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How Relational Embeddedness Affects Retail Buyers' New Product Selection

Peter Kaufman, Satish Jayachandran, and Randall L. Rose

How do retailers select new products? This study finds that the quality of the buyer–seller relationship figures largely in the retailer's choice. When the relationship is sufficiently strong, the retailer expends less energy analyzing the product's chances of success, relying instead on trust in the seller.

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Report Summary

Retailers face considerable risk in introducing new products because of high failure rates. Given the proliferation of new products on the one hand and finite shelf space on the other, retail buyers are confronted with a choice problem. To enhance understanding of how retail buyers select new products under those circumstances, Peter Kaufman, Satish Jayachandran, and Randall Rose develop a theoretical model based on the notion of "relational embeddedness"—that an individual transaction is considered not in isolation, but in the context of past transactions and likely future transactions.

They propose that when the relationship between an individual buyer and an individual salesperson reaches a certain threshold of strength, the buyer trusts that he or she can use the relationship as a heuristic in making a decision about the new product. In other words, the buyer expends less energy analyzing the product's attractiveness (its chances of success) because of the good experiences he or she has had with the salesperson in the past. The authors propose the same effect when the firm-firm relationship between the retail company and the manufacturer reaches a certain threshold of strength.

They test their model using data collected in the context of retail buyers' new product selection at two large grocery retailers in the U.S. The findings support the first hypothesis: when buyer-salesperson relationship quality is high, the link between product attractiveness and acceptance is attenuated. The second hypothesis is also supported, but with an interesting variation. Once the firm-firm relationship reaches a threshold level (which happens earlier for the firm-firm relationship than for the buyer-salesperson relationship), the link between product attractiveness and acceptance is attenuated, but the degree of attenuation levels off, and very strong relationships do not correlate with any more attenuation than moderately strong ones.

These results indicate that marketers need to be cognizant of the role relational embeddedness plays in the success of the product. ■

Introduction

New products are considered critical for the long-term success of firms. Therefore, many firms pursue growth and profits through new products. For instance, 39% of the profits and 41% of the sales of a typical firm are derived from products that have been on the market for five years or less (Hultink and Robben 1995). In many industries, these new products are sold to consumers through a retail channel. In such cases, the success of new products is largely contingent on retailer acceptance and support. However, a study by the Federal Trade Commission (2003) found that retailers take on considerable risk when they introduce new products because of new products' high failure rate. The failure of new products is a particularly vexing problem for retailers because of the scarcity of shelf space (Bloom, Gundlach, and Cannon 2000). Therefore, the issue of new product acceptance at the retail level for the purpose of display and sales is of great managerial and academic interest.

Researchers have investigated how retail buyers evaluate new consumer products, focusing on product, marketing strategy, category, and environmental factors that influence acceptance (e.g., Gerlich, Walters, and Heil 1994; Montgomery 1975; Rao and McLaughlin 1989; White, Troy, and Gerlich 2000). Extant research, however, has failed to address how marketing relationships affect retailers' selection of new products, despite the demonstrated importance that marketing relationships have in myriad exchange environments (Anderson and Narus 1984; Dwyer, Schurr, and Oh 1987; Morgan and Hunt 1994). The objective of this study is to rectify that situation by examining the role of firm-firm and buyer-salesperson relationships in retailers' new product selection. We take the grocery business as our context; our data capture actual new product selections by retail buyers. Our results suggest that relationships between the manufacturer and the retailer and the buyer and the seller have complex moderating influences on the association between the attractiveness of a new product and its probability of acceptance.

This study helps advance the marketing literature by demonstrating that it is important to consider firm-firm and buyer-salesperson relationships when examining the likelihood that retailers will accept new products. Because our findings are drawn from actual new product selection decisions made by buyers in retail firms, they have a high degree of external validity. This study clarifies for manufacturers what effect making investments in channel relationships may have on obtaining acceptance for new items. Retailers benefit from this research by gaining an in-depth understanding of how their buyers select new products. The study also contributes to the new product literature stream by highlighting the importance of the distribution channel to new product success.

Relationships and New Product Selection

Shelf space is a scarce resource, and its effective deployment can be the deciding factor in a retailer's success or failure. Therefore, retailers must cultivate the ability to select from among the set of potential claimants for shelf space those products that will maximize returns. The success of a new product often depends on factors that go beyond mere product features. The manufacturer's marketing support (e.g., in the form of advertising, sales promotion, display), for example, is also a critical determinant of new product success. The literature suggests that product attractiveness, which is an assessment of a new product's likelihood of success and a function of new product features and other market and strategy characteristics that differentiate the new product from existing products, influences new product selection (Rao and McLaughlin 1989; White, Troy, and Gerlich 2000). Buyers in retail organizations are expected to assess product attractiveness in deciding whether to accept or reject a new product offered for sale by a manufacturer. However, as

Kline and Wagner (1994) argue, these decisions are shrouded in uncertainty and risk and are challenging even for very experienced buyers. Transaction cost analysis (Williamson 1985) explains how uncertainty can prevent transactions from taking place, thereby leading, in our context, to the rejection of new products because of uncertain prospects.

