

THE CONTRIBUTION OF THE PROFESSIONAL
BUYER TO THE SUCCESS OR FAILURE OF A STORE

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by

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BACKGROUND OF THIS PAPER

This paper is based on experimental research sponsored by Research Group B, of the Bureau of Business Research, Graduate School of Business Administration, the University of Michigan.

This group of department stores from seven midwestern states provides financial and logistical support to basic research into consumer behavior. This paper is one in a series of reports on this behavioral research.

THE CONTRIBUTION OF THE PROFESSIONAL BUYER TO THE SUCCESS OR FAILURE OF A STORE

Two department stores operate in the same state, do not compete directly with each other, and have shared the details of their operations over the past ten years. One is a success and the other is not. Why?

The complexity of reasons for such a difference is obvious to any manager: there are differences in management ability and performance, in the physical plant, and in the economic condition of the individual markets. Certainly the marketing expert could attribute these reasons to differences in the marketing mix for each store. But one executive for the successful store said: "The bulk of the answer lies with who does the buying for the store and what they buy. If you don't have the goods the customer wants you cannot be successful!" While the importance of different factors is debatable, it seems reasonable to assume that what a store has to sell--its product--makes a major contribution to the sales success of that store.

Purpose

The purpose of this paper is to present the results of a study into the differences between the people who do the purchasing for the two stores--the professional buyers. These are the people who determine the retailer's product mix. Our contention is that differences between

the two stores' buyers help explain the differences in sales performance of the two firms. The hypothesis which we tested is that there are both demographic and behavioral differences between the buyers for the two stores and that these differences are the result of management policies and procedures.

The goal is to provide a profile of the professional buyers for each of the two stores so that possible guidelines for success might be drawn.

Success versus Failure

The criterion used for characterizing success is simply sales performance. The trend of total sales during the past five years was studied for each store. The percentage of change in the sale of total merchandise for Store X and Store Y from 1965 to 1969 (Figure 1) clearly indicates sales growth for Store X and sales decline for Store Y.

While the trend of total sales is indicative of success, a better indicator is the performance of each store in certain key merchandise areas or departments. Interviews with department store owners, general merchandise managers, and the professional buyers in seven Midwestern states and an analysis of data collected over thirty years by the Bureau of Business Research at the University of Michigan reveal an increasing reliance on the so-called "fashion goods" for department store sales. The definition of a fashion good is arguable, but there is general agreement that certain lines of clothing are more susceptible to constant and rapid changes in taste and can be labelled as fashion merchandise. For this study we arbitrarily designated five categories of fashion goods:

Total Merchandise
Sales Change
(Percentage)

