured interviews with informants. Secondary data sources to be utilised include internal documents and external communication in the form of marketing communications (e.g. circulars), annual reports and statements made to the press. Written materials will be used as secondary data sources because materials like annual reports, press releases are used for impression management purposes; the company tries to project a particular image to stakeholders.

In the second order analysis, the data and first order findings are examined for underlying explanatory dimensions. At this more abstract level, conceptual explanations, frameworks and models are constructed. Thus, a grounded, theoretical explanation of the patterns observed in the informants' words, symbols and representations of their sensemaking will be built. The second order analysis will follow the methodology developed by Gioia and Chittipeddi (1991). I intend is to use content analysis of the informants' accounts; to analyse whether the informants' accounts were internally consistent over time or were changing; to analyse data across informants to uncover patterns of convergence or divergence; to extract theoretically explanatory dimensions from the emergent patterns in the data; and to integrate these patterns into a theoretical or conceptual framework. The output of the analysis will be thick descriptions of events supplying "phenomenological richness by reporting direct evidence from emergent themes" (Gioia & Chittipeddi 1991, p. 438). From these thick descriptions hypotheses will be developed concerning direct and indirect relationships between the concepts relevant to retail buying behaviour from a sensemaking perspective.

Implications and expected contribution

It is expected that studying retailer buying behaviour from a sensemaking perspective can identify concepts and hypotheses which can contribute to a new conceptual framework for understanding retailer buying behaviour. Hopefully, relations between the various concepts in this framework will be better understood than is the case within the existing literature. Food producers will be able to use this conceptual framework to interpret the buying behaviour of food retailers and to adapt their marketing strategy and market offerings to individual retailers. A food producer might also use the deeper understanding of retailer buying behaviour to influence retailer perceptions of the producer's market offerings. Food retailers, on the other hand, will be able to use this conceptual framework to understand the process leading to them taking action and to better understand relations between action and outcome. Retailers can use this insight to ponder whether they would benefit from acting differently.

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Self-reports vs. Actual Behavior in Grocery Shopping: A test of the Availability Heuristic and Regression Bias

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Self-reports vs. Actual Behavior in Grocery Shopping: A test of the Availability Heuristic and Regression Bias

Abstract

Working with loyalty programs and relationship marketing, marketers use questionnaires to get data to measure customer shares. Psychological studies have found biases in self-reports on behavior. This empirical study compared diary-data and questionnaire-data and tested the difference between the two for the availability heuristic and the regression bias. Both "biases" were partially supported and a recommendation to marketers to consider both the overestimation and distortion of the customer shares if they use questionnaires was presented.

Keywords: self-report biases, relationship marketing, retailing

Introduction

In times when relationship marketing is in bloom some new measures have come around. One of them is customer share. One argument for this measure is that it is often claimed to be less expensive to keep an old customer than to attract a new. In this perspective it becomes important to the company, not only to sell, but also who the buyer is. The marketer then needs to figure out how big a share of his customer's total spending his company is getting and work with that rather than focusing on the market share. A problem, then, might be that companies often keep track of how much a customer spends on the company's own products and services but they don't know the customer's total spending on those products and services. To solve this problem the marketer can use questionnaires to ask their customers how big a customer share they have. The question then is if this self-reported measure is a reliable one. Of course the marketer can also use diaries to measure customer shares but this is a more demanding (and expensive) method and it isn't as widely used. Psychology have since long shown that, for instance, memory has its' shortcomings and that this influences answers in questionnaires (along with other biases) (e.g. Loftus 1980, Tversky and Kahneman 1982). Also in marketing different studies have shown that self-reported and actual behavior many times differs (Lee et al. 2000).

There are different explanations to why the differences occur. We have especially found three widely used explanations. (1) Regression bias seems to be a topic most studies agree on (e.g. Fiedler and Ambruster 1994). This is a tendency to report one's own behavior as closer to the mean behavior of the population than it actually is. (2) Another explanation is the availability heuristic (Tversky and Kahneman 1974). The availability heuristic states that the easier an occurrence can come to mind, the more it will be overestimated. (3) There are also studies that show other biases such as a tendency to let one's answer be influenced by the cultural norm (Collopy 1996), i.e. if loyalty is a norm, a shopper would overstate his or her loyalty.

