



## Assessing customer orientation in the context of buyer/supplier relationships using judgmental modelling

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### Abstract

Retail buying is a particular form of industrial buying, one characterised by buying for the purposes of reselling to the ultimate customer, rather than for use. Retail buyers have a complex role. They are responsible for meeting the requirements of their target customers and they also have to manage relationships with suppliers in order to obtain the best terms and conditions. Modern retailing is also characterised by a high degree of concentration and centralisation of the buying function. Buyers can operate autonomously or within a buying group. Those selling or marketing to commercial buyers need to understand the needs of the buyer in order to be effective. They need to understand the buyers' businesses and how to develop relationships with them. A mediator in the development of a customer relationship is customer orientation. A customer orientation is a central factor in being market orientated, but despite the importance of customer and market orientation there has been little research into how well suppliers understand their customers in a commercial context. In the research reported here retail buyers of textile products were personally interviewed with the aid of decision analysis software to identify the significance of criteria they use in a defined buying situation. The same methodology was repeated with suppliers to identify how well suppliers understood the decision making of buyers in their market. The decision-making process was modelled using a compensatory approach, assuming six decision criteria in a choice of sourcing options. These criteria were partly selected from a pilot conducted with eight retailers in the UK and partly from the literature review and in particular the works of Nilsson and Høst [Nilsson J, Høst V. Reseller assortment decision criteria. Aarhus: Aarhus University Press, 1987] and Weber et al. [Weber CA, Current JR, Benton WC. Vendor selection criteria and methods. *Eur J Oper Res* 1991;50(1):2–18]. The study found that while buyers were able to understand the relative importance of decision-making criteria adequately, they underestimated the importance of certain criteria. The results demonstrate the potential for judgmental modelling in the appraisal of customer orientation. © 2002 Elsevier Science Inc. All rights reserved.

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### 1. Customer orientation

Businesses can adopt one of a number of orientations, the most relevant here being that of a market orientation. A market orientation has four components, one of which is a customer focus [1,2]. A market orientation has been correlated with profitability or other measures of corporate success [2–4].

The quality of that orientation depends upon an organisation's ability to respond to information on markets [1,5]. The appointment of senior managers with customer-orientated values and beliefs [6] and appropriate signals from the CEO [7] are factors that can determine the degree of market

orientation in a business. The various conceptual models of market orientation have been appraised in the specific context of international marketing and although whole extensions to such models have been proposed, the fundamentals of the concept are retained [8].

A focus on the needs of the customer is also evident from the literature on personal selling. Identifying buyer needs and adaptation to the customer are constructs in such work that mirror the notions in the market orientation literature [9,10]. Market-orientated companies need to learn about their customers and to continue to update that learning [11].

It follows from such thinking that gaps might exist between what a supplier believes a customer wants to buy and what is important to the customer in making that purchase. One measure therefore of customer orientation would be the size of such gaps.

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## 2. Context

The context for the empirical research reported here is that of the international trade in textiles between Portuguese exporters and British retail buyers. While the British market is important for such exporters, a customer orientation is more difficult to evolve in an intercultural context. The Portuguese textile industry is the largest exporting sector in the country. Fifty of the 250 largest exporters in Portugal are textile firms, a number which is unmatched by any other sector. Of these, one quarter (24%), exports 90% or more of total production and only 16% of firms export less than 50% of total sales volume [12]. However, it is important to recognise that there are problems that the industry as a whole has to overcome in order to be able to compete against the Middle and Far East rim whose textile industries are based on substantially lower labour cost structures and who therefore have clear cost advantages. The sector will therefore become more dependent on its ability to emphasise non-price factors. These advantages will increase as world trade in textiles becomes less subject to tariffs and quotas.

British retailing of textiles and clothing is characterised by a high level of imports, particularly from the Far East, but also from Portugal, Italy and Turkey. The domination of own-brand has been an increasing trend in the industry. There is a high degree of concentration in the industry with a relatively small number of firms playing an important role. Retail buying is also a centralised function, where buyers are responsible for all purchasing decisions. Local store management is not normally part of the buying decision-making process.

## 3. Decision criteria in retail buying

Retail buying is a particular example of commercial buying, one typified by buying for resale. “Retail buying can be defined as the decision-making process used by the buyer to identify, evaluate and select merchandise for resale to the ultimate consumer” [13], p. 42. Nilsson and Høst [14] make a distinction between assortment decisions and buying decisions. In this context “assortment decisions constitute a more comprehensive group than buying decisions, i.e., all buying decisions are assortment decisions while the opposite is not true. Assortment decisions involve rearranging the current products in an optimal way, whether existing products should be retained or deleted, while buying decisions concern whether new products should be accepted or rejected” [14, p. 21].

Nilsson and Høst’s review of 34 earlier studies suggest the following criteria classification (Table 1).

This is a comprehensive list of buying decision-making criteria. Additional literature corroborates this list and adds to it. Shipley [15, p. 35] argues for the importance of an “attractive blend of product quality, price and

Table 1  
Nilsson and Høst’s criteria classification

A Profitability and sales	
A1	Overall profitability
A2	Rate of turnover
A3	Sales potential
B Economic conditions	
B1	Supplier’s price
B2	Gross margin
B3	Allowances and rebates
B4	Support to cooperative marketing
B5	Credit terms
B6	Other economic conditions
C Assortment considerations	
C1	Existence of distributor brands
C2	Relations to other products
D Consumer evaluation	
D1	Overall consumer value
D2	Retail price
D3	Product’s physical characteristics
D4	Product’s psychological characteristics
D5	Packaging
E Supplier marketing	
E1	Introductory marketing campaign
E2	Continual marketing
F Supplier characteristics	
F1	Supplier representative
F2	Reputation and reliability
F3	Salesforce organisation
F4	Services and functions
F5	Other characteristics
G Competitive considerations	
H Distributive factors	
H1	Transportation adaptation
H2	Store adaptation
I Tactical considerations	
J Salesman presentation	

Source: Nilsson and Høst [14] (pp. 46, 47).

delivery performance,” whilst recognising that these three criteria need to be augmented by “other variables which will enhance the resellers’ internal efficiency and/or external saleability.” Möller [16] states that the attributes do not always have the same importance in a buying decision and can therefore be assigned weights reflecting their relative importance to the buyer. It is often the case that criteria have to pass certain threshold values in order to be acceptable. Typical threshold criteria are price and technical specifications.

Profit in its various forms and sales volumes are indicated throughout the literature as important criteria that contribute to the decision-making process [17]. Delivery time and quality are also generally mentioned as relevant

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