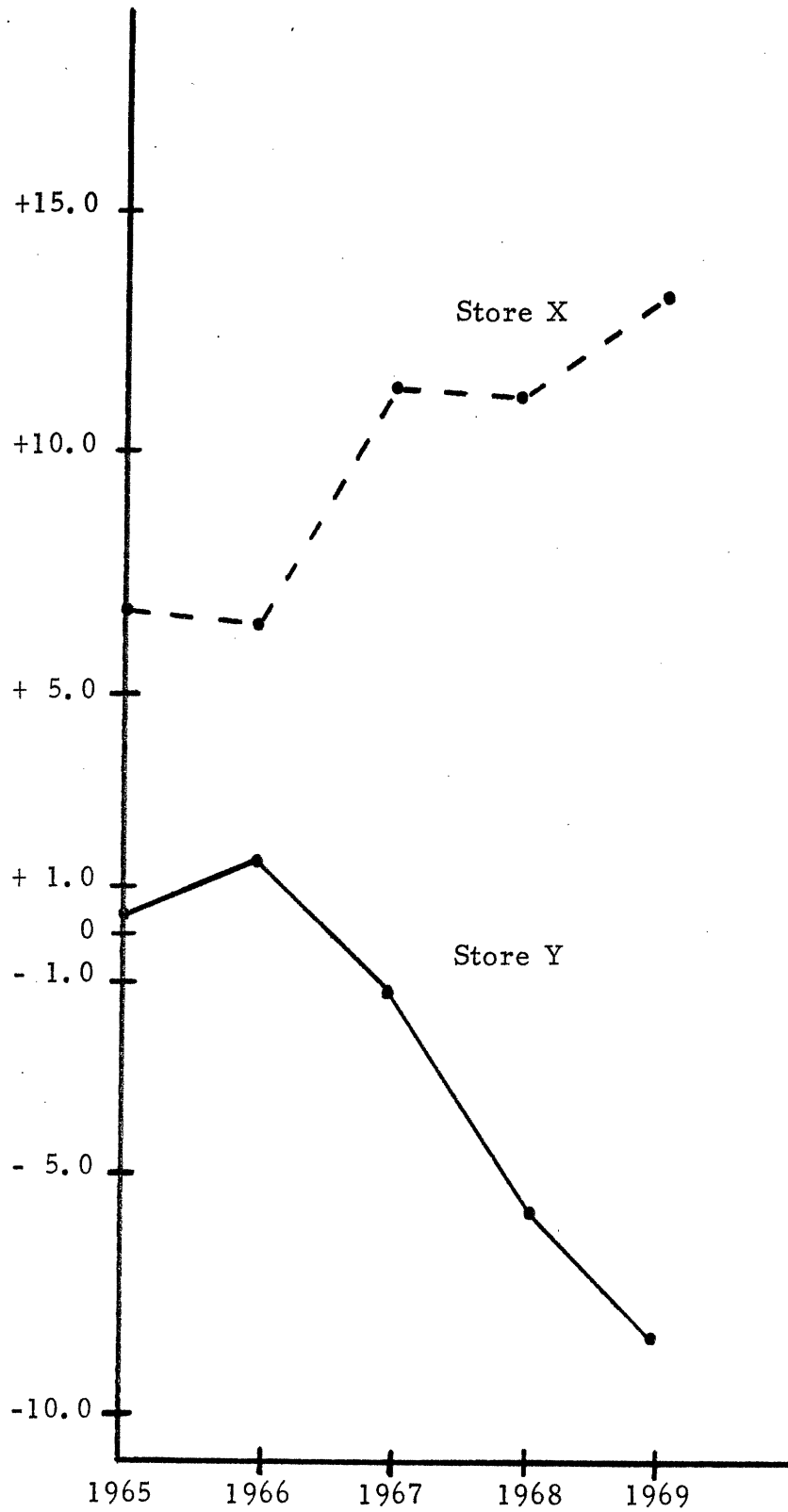


Fig. 1. Sales trends--total merchandise, 1965-69.

Women's coats
Women's dresses (both Junior and Misses sizes)
Women's sportswear (both Junior and Misses sizes)
Men's clothing
Men's furnishings

The department store members of Research Group B of the University of Michigan report that their sales growth in these five areas is approximately double the sales growth in other merchandise lines and that these five areas constitute more than a 40 per cent share of their department sales.

Analysis of the median growth of sales in these fashion categories for X and Y from 1965 to 1969 (Figure 2) indicates that X had a marked growth in sales while Y showed an increasing decline. In summary, Store X shows a growth in sales over the past five years in both its total merchandise classifications and in selected fashion goods, while Store Y showed declining sales in both. Added to this is the fact that X had a sales increase in each of the five fashion categories during 1969, while Y showed a decrease in four of the five with only a small sales increase in men's clothing. All this indicates that we should label Store X a success and Store Y a failure.

The Study

Store X and Y are members of Research Group B, a group of department stores in seven Midwestern states who share details of their operations in an effort to improve their proficiency. Both X and Y have been members since at least 1965 and have been subject to the joint exchanges of ideas and information. In fact, Store Y (the failure) had access to all internal operating data of Store X (the success).

Fashion Merchandise
Sales Change
(Percentage)