We have not found any studies that test those biases on the customer share measure or in a grocery-shopping situation. This is unfortunate since grocery-retailers use customer share as a measure and rely on questionnaire data. This study is therefore aiming to test the availability heuristic and the regression bias and discuss the cultural norm in a grocery-shopping situation. We found partial support for both the availability heuristic and the regression bias resulting in overestimation and distortion of the customer shares when using questionnaires.

Method

The sample was randomly assigned and consisted 681 respondents from a middle sized Swedish city. The study included a questionnaire and a diary, which the respondents filled in during a one-month period. The respondents were instructed what they were supposed to do when they agreed to participate in the study. They also got written instructions and had the opportunity to call and ask whenever they felt insecure about anything regarding their participation in the study.

The questionnaire asked for the respondents' main store and how big share of the customers' total amount of grocery purchases that were made in that store. The question about the main store was open-ended. The question about customer share used a scale where the respondent had nine alternatives. Respondents replied by putting an "x" in a box that best corresponded to their beliefs. The scale was from less than 30% and in intervals of 10 percentage units up to 100%. There were some respondents who had a customer share of less than 30% in their main store. This scale couldn't do them justice since it didn't give them a fair chance to prove that they knew the size of their customer share in the store (see further in the result section).

The diary was a sheet the size of an A3 designed to be put on the refrigerator door. The sheet made it possible for the respondents to write the names on the stores they used to frequent. The dates were printed in advance. The dates and the stores created a matrix with blank cells. The respondents were then supposed to fill in one cell for every store visit they had made with the amount spent in the store. We included a magnet to help putting the diary in place. There was a text on the magnet to remind the respondent to fill in the diary every day. The respondents were instructed to fill in the diary every day. We gave this instruction twice, once in a phone call and once in a brochure.

Results

Firstly we looked at the correspondence between the data from the survey and the diary. It revealed that from the 681 respondents 549 (80.6%) had self-reported the same store as their main store as was shown in the diary. 104 people (15.3%) had self-reported another store than the one revealed in the diary and approximately 28 people (4.1%) didn't mention a main store in the questionnaire. Accordingly it seemed as most people had a feeling for which store was their main store. Those 104 respondents who misjudged which store was their main store, as a group, had a lower than average customer share. The average customer share in this group was 27% as compared to 66% in the whole data set. Thus, it seemed to be harder for the customers with low customer shares to know which was their main store.

In the next step we analyzed the customer shares of the respondents who had self-reported the "right" store. Those respondents might still have self-reported another customer share than what showed in the diary. First we correlated the data from the questionnaire and the diary. The Pearson's correlation was 0.64 and significantly different from 1. Thus, it seemed as these respondents, who knew which store was their main store, still had a problem in knowing their exact customer share. Next we looked for patterns in the differences between actual and self-reported behavior. We approached this subject by testing the two biases found in earlier studies, availability heuristic and regression bias.

The availability heuristic states that people assess the frequency or probability of something depending on how easily it can be brought to mind. In this case this would mean that the respondents should overstate their customer share since they probably would find it easier to bring their main store to mind. There was a tendency to overstate the customer share in the questionnaire compared to the diary on an aggregate level. The mean share of purchase was greater for the self-reported questionnaire (72,5%) than for the diary (65,6%). A paired samples t-test showed that the means were significantly different from each other ($p < .0001$). Thus the respondents tended to believe that they were more loyal to their main store than they actually were. A look at the individual level showed that 187 (34 %) of the respondents actually had a higher degree of customer share in the diary than in the questionnaire. 357 (65 %) reported they had a higher customer share than the diary showed and 5 respondents (1 %) had self-reported their right customer share. For the availability heuristic to hold we would expect all respondents to overestimate their customer share. This was not the case even though a majority of the respondents made an overestimation and the customer shares were overestimated on an aggregate level. Thus we found moderate support for the availability heuristic.