Institutional theory, however, suggests that economic actions such as the evaluation and acceptance of new products are embedded in social relationships (Granovetter 1985). In other words, "economic activity does not occur in a social vacuum, but rather is nested in patterns of economic and/or social relationships" (Dacin, Ventresca, and Beal 1999, p. 326). Embeddedness has often been seen as a constraint which, by introducing social factors into market activity, reduces economic efficiency. However, the modern perspective on structural embeddedness takes the view that these relationships, both at the level of the firm and the individual actor, often increase the chances that a transaction will occur. In effect, relational embeddedness may enhance the likelihood that retail buyers will accept new products.

Drawing on the notion of structural embeddedness in institutional theory, we focus on relationships between the buyer and seller firms and the salesperson and the individual buyer. In doing so, we are not proposing a multilevel theory wherein relationships at the individual level aggregate to form relationships at the firm level. Instead, we take the position that relationships at the firm and individual levels are qualitatively different in their impact on transactions. Our position is consistent with that adopted by previous research in this area, as exemplified in Beatty et al. (1996), Iacobucci and Ostrom (1996), and Macintosh and Lockshin (1997). Doney and Cannon (1997), for instance, state, "Understanding such differences [between the two levels of relationship] is particularly important in business marketing situations in which the sales force plays a key role in implementing the supplier's marketing strategies and managing customer relationships" (p. 35). We therefore seek to isolate and determine the differential effects that the relationship between the buyer and salesperson and between the buying and selling firms have on new product selection.

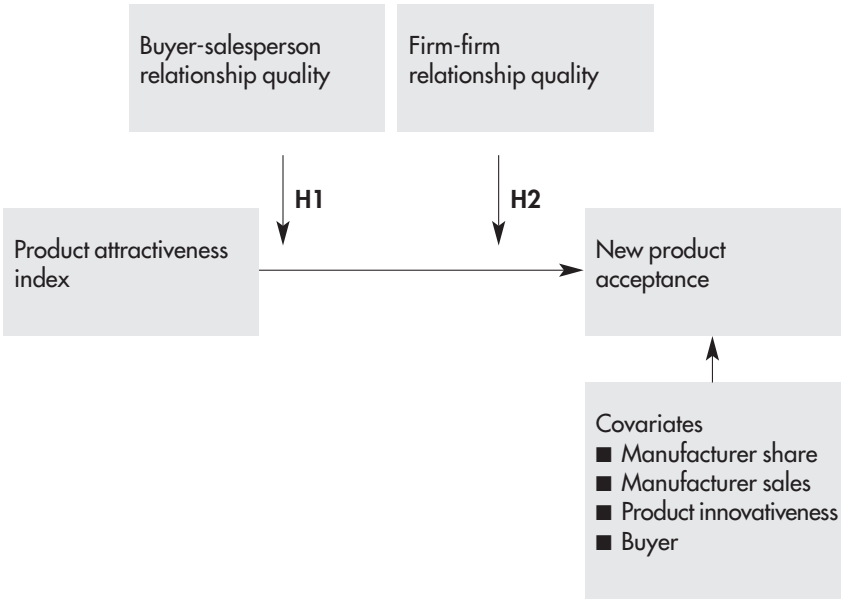
Relationship quality

While research into embeddedness from an institutional perspective often focuses merely on the presence or absence of relationships (Dacin, Ventresca, and Beal 1999), the content of those relationships, rather than their mere existence, is likely to be the factor that influences economic transactions such as new product acceptance. In the relationship marketing literature, that content is called relationship quality. Relationship quality is defined as an overall evaluation of the strength of a relationship (Garbarino and Johnson 1999) and is composed of trust, satisfaction, and commitment (Crosby, Evans, and Cowles 1990; De Wulf, Odekerken-Schröder, and Iacobucci 2001). A brief review of those key dimensions of relationship quality follows.

Trust. Morgan and Hunt (1994) argue that trust is present when a party has confidence in an exchange partner's reliability and integrity. Credibility and benevolence are two aspects of trust that have been recognized extensively in previous research (Doney and Cannon 1997; Kumar 1996). By developing trust, manufacturers and retailers can take advantage of their complementary skills to reduce transaction costs (Kumar 1996; Frazier 1999). Trust facilitates transactions by reducing perceived risk (Mitchell 1999).

Satisfaction. Satisfaction is the affective state resulting from a positive appraisal of the relationship (Anderson and Narus 1990; Gaski and Nevin 1985). When buyers feel satisfied with their relationship with the company, they perceive less risk attached to adopting a new product from the company. Satisfaction with the state of a relationship at the firm-firm level is also likely to enhance the salience of the shadow

Figure 1
A Model of New Product Acceptance



of the future (Heide and Miner 1992) and the likelihood of future transactions.

Commitment. Commitment is the extent to which an exchange partner considers a relationship to be important and hence is willing to work to sustain. Exchange partners say that commitment is central to attaining valuable outcomes for themselves; therefore they seek to develop and maintain this valuable quality in their relationships (Morgan and Hunt 1994).

Overall, neither the manufacturer nor the retailer can predict new product success perfectly, due in part to the uncertain response of end consumers. A buyer's sense of uncertainty may also be higher or lower based on previous interactions (or lack thereof) with the seller. Relational embeddedness exists between a manufacturer and a retailer when an individual transaction is considered not in isolation, but in the context of past transactions and likely future transactions (Czepiel 1990). Theory suggests that buyers rely on the content, or quality, of their relational embeddedness with sellers to reduce the level of uncertainty and increase transaction efficiency. We propose that relationship quality (1) reduces perceived risk by diminishing uncertainty and improving transaction efficiency and (2) ensures that desire to maintain the relationship will play a role in transactional decisions such as the decision to accept a new product. Therefore, product factors should be examined in conjunction with the content of relationships when creating a model of corporate buyer decision-making.