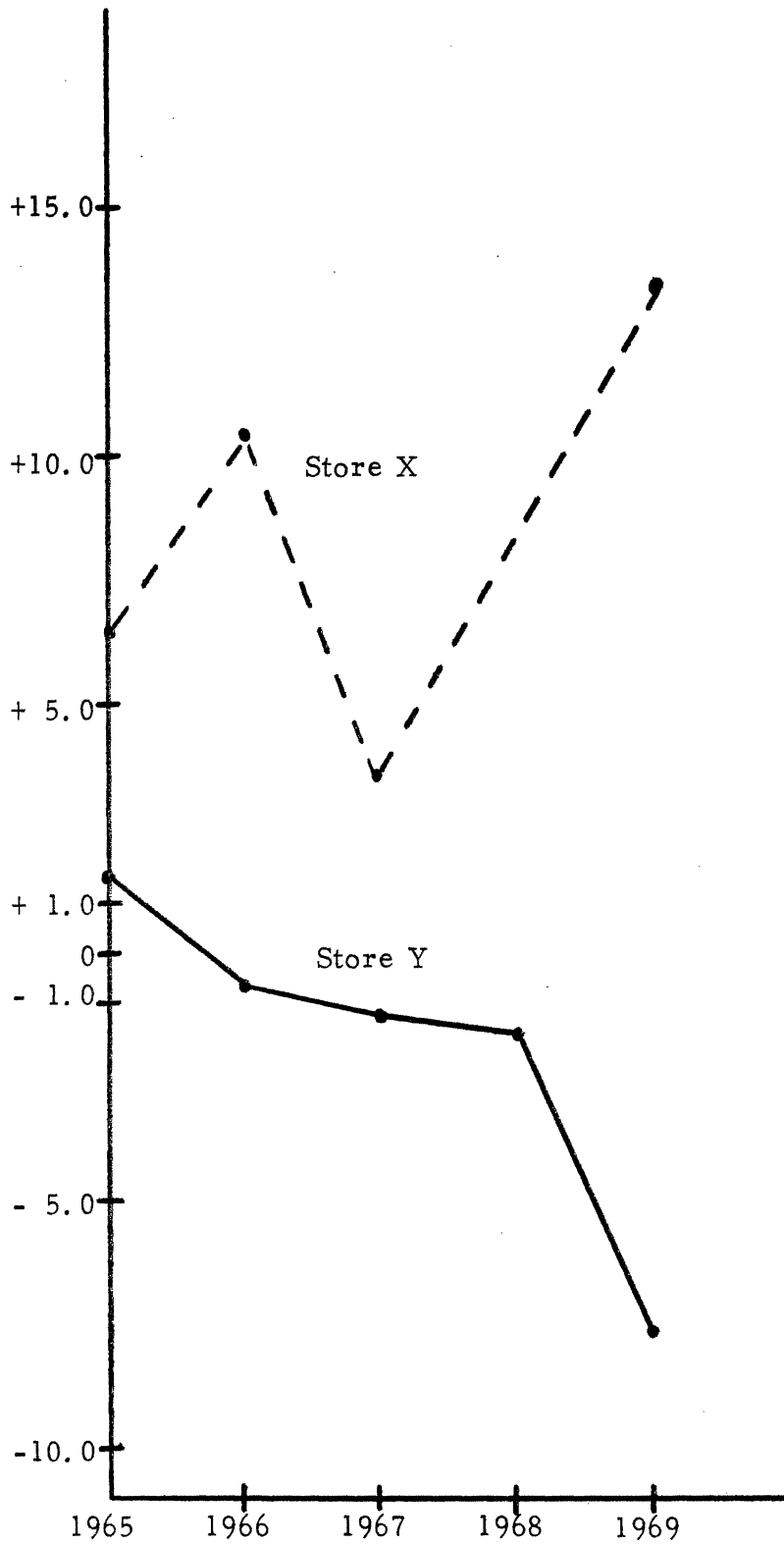


Fig. 2. Sales trends--fashion merchandise, 1965-69.

The professional buyers of both X and Y were interviewed during the summer of 1970, and information was obtained about their socio-economic status, their self-evaluation of performance and capabilities, and their actual departmental performance. The management of each store was responsible for identifying their buyers. Each buyer was then given a questionnaire to complete and return directly to the University of Michigan. The respondents were assured that the study was confidential and that it was controlled solely by the Bureau of Business Research. A 100 per cent response was obtained from both stores.

All the differences cited were statistically tested and were found to be significant at the .05 level.^{1/}

Results

Demographic differences

There are striking demographic differences between the buyers for X and Y. Store X buyers are higher paid and rely more heavily on their income from Store X as the sole source of financial support for their family unit (Table 1). Store X has a greater number of young and novice buyers (Table 2), but the significance in these data appears to be that the distribution of X buyers is closer to normal than the skewed distribution of Y buyers toward age and experience.

An axiom for success held by athletic teams is balance--the

^{1/} Samuel Richmond, Statistical Analysis (New York: Ronald Press, 1964), pp. 184-214, 290-303.

TABLE 1

Demographic Differences between Buyers' Income Characteristics
(In Percentage of Buyers)

| Differences | X | Y |
|---|----|-----|
| Percentage of buyers who rely on income from store as sole family income* | 43 | 22 |
| <u>Salary scale</u> † | | |
| Under \$5,000 | 3 | 28 |
| \$5,000 to \$8,999 | 26 | 39 |
| \$9,000 to \$12,999 | 31 | 33 |
| Over \$13,000 | 40 | ... |

* The difference between these percentages was tested and is significant at the .05 level.

† The two distributions are significantly different at the .05 level.

Source: Samuel Richmond, Statistical Analysis (New York: Ronald Press, 1964), pp. 205-207, 290-303.