We then turned to test for a regression bias. A regression bias would mean that respondents with high customer shares in their main store should tend to underestimate their share and that respondents with low customer shares should tend to overestimate their share. There should also be less difference between actual and stated customer share close to the mean customer share. To test this we looked at the distribution of the difference scores between the two data sets. We sorted the respondents with regard to the customer shares in the diary data. Then we grouped the respondents in quartiles from “high customer share” to “low customer share” ($n = 137$ / group except the “low” group where $n = 138$). The median value (the first case in the third group) was 65,5. When we excluded the cases where the main store was different in the questionnaire and the diary (earlier in the analysis) that also turned out to exclude the respondents who had self-reported their customer share in the main store to be less than 30%. This helped us so we didn’t have to consider the fact that the scale was different for different levels (see discussion in the method section). We calculated the difference by subtracting the self-reported customer share from actual customer share. The mean differences for the four groups were “high” = -0.044; “medium high” = 0.037; “medium low” = 0.092; and “low” = 0.192. All means were significantly different from each other ($p < 0.0001$). All mean values were significant at the 1-%-level. For the regression bias to be supported the first two groups should have had a negative sign and the last two should have had a positive sign. The first and the last group should also have had greater means than the two middle groups. Thus, there is only moderate support for a regression bias.

Note that the negative sign in the “high customer share group” does not support the availability heuristic.

Discussion

The data gathering might be one explanation to why the discrepancy between stated and revealed main store has occurred. The month of the diary might not have been a typical month and the respondents might have self-reported their main store during a normal month. The period of the diary was chosen so that it shouldn’t be any holidays or other interruptions in the normal pattern but yet there might have but special things going on in the individual households that can be part of the explanation. Despite shortcomings of the study there is reason to believe the results, since also earlier studies have shown differences between stated and actual behavior (see Lee et al. 2000).

To some respondents their actual main store wasn’t the one that they self-reported. This might, at least to some part, have been a reflection of the limitation in the questionnaire as stated above. However it was also evident that the problems of assessing what store was the main store was correlated with how great a customer share the store had. When we excluded the respondents who had misreported their main store they turned out to be the same respondents who had stated their customer share to be less than 30% in their main store.

The availability heuristic was moderately supported in the study. The mean share of purchase for the main store is greater in the questionnaire than in the diary. This effect is also found in previous studies (examples stated in Lee et al. 2000). The rationale would be that the store easiest to retrieve from memory would be assumed to have a larger than real customer share. Another possible explanation, more related to the specific research area could be that the respondent didn't consider all the shopping in the diary when he or she was summarizing the customer share in his or her head. Perhaps the respondents left out some of the smaller purchases when s/he was assessing his/her shopping behavior. This would have given the more "real" shopping trips a relatively greater share of the total shopping behavior. For the availability heuristic to be supported all respondents should overstate their customer shares. Respondents with the greatest shares should make the biggest overestimations. This is not supported in this study. We found that the respondents with the highest customer shares actually underestimated their shares. This could be due to that unusual events can have a strong impact on memory and be overestimated (Loftus 1980), especially under conditions of habitual behavior.

Also the regression effect was partially supported. The sign of the difference score between actual and stated behavior supported the regression effect in three of the four quartiles. The fact that heavy users were more accurate in their judgements is also found in other studies (Collopy 1996). This observation was contrary to (both the availability heuristic and) the regression effect, which claims that the more extreme the behavior, the stronger the regression toward the mean.

Thus it seems that both the tested effects were partially supported. Marketers, then, need to consider the overestimation and distortion of the customer shares if they use questionnaires. Future studies could try to find under what circumstances the different effects occur. Future studies could also study other biases like adaptation toward a cultural norm or personal attitude (shopper type). Shopper types have proven to influence store choice (Laaksonen 1993, Mägi 1999) and might also create a bias. The rationale for this would be that self-reports might be biased toward some self-relevant attitude. There are studies showing that people's autobiographical memories help them construct desired self-images (Sanitioso et al. 1990).

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HOME

Private brands vs manufacturer brands in grocery retailing – a comparative study of buying processes the UK, Italy and Sweden

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Track:
Rethinking Retailing

alternatively

Rethinking Brand Management

Private brands vs manufacturer brands in grocery retailing – a comparative study of buying processes the UK, Italy and Sweden

Private brands in grocery retailing has evolved from a way to sell low quality products into a recipe for success. While the literature points out the advantages of private brands, the possible backsides for retailers are seldom mentioned. This does not mean, however, that potential draw backs does not exist. Buying and selling private brands means that retailers' add new activities and processes to those that are traditionally associated with retailing. This paper compares buying processes between manufacturer brands and private brands across three European countries in an attempt to analyse the complexity of the different buying processes.