The moderating role of relationship quality

The conceptual model is shown in Figure 1. Prior research suggests that a retailer's judgment of product attractiveness (how likely the product is to succeed) plays a direct role in the retailer's acceptance of the product (Rao and McLaughlin 1989). To extend this perspective, we draw on the notion of embeddedness to indicate that the association between product attractiveness and the likelihood of product acceptance is moderated by the quality of the relationship between the buyer and the salesperson and the relationship between their firms. In developing the model and the hypotheses, we relied on prior research in the relationship marketing area. We also conducted several interviews with consumer product salespeople, brand managers, food brokers, and category managers to obtain a finer-grained view of how buyer-salesperson and firm-firm relationships moderate the effect of product attractiveness on new product selection. The interviews also shed light on several covariates, discussed subsequently, that may influence new product selection and are therefore included in the model.

As we noted previously, institutional theory suggests that economic transactions are embedded in relationships. Based on the relationship marketing literature, we suggest that it is not the mere existence of these relationships, but their quality, that influence transactions. As such, our primary interest is in how relationship quality influences new product selection. To explain this, we rely on the heuristic-systematic model of decision making.

The heuristic-systematic model specifies two distinct processes—a systematic process and a heuristic process—by which individuals may be persuaded of something (e.g., the excellence of a product). Systematic processing is typically described as careful, analytic, and cognitively intense; individuals who are engaged in systematic processing access and scrutinize all information for its relevance and importance to their judgment task. Heuristic processing is more informal and less cognitively demanding; individuals processing heuristically "focus on the subset of available information that enables them to use simple inferential rules, schemata, or cognitive heuristics to formulate their judgments and decisions" (Chaiken, Eagly, and Liberman 1989, p. 212-13). If a heuristic is perceived to be reliable, it may be employed more frequently because the individual is able to attain a sufficient level of confidence in the decision he or she will make while reducing the effort required to make it (Chaiken, Eagly, and Liberman 1989).

Systematic processing is adversely affected by situational variables that constrain people's capacities for in-depth information processing. One important situational variable that is relevant to the present study is time pressure (Feldman and Lynch 1988; Park, Iyer, and Smith 1989). In the present context, buyers are repeatedly asked to evaluate new products (on a weekly basis) and have limited time to make decisions. To present some idea of the magnitude of the issue, 31,785 new consumer packaged-goods were introduced in the United States and Canada in 2002 (*Knight Ridder Tribune*, p. 3). Given the sizable number of new products to evaluate, it is plausible to assume that buyers may tend to process heuristically, and relationship quality may serve as a heuristic that helps in their product evaluation. Thus, it is likely that relationship quality will have a moderating impact on the association between product attractiveness and product acceptance.

It is well accepted that people will employ a heuristic in proportion to its diagnosticity, that is, in proportion to its ability to help them accomplish their task (Feldman and Lynch 1988). The quality of a relationship is likely to determine its diagnosticity as a heuristic in new product selection. When relationship quality is high, then the relationship is likely to be more diagnostic because the past history of satisfactory transactions between the two parties will help mitigate the risk perceived with the new product. In such cases, in deciding whether or not to take on the new product, a buyer may rely more heavily on relationship quality and less on analysis of the product itself. On the other hand, the buyer will not use relationship quality as a decision heuristic if the relationship is relatively less diagnostic; that is, if the buyer feels that the relationship cannot help him or her make a decision about whether or not to take on the product. In this case, when the relationship is not a useful cue for reducing risk, buyers may place more attention on the product. Chaiken, Eagly, and Liberman (1989) have referred to this strategy as one in which decision makers judge the information available against a sufficiency threshold. When a buyer's information needs are unmet by a heuristic, he or she is more likely to employ systematic processing to achieve the desired level of confidence in his or her judgment (Trumbo 2002). We expect that when the buyer uses systematic processing, he or she will pay greater attention to new product attractiveness when making his or her decision.

To summarize: buyers would like to simplify the task of deciding whether or not to accept a new product, and they can do that through the use of heuristics. When relationship quality is of a sufficient level of diagnosticity to serve as a heuristic, buyers may employ it, which will allow them to reduce the attention they pay to product attractiveness—attention they would pay if they were employing systematic processing instead of heuristic processing. In this regard, we suggest that both buyer-salesperson and firm-firm relationship quality may serve as heuristics to simplify the process of product acceptance.

Buyer-Salesperson Relationship. Many deals in the retail industry are made verbally and do not involve contracts. This is made possible by the quality of the relationship between the buyer and the salesperson. In this regard, McEvily, Perrone, and Zaheer (2003) observe that trust, an aspect of relationship quality, plays the role of a heuristic, reducing the cognitive effort that needs to be expended on business decision-making. It is also likely that satisfaction (another component of relationship quality), by evoking memories of previous successful transactions and thereby diminishing perceptions of risk associated with a new transaction, acts in the same way. Both factors will enhance the strength of buyer-salesperson relationship as a heuristic, thus increasing the frequency with which the relationship heuristic will be employed in making decisions regarding new product acceptance. Similarly, the commitment of a buyer to maintaining a trusted and satisfying relationship with a salesperson should aid product acceptance in an uncertain environment by choosing a product that is presented by the salesperson.