TABLE 2

Demographic Differences: The Age and Experience of Buyers
(In Percentage of Buyers)

| Differences | X | Y |
|--------------------------------------|----|-----|
| <u>Age *</u> | | |
| 18 to 25 years | 11 | ... |
| 26 to 30 years | 8 | ... |
| 31 to 39 years | 17 | 11 |
| 40 to 49 years | 33 | 17 |
| 50 to 59 years | 17 | 22 |
| Over 59 years | 14 | 50 |
| <u>Experience (years as a buyer)</u> | | |
| 1 to 5 years [†] | 44 | 23 |
| 6 to 15 years [†] | 36 | 29 |
| Over 15 years [†] | 20 | 48 |

* The two distributions are significantly different at the .05 level.

† The difference between these percentages was tested and is significant at the .05 level.

Source: Same as for Table 1.

successful blending together of the experience and wisdom of older players with the energy and enthusiasm of younger players. Clearly, Store X (the success) shows more of this balance in its team of buyers than does Store Y (the failure).

Perception of self-confidence

Each buyer was asked to evaluate his confidence in his general abilities and in his specific functions as a buyer. The objective was to compare the self-confidence of buyers of the two stores, not to measure the level of self-confidence and relate that to other factors as Cox and Bauer^{2/} have done. However, the questions eliciting data on self-confidence were similar to those used by Cox and Bauer, and we have categorized the responses similarly as general and specific self-confidence.

Buyers for Store X perceive that they have a higher degree of both general and specific self-confidence in their judgment of both new trends and new resources (Table 3). Reinforcement for this result came from the answers to questions concerning the buyers' self-evaluation of the certainty with which their decisions satisfied both their customers and themselves. This self-evaluation covered decisions regarding both style and resources. The buyers for Store X exhibit a higher degree of certainty and confidence that their decisions are both customer-satisfying and self-satisfying (Table 4).

^{2/} Donald F. Cox and Raymond A. Bauer, "Self-Confidence and Persuasibility in Women," Public Opinion Quarterly, Fall, 1964.

TABLE 3

Buyers' Perceived Self-Confidence*
(In Percentage of Buyers)

| Kind of Self-Confidence | X | Y |
|--|-----|-----|
| <u>General self-confidence</u> | | |
| Q. How do you feel about your abilities in general? | | |
| Very confident | 31 | 22 |
| Usually confident | 69 | 67 |
| Sometimes confident | ... | 11 |
| Almost never confident | ... | ... |
| <u>Specific self-confidence</u> | | |
| Q. How confident are you, as a professional buyer, in selecting a new buying resource? | | |
| Very confident | 43 | 12 |
| Usually confident | 54 | 71 |
| Sometimes confident | 3 | 12 |
| Almost never confident | ... | 6 |
| Q. How confident are you, as a professional buyer, in your ability to select new trends? | | |
| Very confident | 22 | ... |
| Usually confident | 72 | 67 |
| Sometimes confident | 6 | 33 |
| Almost never confident | ... | ... |

* Chi-Square tests show significant differences in these distributions at .05 level.

Source: Same as for Table 1.

TABLE 4

Certainty Concerning Merchandise and Resource Decisions*
(In Percentage of Buyers)

| Degree of Certainty | X | Y |
|---|-----|-----|
| Q. How certain are you that a style you have not tried will satisfy your customers as well as a style you now have in inventory? | | |
| Very certain | 14 | ... |
| Usually certain | 69 | 61 |
| Sometimes certain | 14 | 39 |
| Almost never certain | 03 | ... |
| Q. How certain are you that a style you have not tried will satisfy you as well as a style you now have in inventory? | | |
| Very certain | 28 | 22 |
| Usually certain | 58 | 39 |
| Sometimes certain | 14 | 33 |
| Almost never certain | ... | 06 |
| Q. How certain are you that a resource you have not bought from before will satisfy as well as a resource from which you now buy? | | |
| Very certain | 22 | 06 |
| Usually certain | 61 | 65 |
| Sometimes certain | 08 | 24 |
| Almost never certain | 08 | 06 |

* Chi-Square tests show significant differences in these distributions at .05 level.

Source: Same as for Table 1.

A possible cause for this self-confidence differential is the difference in the buyers' perceptions of the amount of their own decision making discretion, both in evaluating new merchandise trends and in adding or dropping resources. While cause and effect may be arguable, the buyers for X perceived that management gave them more leeway for discretion in their decision making (Table 5) and that they had a higher degree of self-confidence in their performance than did the buyers for Y.

Leaders versus followers

Another difference between the X and Y buyers was in their tendency toward leadership in new trends. The following is the description of "new trend" merchandise which was given to them:

Each buying season there are new trends available on the market. During recent seasons these have included the midi and maxi in ready-to-wear; colored shirts and coordinated neckwear in men's furnishings; and the softening of the "squared-look" in shoes. These new trends have existed in all categories...for example, in such diverse areas as children's wear, furniture, and cosmetics.