Keywords; private brands, retailer buying process, integration, complexity

During the 1990s private brands seem to have evolved from a way to sell low priced and low quality products, into the strategically sensible way for food retailers to gain growth and market position. The trend setters are obviously British food retailers like Tesco and Sainsbury, where private brands account for 40-50% of the assortment, but food retailers in many other European countries have been moving in the same direction (e.g. Burt, 2000; Laaksonen & Reynolds, 1994). While the UK and certainly Switzerland, and to some degree France, Belgium and the Netherlands started at a high level, this was not the case in countries like Sweden and Italy. Food retail alliances, like Associated Marketing Services (AMS) have been used as arenas where food retailers less experienced in private brands could learn from their counterparts in other countries and also get access to new suppliers (e.g. Elg & Johansson, 1996; Robinson & Clarke-Hill, 1995).

The literature on retail marketing has pointed out several advantages for retailers with using private brands as part of their operations (Simmons & Meredith, 1984, McMaster 1987, McGoldrick 1990). Among these are increasing profit margins and enhancing the image and brand of retailers. While these types of advantages have been extensively discussed in the literature, the possible downside for retailers of being involved in private brands are seldom mentioned. This does not mean, however, that there are not potential drawbacks. Getting involved in buying and selling private brands means that retailers' add new activities and processes to those that are traditionally associated with retailing (e.g. build assortment, distribution of products). While manufacturers generally don't approach retailers until their new brands are ready for the market, the retailer buyer involved in private brands can be assumed to engage in market research, product development etc.;

> *The implication of own label for the buyer's role is a change of emphasis from negotiating the best deal for "off the shelf" products to a range of marketing and buying tasks such as sales forecasting, range design, product quality and new product launches. Exploratory research suggest that involvement in own labels is a main factor determining the breadth of the buyer's role. (Swindley, 1992)*

As most food retailers do not own manufacturing assets, the involvement in private brands manufacturing in many cases goes beyond just buying an existing product on the market. To achieve product differentiation quite close relationships need to be established and co-ordinated routines between manufacturer and retailers set up. All of this demands resources and the effects of this should be put in the context of an increasingly international grocery market where market type transactions with manufacturers – and less complex internal structure and demand for new capabilities - seems increasingly possible. Thus, the added complexity of operations that involvement in private brands entails for the retailer may take out some of the advantages achieved. It also seems logical to assume that some types of organisational contexts in terms of integration of retailing operations – vertical as well as horizontal - will be more suited than others for running private brand operations efficiently and in alignment with other company operations and objectives.

The purpose of this paper is to analyse the retailer buying of private brands in order to determine the complexity of the process. In order to be able to do that the process of buying private brands is compared with the buying of manufacturer brands across a section of European countries, with differing experience of private brands and levels of integration of operations. The paper outlines a framework for analysis of the structure of retailer buying processes, resulting in a number of hypothesis concerning the structure of buying processes when dealing with manufacturer's and private brands. This is followed by an analysis of the empirical material from retailer buying processes in UK, Sweden and Italy.

The structure of retailer buying processes for private brands

The literature on organisational buying suggests that the buyer/buying centre goes through a series of stages in purchasing (e.g. Diamond & Pintel, 1993; Gilbert, 1999). Generally it is suggested that a buying process contains activities like a problem recognition (as a result from internal or external stimuli), product specification, supplier search and choice and finally evaluation. These activities are typically carried out by a buyer and/or a buying centre but is often supported by several other internal as well as external actors and resources. Thus, the buying activity is carried out in an organisational context, involving these resources to varying degrees. Previous research have pointed out that organisational factors influence retailer buying (e.g. Briney, Gresham & Gruben, 1993; Gaedeke & Tootelian, 1991; McGoldrick & Douglas, 1983). This seems to be especially true if by organisation we mean type and degree of integration of retailing operations.

The degree of integration here refers to several types of integration; between retailing stores and central retailing operations (or wholesalers) as well as the inter-functional integration within the individual companies. The degree of vertical integration of retailing operations, i.e. degree of co-ordination between central retailing operations and store operations, is important to consider in any study of retail buying. The study by Nilsson & Høst (1987) suggests that all of the differences found in the assortment building functions of Swedish grocers could be connected to the companies' degree of integration. The degree of integration present in the retailing companies influences the way assortment building is performed. If buying is done centrally within a wholly owned chain, rather than from an independent wholesaler, buying will differ greatly (e.g. Hardy & Magrath, 1988). A second aspect of the buying organisation is the degree of horizontal integration. A wholly owned chain of retailers will exhibit different communication and buying patterns than a co-operative chain of multiple retailers, partly because of differences in how they organise their buying function. In a wholly owned chain of retailers, the degree of centralisation and standardisation, would generally be expected to be higher than in an organisation of multiple retailers. Finally the degree of internal integration, i.e. the way that the task of buying is organised internally, can be assumed to differ from one retailer to another. Generally, more elaborate internal integration is expected to be needed in organisations with lower degree of vertical integration of retailing operations. In these cases there are more functions and levels to co-ordinate, not being subject to the centralisation existing in a wholly owned chain. These differences can affect how the buying process will be structured (Holm-Hansen & Skytte, 1997)