Given the factors outlined above, we hypothesize:

H1: The quality of the relationship a buyer has with a salesperson moderates the association between product attractiveness and new product acceptance such that only strong relationships attenuate the product attractiveness–new product acceptance link.

Firm-Firm Relationship. While the buyer-salesperson interaction is of shorter time duration—for example, because of turnover or reassignments—the firm-firm relationship is likely to be of longer duration, and thus in that relationship the shadow of the future is much longer (Heide and Miner 1992). In the firm-firm relationship situation, while trust and satisfaction continue to be important (because in their absence expected benefits from future transactions would be uncertain), commitment to sustaining the relationship is likely to play a particularly important role. This commitment may reduce the emphasis buyers place on product characteristics in any specific acceptance decision because one product choice is but a brief episode in what is expected to be a long-term association. A high-quality firm-firm relationship will diminish the risk perceived to be attached to any specific new product because of the opportunity future transactions offer to redress losses caused by a potentially bad product choice. In other words, the likelihood of future interactions diminishes the importance of the payoff in a current period compared with that from future opportunities (Heide and Miner 1992). In this regard, because the success of any new product is ambiguous, it is only when the firm-firm relationship is very strong and expectations for future interactions are unambiguously present that it serves as a useful heuristic for the buyer. Therefore, if the firm-firm relationship is of lower quality, the buyer is more likely to focus solely on product attractiveness in the acceptance decision. In effect:

H2: The quality of the relationship between the manufacturing firm and the retail firm moderates the association between product attractiveness and new product acceptance such that only strong relationships attenuate the product attractiveness–new product acceptance link.

Method

Due to the highly sensitive nature of the data we were soliciting, we expected that sampling from the general universe of corporate retail buyers would yield a low response rate (Rao and Mahi 2003). Previous research in this area has relied almost exclusively on a single-retailer (cf. Rao and McLaughlin 1989; White, Troy, and Gerlich 2000). In the present research, vice presidents of category management and non-perishables at two grocery retailers agreed to serve as research sponsors and granted access to their respective buying teams. The first retailer has more than 1,000 stores, the second more than 500, and both cater to a similar consumer demographic.

These retailers were selected for three reasons. First, larger retailers were preferred, as they had the volume of new product decisions necessary to complete the study in a timely manner. Second, recent industry consolidation in the grocery industry makes large retailers an important buying group. Third, the retailers were chosen because of similarity in their new product decision-making structure. At both firms, new product decisions are made by individual buyers rather than by committee.

Questionnaire design

Initially, we conducted in-depth interviews with five buyers from five different grocery retailers, twelve salespeople (key account and brand managers), and two food brokers. Due to the sensitive nature of the topic, which involved slotting and related placement fees, tape recording of the interviews was not possible. In total, more than 35 hours were spent on personal interviews. The main objectives were to understand how buyers for grocery retailers interact with sellers and to determine what set of factors drive new product decision-making. On the basis of these interviews and an extensive review of research on buyer-seller relationships, we created preliminary versions of the questionnaires. The questionnaires were reviewed by eight marketing academics to verify the appropriateness of the terminology, the clarity of the instructions, and the response formats. Subsequently, the questionnaires were sent to three buyers who had not been interviewed previously and to a vice president at each retailer that participated in this research. Based on their feedback, we made several minor adjustments.

Data collection

One major responsibility of a corporate buyer is to review new product presentations made by manufacturers' salespeople. Typically buyers are assigned to a product category and have relationships with between 5 and 50 salespeople.[1] Buyers for the nonperishables category, which includes everything but meat, fish, bakery, produce, pharmaceuticals, and floral departments, were identified by the two retailers who participated in the study. Retailers A and B made 14 and 11 buyers available respectively. Retailer A agreed to have each buyer complete 12 evaluations and Retailer B agreed to have each buyer complete 6 evaluations.

Data were collected over a six-week period for retailer A and a three-week period for retailer B, with two evaluations completed by each buyer per week. Because new product presentations were not always scheduled for each week, in some cases this period was extended. Each buyer was asked to evaluate a given salesperson and manufacturer no more than once during the entire process, and each buyer received one three-ringed binder containing pockets for each week in the data collection period. Each pocket had two evaluation forms and the necessary postage-paid envelopes to return the evaluation. To minimize carryover effects from one evaluation to the next, evaluations were ordered in two ways. The first sequence asked the buyer questions about the manufacturer, followed by product-related questions and finally salesperson questions. The second sequence switched the order of the manufacturer and salesperson questions. For example, for Retailer A, weeks one, three, and five had buyers complete the manufacturer-product-salesperson version and weeks two and four had buyers complete the salesperson-product-manufacturer version. At the front of each binder was an instruction sheet, the buyer's name, and the researchers' contact information. Buyers were asked to evaluate the first two new products that were presented to them each week and were encouraged to mail back the appropriate number of evaluations per week. To minimize response bias, buyers were told that the information they provided would remain anonymous and findings would be presented in aggregate form. A letter from the vice president at each participating retailer endorsing the study was also enclosed to encourage buyers to participate in the study. Additionally, buyers were offered gift certificates redeemable at a popular local restaurant for periodic completion of the evaluations.

