



## Retail buyers' decision-making and buy national campaigns

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### ABSTRACT

This study applies heuristic modes of decision making to retail buyer purchasing in the context of buy-national campaigns. Launching of a new buy-national campaign in New Zealand provides an opportunity to examine its influence on retail buyers' purchase decisions. In-depth interviews with retail buyers in grocery and specialist chains reveal that these gatekeepers adopt a categorisation approach when assessing the likely success of new products. Country-of-origin and the influence of a buy-national campaign are largely irrelevant in their pragmatic and intuitive decisions. This mirrors their perceptions of consumers' response to the campaign. The findings also suggest that a gap between retailers' support for the ideals of the campaign and their pragmatic views of its irrelevance to consumers may undermine the intent and outcomes of such campaigns.

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### 1. Introduction

Surprisingly little research investigates country-of-origin's impact on retail buyer decision-making (Knight et al., 2007). Given the role of retail buyers as "gatekeepers of consumer choice" (Sternquist, 1994), the factors that influence their purchasing decisions are clearly relevant to assessing the overall importance of country-of-origin (CoO) in regard to end-consumer purchasing. Consumers only get to choose from the range of products that retail buyers have pre-purchased on their behalf and made available on the retail shelves (Hirschman and Stamfl, 1980).

The continued rise of globalization gives consumers in most nations increasing opportunities to choose from both domestic and imported products. Despite recognizing the benefits of free trade, many politicians, businesses and the general public in some countries question the wisdom of allowing foreigners easy access to their domestic marketplaces (Granzin and Painter, 2001). Governments of several countries attempt to encourage ethnocentric tendencies in their populace by means of buy-national campaigns, designed to generate a patriotic bias, leading to an increase in sales of domestic products relative to imported goods (Elliott and Cameron, 1994). While the objectives of such campaigns frequently enjoy popular support, evidence that such campaigns in fact alter consumers' actual purchasing behaviour is lacking (Elliott and Cameron, 1994; Fenwick and Wright, 2000). Neven et al. (1991) claim that buy national campaigns have a negative effect and merely result in an increase in prices of domestic goods.

To understand the influence, if any, of CoO on retail buyer decision-making, this study explores the factors that retail gatekeepers

consider when making their purchase decisions. We interpret their decision-making criteria in relation to modern theories of cognitive processes underlying country-of-origin effects, and integrate these with theories from psychology regarding decision-making under uncertainty (Kahneman, 2002). Within this wider context, the study investigates the importance of CoO to their decision-making and their attitudes towards a buy-national campaign in New Zealand. Examining retail buyers' attitudes toward a campaign to promote domestic goods aims to link the intuitive and pragmatic decision-making process of retail buyers to the efficacy of buy-national campaigns.

### 2. Literature review

#### 2.1. Country-of-origin

Ever since Dichter (1962) proposed the importance of the "made-in" information cue, research on country-of-origin (CoO) effects has become one of the most studied domains in international marketing. According to Usunier and Cestre (2007, p. 32) "Consumers make stereotypical associations between products and countries based on their perceptions of a country's knowhow and reputation relative to the design, manufacturing, or branding of particular generic goods." A recent essay in this journal (Samiee, 2010, p. 442) notes: "the insatiable interest in the country-of-origin inquiry for nearly half a century provides a large body of literature... (that) examines a long list of country-related issues (including country image) with the overwhelming conclusion that consumers and industrial buyers are indeed sensitive to country-of-origin cues and that country image may influence choice." However, the great majority of CoO studies investigate attitudes and/or stated intentions rather than consumers' actual purchase

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behaviour. *Usunier (2006)* argues that CoO research is ivory tower research that has little relevance to consumers or companies, although this view has been robustly refuted (*Josiassen and Harzing, 2008*). According to *Samiee (2010, p. 442)* “whether or not under ecologically correct conditions buyers actually incorporate such images in their evaluations is not known.” However, *Liefeld’s (2005)* study of 1248 consumers intercepted at the cash register in six locations in Canada and the USA throws light on this question. More than 93% of those intercepted did not know the CoO of the durable product which they had just purchased. *Liefeld’s* conclusion (p. 85) is that “country of origin of products is not an important attribute in the choice processes of the great majority of North American consumers.” Also, according to *Usunier (2006)*, in a survey of French consumers 65% did not know the origin of their last purchase of consumer electronics, and only 16% preferred domestically produced electronics.

## 2.2. Buy national campaigns

Although the benefits of free trade are widely applauded, politicians frequently come under pressure from voters and lobbyists to do something about trade imbalances and the loss of jobs from the domestic economy linked to imports (*Granzin and Painter, 2001*). Many governments overtly or covertly support buy national campaigns in an attempt to encourage ethnocentric tendencies in their populace. Such campaigns aim to generate a patriotic bias that influences consumers to purchase domestically manufactured goods, leading to an increase in sales of domestic products in preference to imported goods.