Research has shown that certain areas in retail buying, such as grocery buying, is generally undertaken by a buying committee (e.g., Nilsson, 1977; Nilsson & Höst, 1987; Shaw, Dawson

& Blair, 1992). The structure of the buying process is thus assumed to look different if one person is going through the phases of the process or if, for example, a whole group of people participate in the process (e.g. Ghingold & Wilson, 1998; Johnston & Bonoma, 1981). Research into organisational buying centres has acknowledged the fact that buying centres are dynamic in nature (e.g., Ghingold & Wilson, 1998) and organisational buying can be seen as a dynamic and flexible process, carried out by different people according to different criteria at different points in time. Johnston & Bonoma (1981) describe the fluid structure of the buying centre according to three key variables; extensivity (the number of participants in the buying centre), lateral involvement (the number of functional areas or departments within the firm represented in the buying centre) and vertical involvement (the number of hierarchical levels of the firm involved in the purchase). Here complexity is used as a combining concept, referring to the degree of extensivity, lateral and vertical involvement during the buying process.

We are now able to formulate propositions about the structure of the buying process with regard to integration as well as with regard to private brands and manufacturer brands. Propositions 1 and 2 are general and refer to both private brands and manufacturer brands.

As internal integration increases, the number of persons, departments and levels involved in the processes will increase and thus complexity can be argued to increase;

Proposition 1. The complexity of the buying process will increase with increasing degree of internal integration

With increasing vertical integration of retailing operations, the opposite should happen. Vertical integration is understood to involve centralisation of functions in the retailing operations, meaning that fewer people, department and levels get involved in the process;

Proposition 2. The complexity of the buying process will decrease with increasing degree of vertical integration

Returning to private brands we expect, compared to the buying of manufacturer brands, a more extended process (i.e., involving more activities to be carried out during the buying process) and a more complex buying process.

Proposition 3. Retail buying of private brands will involve an extended as well as more complex buying process than for manufacturer brands.

Following proposition 2, we expect that the buying of private brands will be more complex as the degree of vertical integration of retailing operations decreases. High degrees of vertical integration is expected to simplify organisational processes as they become issues that can be handled by central decision making rather than bargaining between separate organisational entities.

Proposition 4. Retail buying of private brands will be more complex with decreasing degree of vertical integration.

Buying processes in the UK, Sweden and Italy

The data used for this study involves some 50 personal interviews in three countries; the UK, Sweden and Italy. These countries were chosen as examples of both different levels of sophistication and degree of vertical integration of retailing operations. UK is widely considered the front runner when it comes to food retailing operations in general and private brands in particular. In Italy involvement in private brands is quite low, as is integration of operations in retailing. Sweden is somewhere in-between; growing levels of private brands involvement and mostly federative retailing organisations. A total of 8 companies; two in the UK, two in Italy and three in Sweden where involved (as cases) in the research. Furthermore, interviews were conducted with other food retailers in the different countries, industry experts, market research companies etc. to broaden the picture of operations in the studied markets.

The complexity of the buying process and the degree of internal integration

In the Italian cases studied the process of buying was quite complex. There seemed to be numerous functions, persons and hierarchical company levels involved which added a lot of complexity to the buying process (exception; see below). Concerning the Swedish cases, the buying process has to be considered rather complex as well. There are a number of persons, functions and company levels that participate all over the process and there is the case of parallel process imitation (due to less vertical integration) that adds to the complexity for all parties. In the UK cases the process can be considered less complex even though the interaction was extensive here as well. Here a category team approach meant that there was a constant interaction between the functional managers in each category. However, since all decisions were made in one location, at one organisational level, and by people belonging to one category, the UK cases can be considered having a lower degree of complexity in the buying process than the other two countries.