Because new product decisions can take several days if not weeks for a buyer to make, a final questionnaire was sent to each buyer to confirm the new product decisions. A total of 210 evaluations were completed and returned, representing response rates of 89 and 90 percent for Retailer A and Retailer B respectively. Five evaluations were excluded from analysis because buyers completed more than one evaluation for the same manufacturer.

Descriptive statistics

At both retailers, 75% of the corporate buyers at the time of the study were male. Average buyer experience in the grocery industry was 17.4 years, and experience in the buying function was 6.6 years, indicating that respondents possessed considerable industry and buying function expertise. The average length of buyer-salesperson relationships was a little over a year and a half, with a range of one month to ten years. Buyers' estimates of duration of firm-firm relationship indicated that most were long lasting (63% greater than 11 years). Each buyer had an average of 13 vendor relationships in the category under consideration.

Manufacturer share in the category in which it was seeking to place the new item, as estimated by the buyer, ranged from 0 to100%, with an average of 20.4%. The buyers' estimates can be considered fairly accurate because buyers are responsible for the performance of their category and are very familiar with manufacturers' competitive positions. Buyers' estimates of manufacturers' total annual sales (for all retailers/customers it serves) indicate that medium and large companies were better represented at the retailer than smaller companies. Companies with less than $2 million in sales made up 17% of evaluations, while firms with sales between $2 and 100 million and in excess of $100 million made up 37% and 34% of the evaluations, respectively. Twelve percent of evaluations were of products from companies for which the buyer could not estimate sales information.

Measures

Key variables were measured using single-item and multi-item formative and reflective measures. Whenever possible, measurement scales were adapted from previous research. Table 1 provides the measures.

Relationship Quality. We operationalized buyer trust in the salesperson and firm-firm trust using Doney and Cannon's (1997) measures. Relationship commitment on the firm-firm level was measured using a scale adapted from Morgan and Hunt (1994). We adapted items from this scale to measure buyer-salesperson relationship commitment. We used Cannon and Perreault's (1999) five-item scale to measure satisfaction with the relationship with the manufacturer, and we adapted Leuthesser and Kohli's (1995) five-item buyer satisfaction scale to measure the buyer's satisfaction with the salesperson.

Product Attractiveness. The product attractiveness measures covered perceptions of the product (Sweeney, Soutar, and Johnson 1999), market demand for the product (Rao and McLaughlin 1989; Rogers 1983), marketing strategy for the product (Rao and McLaughlin 1989; Stern and Weitz 1997; White, Troy, and Gerlich 2000), and competition (Glemet and Mira 1993; Montgomery 1975; Rao and McLaughlin 1989). The buyer was asked to answer questions about perceptions of the product from the perspective of the consumer, whose opinion is of paramount importance. All the remaining questions asked the buyer for his or her opinion directly, as it would not make sense to ask the buyer to answer from the consumer's standpoint on expected market demand for the item or expected advertising, etc. Finally, buyers were asked to allocate 100 points across all four product attractiveness groups based on each group's importance in each decision.

We created a product attractiveness term (index) for each evaluated product by averaging items within each of the four groups (product,

Table 1

Construct Measures and Loadings

Firm-Firm Relationship Quality	**Loadings**
Retailer trust of manufacturer: (6 items, α = .94)	
This manufacturer keeps promises it makes to our firm	.811
This manufacturer is always honest with us	.897
We believe the information that this manufacturer provides us	.891
When making decisions, this manufacturer considers our welfare as well as its own	.873
We trust that this manufacturer keeps our best interests in mind	.909
This manufacturer is trustworthy	.921
Retailer commitment to manufacturer: (5 items, α = .94)	
The relationship that my firm has with this manufacturer …	
is something we are very committed to	.946
is very important to us	.926
is something we intend to maintain indefinitely	.828
is something we really care about	.918
deserves our maximum effort to maintain	.878
Retailer's satisfaction with manufacturer: (5 items, α = .87)	
Our firm regrets the decision to do business with this manufacturer*	.781
Overall, we are very satisfied with this manufacturer	.877
We are very pleased with what this manufacturer does for us	.889
Our firm is not completely happy with this manufacturer*	.698
If we had it to do all over again, we would still choose this supplier	.835
Buyer-Salesperson Relationship Quality	
Buyer's trust in salesperson: (6 items, α = .96)	
This salesperson has been frank in dealing with me	.871
This salesperson does not make false claims	.862
I think this salesperson is completely open in dealing with me	.928
This salesperson seems to be concerned with my needs	.866
I trust this salesperson	.936
This salesperson is trustworthy	.944
Buyer's commitment to salesperson: (5 items, α = .96)	
The relationship that I have with this salesperson …	
is something I am very committed to	.957
is very important to me	.940
is something I intend to maintain for the long term	.934
is something I really want to maintain	.946
deserves my maximum effort to maintain	.856
Buyer's satisfaction with salesperson: (4 items, α = .94)	
I am delighted with my overall relationship with this salesperson	.909
I wish more manufacturers' salespeople were like this person	.930
I would like my relationship with this person to continue in the coming year	.912
It is a pleasure dealing with this salesperson	.942