Do such campaigns work? Such campaigns achieve a high level of awareness among consumers, and cause governments and sponsoring organizations to believe that they are doing good works by spending public funds on such activities (*Neven et al., 1991; Garland and Coy, 1993*). Evidence that such campaigns in fact alter consumer behaviour is scarce (*Ettenson et al., 1988*). According to *Elliott and Cameron (1994, p. 50)*: “While the objectives of such campaigns enjoy widespread community and government support, the actual impact on purchasing behaviour and, as a result, in favourably impacting on the country’s balance of trade, often remain matters for conjecture.” Wal-Mart’s ‘Buy American’ campaign launched in the mid 1980s is a prime example of the contradictions between the intent and outcomes of buy national campaigns. Despite a pledge to “buy American whenever we can” and pay up to a 5% premium for goods made in America, Wal-Mart abandoned the campaign in the early 1990s as imports of goods, mostly from China, enabled its rapid growth (*Zellner, 1992; Basker, 2007*).

*Fischer and Byron (1995)* asked consumers to estimate the price they would expect to pay for items of clothing purporting to be made domestically or imported. Addition of an Australian Made logo to the quality Australian shirt caused a statistically significant change in the average expected price – but it was in the reverse direction to that anticipated. “The expected price for the day on which the (Australian Made) logo was added was \$5.41 less than the price for the day without the logo” (*Fischer and Byron, 1995, p. 110*). Such campaigns may have minimal or even negative effect. *Fenwick and Wright (2000)* examine annual sales and staff numbers of “Buy New Zealand Made” campaign member and non-member firms in four industries over the campaign’s first five years from 1988. They report, “No significant effect of the Buy New Zealand Made Campaign on member firms in terms of the Campaign’s stated objectives of retaining employees in manufacturing, nor in terms of increasing domestic sales of members relative to that of non-members” (*Fenwick and Wright, 2000, p. 141*). However, it is possible that non-participating firms derive indirect benefit from increased public awareness of the need to support local firms and purchase their products – whether such firms belong to the

campaign or not. *Neven et al. (1991, p. 10)* state that “campaigns designed to encourage consumers to buy domestic goods can backfire. Successful campaigns will either increase the average bias (against buying foreign) or will narrow the diversity of consumer attitudes. At the same time, the consequence of any such campaign will always be to increase the price of the domestic good.” Buy-national campaigns persist despite a clear understanding of the cognitive mechanisms driving retail buyer decision making. Unless there is buy-in from retail gatekeepers, this type of campaign may struggle to gain traction.

## 2.3. Retail buyer decision making

Retail buyers essentially act as gatekeepers in regard to product availability and range for consumers to choose from (*Sternquist (1994), Ettenson and Wagner (1986), Hansen and Skytte (1998), McGoldrick and Douglas (1983), Montgomery (1975), Rao and McLaughlin (1989)*). In particular, from the thousands of new products presented to grocery buyers every year, only a small proportion make it into stores due to limited shelf space (*Alpert et al., 2001; Heeler et al., 1973; McLaughlin and Rao, 1990*). Consumers are therefore only able to choose from the reduced set of manufacturer products that retail buyers make available to them (*Hansen and Skytte, 1998; Heslop et al., 2004; Sullivan, 1997*).

According to an often-cited review of industrial buying behaviour, “similar to consumer behavior, the industrial buyers often decide on factors other than rational or realistic criteria” (*Sheth, 1973, p. 56*). *Wagner et al. (1989)* draw a distinction between industrial buyers and retail buyers, who hold the additional responsibility of controlling costs and generating revenue. *Sheth (1981, p. 181)* notes that “a retailer is more like a consumer in what he buys, and more like a producer in how he buys his merchandise.” *Sternquist (1994)* terms such buyers “expert consumers.” According to *Webster and Wind (1972, p. 18)* “in the final analysis, all organizational behavior is individual behavior. . . Similar to consumer markets, it is important to understand the organizational buyer’s psychological characteristics and especially his predispositions, preference structure, and decision model as the basis for marketing strategy decisions.”

Retail buyers’ decisions are characterised by their speed, informality and volume due to the large number of products presented to them. These frequent, routine decisions depend on the buyers’ experience enabling them to make rapid decisions (*Doyle and Weinberg, 1973*). Selection of products is typically based on a limited number of factors (*Doyle and Weinberg, 1973*). Prior research has identified various factors that influence new product accept or reject decisions of retail buyers. Among these merchandise requirements (i.e. sales potential, introductory marketing campaign, and packaging) reported by retail buyers, most are indicative or determinants of likely sales and profitability, both key factors in stocking decisions (*McGoldrick and Douglas, 1983; Thomas and Marr, 1993*). There have been limited attempts to prioritise factors or develop a generalisable model of a retail buyer’s decision making process since decision making occurs in a dynamic environment and buying methods differ both between and within organisations (*Hansen and Skytte, 1998; McGoldrick and Douglas, 1983*).

Despite the great deal of interest in buy-national campaigns from a consumer perspective as outlined above, surprisingly few researchers have considered how influential these campaigns are to the ‘expert consumers’ that decide on stock range. A study of retailers’ perceptions of the US apparel industry’s ‘Buy American’ campaign indicated a lack of support for the promotion (*Tolbert et al., 1988*) but did not explore retailers’ purchase decision making processes and the influential factors that retailers consider. *Sheth’s (1973)* model of retailer buying behaviour includes a supplier’s corporate image an influential factor. Their image, in turn, is

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