The buyers were asked to choose among the following five alternate courses which they felt their store should take in following the trends:

1. They should be first in town.
2. They should be first in the area.
3. They should follow after the high-fashion stores in the major metropolitan areas.
4. They should not follow until the offices recommend it.
5. They should not follow until shown by regular resources.

Those buyers who chose 1 and 2 show initiative--a leadership--in new trends, while those who chose 3, 4, and 5 rely on others--they are followers. Of the X buyers 70 per cent were classified as leaders.

TABLE 5

Perceived Discretion in Merchandise and Resource Selection*
(In Percentage of Buyers)

| Amount of Discretion | X | Y |
|---------------------------------|-----|-----|
| <u>In merchandise selection</u> | | |
| Very much | 80 | 35 |
| Some | 20 | 59 |
| Not much | ... | 06 |
| None | ... | ... |
| <u>In resource selection</u> | | |
| Very much | 80 | 50 |
| Some | 14 | 39 |
| Not much | 03 | 11 |
| None | 03 | ... |

* Chi-Square tests show significant differences in these distributions at .05 level.

Source: Same as for Table 1.

and, by sharp contrast, 76 per cent of the Y buyers were classified as followers.

Aggressiveness

The final factor that distinguished X from Y buyers was their aggressiveness in seeking and obtaining additional factors from their buying resources. Each buyer was asked whether he normally asked for dating, advertising money, markdown money, or return privileges from buying resources. This was verified by the actual performance records of the individual buyer in obtaining these "extras." A higher percentage of X than Y buyers replied affirmatively that they did ask for each of these factors and did obtain the "extra" (Table 6).

An index of aggressiveness for the buyers was constructed by assigning a value of 1 to every yes answer and 0 to every no answer for the four questions on the "extras." Those with the total score of 4 or 3 were labelled very aggressive, those with a score of 1 or 2 were labelled somewhat aggressive, and those with a score of 0 were labelled non-aggressive. The buyers in each of these groups were then asked whether they had sole responsibility for adding or dropping buying resources. Those who exhibited more aggressiveness showed a more significant amount of perceived discretion in these decision-making activities than did those with little or no aggressiveness (Table 7).

Implications

The buyers for the successful store are more aggressive, more

TABLE 6

Buyers' Aggressiveness with Resources*
(In Percentage of Buyers)

| Buyers' actions | X | Y |
|--|----|----|
| Asked for and obtained dating | 47 | 17 |
| Asked for and obtained advertising money | 78 | 61 |
| Asked for and obtained markdown money | 23 | 17 |
| Asked for and obtained return privileges | 67 | 50 |

* Chi-Square tests show significant differences in these distributions at .05 level.

Source: Same as for Table 1.

TABLE 7

Perceived Discretion of Aggressive Versus Nonaggressive Buyers*

| | Percentage of Type of Buyer | | |
|---|-----------------------------|---------------------|----------------|
| | Very Aggressive | Somewhat Aggressive | Not Aggressive |
| Need management approval to add resources? | | | |
| Yes | 13 | 47 | 61 |
| No | 88 | 53 | 39 |
| Need management approval to drop resources? | | | |
| Yes | 25 | 51 | 52 |
| No | 75 | 49 | 48 |

* Chi-Square tests show significant differences in these distributions at .05 level.

Source: Same as for Table 1.

self-confident, and show a greater tendency for leadership in new merchandise trends than the buyers for the failing store. The contention is that these traits have contributed to the successful pattern of sales growth for Store X, while the "follower" behavior, the lack of aggressiveness, and the lower self-confidence of Y buyers have made a significant contribution to the store's sales decline.

The higher salary scale for X buyers may indeed be the result of, rather than the cause of the sales growth. However, there are two factors under management control which distinguish the successful store from the failing store. First, the organization recognizes the importance of balance in the buyer cadre so that the older, more experienced buyer is integrated with the younger, more novice buyer. This implies that the firm's personnel administration must continually review the makeup of the buyer corps. Personnel administrators should recognize the direct contribution they may make to the sales growth of the store. Second, the organization should recognize that discretion, both actual and perceived, is important. This discretion is in the decision-making powers given to buyers to determine both merchandise and resources. The implication for management is that what is important is not just the dispensing of actual discretion, but the perception that the buyers' have of their discretionary range.

The objective of this paper has been to pinpoint differences between the people making the product decision for two department stores, one a success at sales growth and the other a failure. In summary the results of the interviews with professional buyers for the two firms indicate that both balance in the buyer team and the discretion given to buyers may be two of the keys to success.