Construct Measures, continued

Product Attractiveness

Product
Consumers who shop at our stores would judge this product to…
possess high quality features or product composition
belong to a strong brand family
be inexpensive
have quality packaging
have a low performance risk
have a strong overall value
Market Demand
This product will satisfy a currently unsatisfied need
Demand is expected to be strong for this product
The category that this product would belong to is growing quickly
Economic conditions are very favorable for sales of this new product
Marketing Strategy
This product, relative to other proposed new products in this category, has …
high planned media support (not including cooperative advertising)
high planned couponing
high planned product sampling / demonstrations
strong introductory allowances
a high slotting fee
strong cooperative advertising funds
a high estimated gross margin
Competition
Many of our competitors already carry this product or will carry it shortly
This product would be available at our retailer before it is available at the competition
Our store brand products would not compete directly with this product

Control Variables

Manufacturer share of category
At your firm, approximately what is the manufacturer's total market share in the category in which it is seeking to place this new product ____ %
Manufacturer sales
What is your estimate of manufacturer's total annual sales (for all retailers / customers it serves)?
less than $2 million
$2 million to $100 million
$100 million or more
not sure
Product innovativeness
This product can best be described by which of the following? (choose one):
new concept for the category (an innovation)
line extension (minor flavor, size, packaging, design changes, etc., on the manufacturer's existing line)
me-too (e.g. imitation of a market leader or market pioneer)

*Item is reverse coded. With the exception of manufacturer share of category, manufacturer sales, and product innovativeness, all items are measured on a seven-point Likert-type scale, where 1 = strongly disagree and 7 = strongly agree

expected demand, marketing strategy, and competition) and multiplying each group by the importance weight provided by each buyer for the given product. We considered assigning weights for each group important because we expected that buyers would value certain characteristics more or less in a given situation depending on the product, and they did. For example, a product in a rapidly growing category (market demand) may not be accompanied by strong promotions (marketing strategy). The structure of our evaluation allowed buyers to indicate that they had placed more weight on the market demand group than on the marketing strategy group in making their decision in a case like that. We received three evaluations that did not provide weights. Equal weighting was assigned to each group in those cases.

New Product Acceptance. A new product is defined as a stock keeping unit, such as a single flavor or size, not previously carried by the retailer during the period of data collection (see Rao and McLaughlin 1989). A new product is considered to have been accepted if the firm actually accepted it for display and sales.

Control Variables. While this research focuses on the influence that buyer-salesperson and firm-firm relationship quality have on new product acceptance, previous research and exploratory interviews suggest that several other variables may also influence the dependent variable. Measuring the effect of these variables, which are discussed next, provides a stronger test of the focal relationship because it accounts for some of the variability in the model.

1. Manufacturer power. Previous researchers who have studied buyers' acceptance of new products have tried to use manufacturer sales as a surrogate for power. However, their efforts have seen limited success because private companies and companies that are based outside the United States often make sales figures difficult to pinpoint (Rao and McLaughlin 1989; White, Troy, and Gerlich 2000). For this reason, we created an additional item to control for manufacturer power. This item asked the buyer for an estimate of the manufacturer's current market share in the category in which the new product would belong, if accepted.

2. Product innovativeness. Previous research indicates that the innovativeness of new products may include entirely new concepts for a category (innovations), line extensions (e.g., minor changes in flavor, size, packaging, and design to the manufacturer's existing line), and me-too products (imitations of a market leader or pioneer) (Gerlich, Walters, and Heil 1994; White, Troy, and Gerlich 2000). The impact of product innovativeness on product attractiveness is uncertain. On the one hand, a new product that is considered innovative may have a greater level of product differentiation and therefore may have a greater chance of generating category sales. On the other hand, final consumer adoption also becomes less predictable with increasing levels of newness, thus increasing risk for the corporate buyer. Therefore, we consider product innovativeness apart from product attractiveness and use it as a covariate. To measure this, each buyer was asked to indicate whether the new item under consideration would best be described as an innovation, a line extension, or a me-too product.

3. Buyer. We expected that corporate buyers would have different styles, despite organizational efforts to formalize the new product selection process. These differences may be related to personality or to the type of category the buyer is managing. To capture the buyer-specific variance, a dummy variable was used for each buyer.

Analysis

Measure validation

Each relationship (buyer-salesperson and firm-firm) was computed by taking an overall average of the responses to the trust, commitment, and satisfaction items.[2] Means and standard deviations for the firm-firm and buyer-sales-

Table 2
Correlation Matrix*

Variables	1	2	3	4	5	6	7	8
1. Manufacturer relationship (MR)	1							
2. Salesperson relationship (SR)	.77	1						
3. Product attractiveness	.58	.55	1					
4. New product acceptance	.36	.40	.68	1				
5. Manufacturer sales	.08	.03	.02	.1	–.02	–.01	1	
6. Manufacturer share	.23	.11	.25	.27	–.21	–.2	.12	1

*Correlations greater than .13 are significant at $p < .05$.

person relationships and for product attractiveness were 4.08 (1.11), 4.55 (1.19), and 4.41 (.869), respectively. Prior to estimating the model, these measures were subjected to purification procedures designed to evaluate dimensionality and internal consistency (see Anderson 1987; Churchill 1979; Gerbing and Anderson 1988). Table 2 contains a correlation matrix for all constructs included in the model. Internal consistency, as determined by coefficient alpha, in all cases exceeded .87 for each scale, and all items loaded highly on the target construct (see Table 1 for a list of items). To test for discriminant validity, the correlation of the two relationships was constrained to one and compared to a freely estimated model. Estimation of the constrained model resulted in a significantly poorer fit than estimation of the unconstrained model (χ^2 d.f.=1 = 21, p < .01), thus providing evidence of discriminant validity for the buyer-salesperson and firm-firm relationship quality constructs.