The complexity of the buying process and the degree of vertical integration

The countries represent quite different degrees of vertical integration. The UK companies represent complete vertical integration of retailing operations. All decisions about the assortment in the stores are made at one central location. This makes the complexity of buying low as they make decisions at headquarters and then inform anyone concerned, rather then involving a lot of persons, functions etc. Unlike the Swedish and the Italian companies where the vertical integration of retailing operations is done to a much lower degree, there will be no repetition of activities and processes in the integrated UK company. The vertical integration being lesser in the Swedish and the Italian companies meant a much more complicated buying process, involving several organisational layers and functions to (try to) implement assortment decisions.

Retail buying of private brands compared to buying manufacturer brands.

The buying of private labels extended the buying process, making the retailer perform tasks that are normally conducted by suppliers, like market research, product development, etc. Hence, compared to the process of buying branded products, the private label process is prolonged involving a greater variety of activities in the process. In the UK, buying private labels is an integrated part of managing the overall categories that incorporate private labels as well as manufacturer brands. In the UK the process of buying private brands involved more persons, functions and hierarchical levels in the retail organisation, thus making the process more complex than for buying manufacturer branded products. On the other hand the operations here were very much aligned to category thinking rather dividing the world into private and manufacturer brands. In the Swedish cases the process of buying private labels was more complicated than buying branded products. While the retailers responsibility concerning manufacturer brands stopped when products are added to the central assortment of the retailers, this is not the case for private brands. Stores are free to choose their own assortment from the central assortment, making persuading the stores to take private brands in the assortment a key issue. Finally, in the Italian cases the process of buying private labels was simpler than buying branded products because all the decisions regarding private labels were centralised so there were fewer persons, functions and hierarchical levels involved in the private label situation than the branded situation.

Retail buying of private brands and the degree of vertical integration.

Comparing the UK and Swedish cases directly supports the hypothesis that the buying of private brands would be more complex with a decreasing degree of vertical integration of retailing operations; the UK companies are wholly owned chains, operating through centralised decisionmaking and the process of buying private brands seems simpler and more straightforward than in the Swedish companies. The Italian cases do not support this, and the reason seems to be that when it comes to private brands, the operation is run as if it was a vertically integrated company (i.e. central decision making without the bargaining at the regional level that is done for manufacturers brands) rather than loosely integrated co-operative multiples.

Conclusions

The results in terms of the propositions are somewhat mixed. Concerning proposition 1 it seems to hold for all but the UK cases. Here complexity was reduced by a category approach and category teams empowered to make decisions without involving several other functions etc. Proposition 2 was supported in all cases and countries; the UK cases are more integrated and less complex processes appear, in Sweden and Italy we generally see less integration and in turn more complexity. Concerning proposition 3 and 4 the results where somewhat mixed. The buying of private brands, compared to manufacturer brands, seemed to extended and make the process more complex. However, while this may be the case, the vertical integration and category thinking of UK based firms makes this less of a problem than it might be in companies in Sweden. Here, companies have to deal with the fact that part of the complexity has to do with selling private brands from one organisational entity to another; retailers develop and buy private brands but the work does not stop there. They then have to convince the stores that these products deserve a place in the assortment of the stores, a situation that means more complexity than when the demand for products is guaranteed. The Italian cases deviated here, as the private brand operation was run like in a vertically integrated company, contrary to the overall set-up of operations concerning manufacturer brands.

While it is difficult to draw any far reaching conclusions on efficiency implications of food private brands on retailer operations from this research, a couple of indications is possible to discern. Handling private brands operations in a retailing company is in most cases more complex than handling manufacturer brands; it involves a greater number of activities and thus demands a greater number of capabilities to be able to perform these activities. It also makes for a generally more complex process, involving many functions, layers of the organisation etc. However, in the case of the vertically integrated UK based firms, this complexity seemed not to hamper the operations. Decision making was centralised making the complexity easier to manage. Also, the category management approach to operations seemed to simplify matters. If retailers view their operations as a set of categories to be managed, decision making being centralised, working with private brands just becomes one of several natural ways of achieving category goals and filling the assortment with attractive products. Where less integration exists between stores and central levels of operations, it is easier to imagine situations where the advantages of selling private brands is out-weighted by the disadvantages it has on the processes that the internal organisation and operations has to handle.

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