Model fit and classification accuracy

Due to the dichotomous outcome variable, logistic regression in the form $ln\,[p / (1 - p)] = a + BX + e$ is the appropriate statistical model to test the hypotheses, where p is probability of new product acceptance, X's are the predictors, and e is the error term. The predictors were product attractiveness, buyer-salesperson and firm-firm relationship quality, the interaction of product attractiveness with both relationship quality constructs, and the three control variables. Based on a chi-square test, the hypothesized model (χ^2 = 70.34; 169 d.f.) was compared to a null model (χ^2 = 270.33; 204 d.f.), and the hypothesized model was significantly better ($p < .05$) (see Table 3 for model estimation results). Therefore, the logistic model fits the data well. The classification accuracy for the model with the control variables is 91.7 % (see Table 4). The model compares favorably with previous research on corporate buyers of packaged goods that has focused on product and product-related variables, with an overall successful classification rate of 78.6% (Rao and McLaughlin 1989). Research on corporate buyers performed in an industrial product context has produced an accuracy rate of 86% (Doney and Cannon 1997).

Out of the 205 products reviewed, 129 were accepted and 76 were rejected. This represents a 63% rate of acceptance. Thirty-five percent of new products replaced an item from the same manufacturer, 41% of products replaced a competitor's item, and 22% caused the category to demand more space. Test of multicollinearity was conducted by computing variance inflation factors (VIF), all of which were below the suggested maximum VIF value of 10. Therefore, it was determined that multicollinearity was not a major concern.

Table 3
Estimation Results[1]

Term	DF	Hypotheses	Estimate[2]	Test Stat.	*P*-value
Intercept	1		–51.8		
Salesperson relationship (SR)	1		2.42	2.264[3]	.02
Manufacturer relationship (MR)	1		.794	.803[3]	.42
Product attractiveness	1		9.86[4]	94.481[3]	.00
Product attractiveness x buyer-salesperson interaction	2	H1		6.250[3]	.04
medium-low			–.431	–.974[5]	.33
high-medium			–1.06	–2.389[5]	.02
high-low[6]			–1.49	–1.967[5]	.05
Product attractiveness x firm-firm interaction	2	H2		7.251[3]	.03
medium-low			1.18	–2.321[5]	.02
high-medium			.18	.470[5]	.64
high-low[6]			–1.00	–1.533[5]	.13
Manufacturer share	1		.009	.318[3]	.57
Manufacturer sales	1		–.80	2.32[3]	.13
Type of new product	2		.06	6.299[3]	.04
line ext.-innovation			2.13	2.177[5]	.03
me-too-innovation			2.07	1.967[5]	.05
me-too-line ext.[6]			.05	–.058[5]	.95
Buyer	24			55.902[3]	.00

Note: positive parameter estimates indicate a greater likelihood of choosing a product.
[1] model deviance = 70.34; AIC = 142.34; AIC is a log likelihood value penalized by the number of parameters estimated (Littel et al. 1996).
[2] Coefficients that relate the explanatory variable to the logit of acceptance, not the proportion. These estimates are not standardized. No estimates exist for the interactions.
[3] Calculated using likelihood ratio test (LRT), which is based on the difference in deviances and follows a chi-square distribution (χ^2-values).
[4] Coefficient corresponds to low buyer-salesperson relationship quality and firm-firm relationship quality due to the SAS default, which assigns them as reference categories to the first level of each factor.
[5] Calculated using the Wald test, which is based on a normal approximation (z-values). This test is less powerful than the LRT test, but the LRT is not available for individual contrasts.
[6] There are only two degrees of freedom; the third contrast is included for expository purposes.

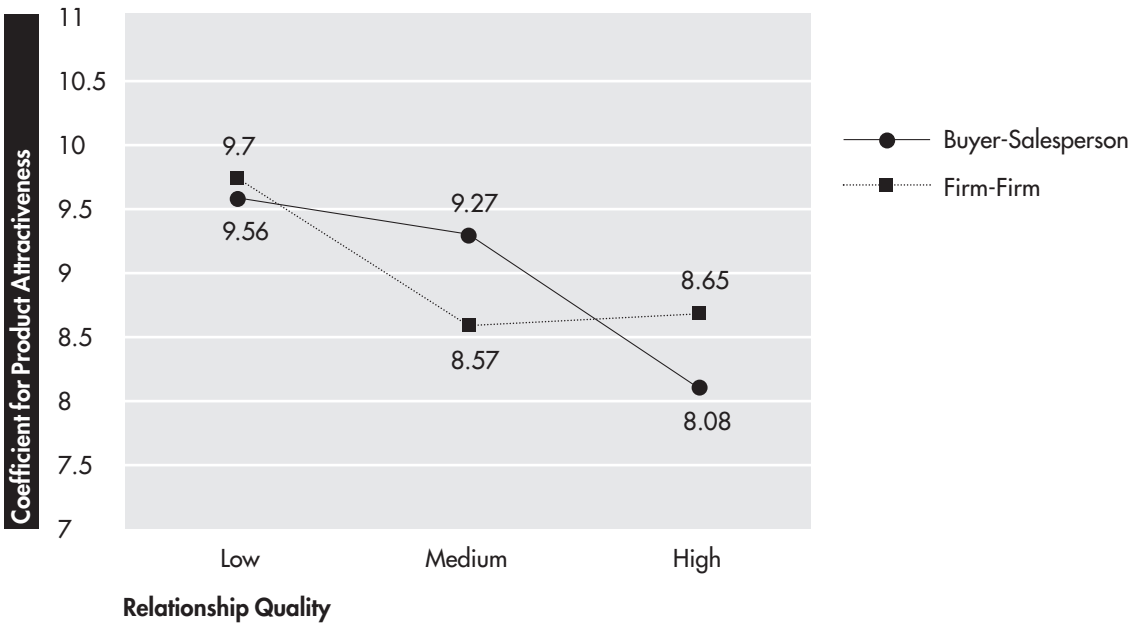
Table 4
Classification Accuracy

	Predicted Decision	Actual Decision	Correctly Classified
Accept	121	129	93.8%
Reject	67	76	88.2%
Total			91.7%

Results

Although main effects were not central to our research hypotheses, the results show that stronger buyer-salesperson relationships were associated with a greater likelihood of new item acceptance ($p < .05$), but the same pattern was not observed for firm-firm relationships ($p < .30$). As would be expected, product attractiveness was directly related to the likelihood of new product acceptance ($p < .05$).

Figure 2
Moderating Effect of Relationship Quality



* The product attractiveness regression coefficient for each level of buyer-salesperson relationship quality is averaged over *all* levels of firm-firm relationship quality.
** The product attractiveness regression coefficient for each level of firm-firm relationship quality is averaged over *all* levels of buyer-salesperson relationship quality.
Note: The overall regression coefficient for product attractiveness is 8.97.

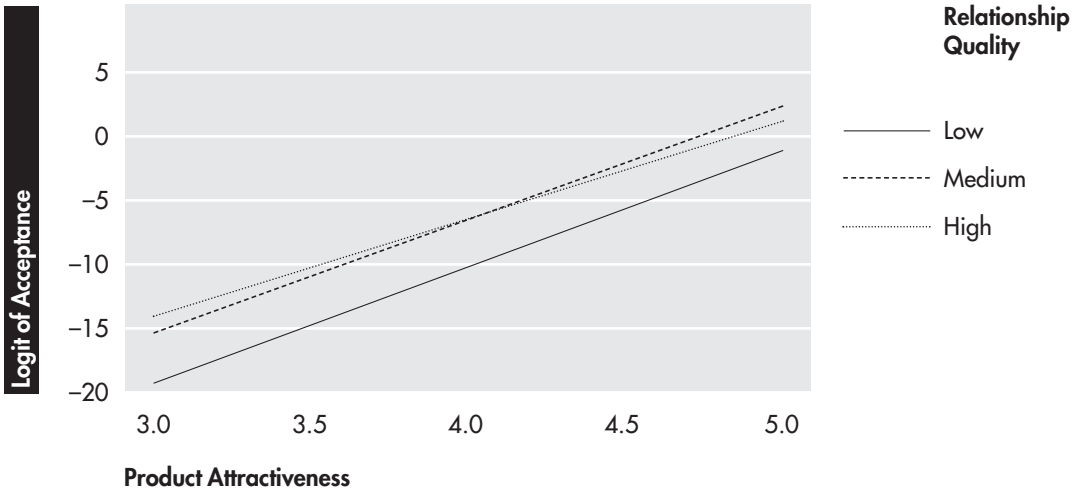
Product attractiveness interacted with both relationship variables ($p < .05$). Given our nonlinear interaction hypotheses, we had to determine how the impact of product attractiveness on acceptance may change depending on the level of relationship quality. Consequently, the two continuous relationship-quality variables were divided into groups. For grouping purposes, one standard deviation below and above each relationship mean delineated poor (low) and strong (high) levels, respectively. A moderate relationship-quality group was created using values that fell between the poor-quality and high-quality groups (this process is analogous to that advocated by Aiken and West 1991). Cell counts for the poor-, moderate-, and high-quality firm-firm and buyer-salesperson groups were 40, 127, 38, and 31, 141, and 33, respectively.

To understand the nature of the interactions, contrasts were conducted using the Wald procedure. Figure 2 illustrates how each level of the relationships affects the association between product attractiveness and acceptance. To plot both interactions, the product attractiveness regression coefficient for each level of the buyer-salesperson relationship was averaged over all levels of firm-firm relationship and the reverse was done for the firm-firm relationship.

Figure 3 shows how the slope of the line representing the impact of product attractiveness on acceptance varies across levels of buyer-salesperson relationship quality. As anticipated, the slope of the effect of product attractiveness on acceptance was not significantly different for low or medium levels of buyer-salesperson relationship quality. However, the slope was less steep when buyer-salesperson relationship quality was high, indicating that the link between product attractiveness and acceptance was attenuated. This provides support for H1.

Figure 3

Impact of Product Attractiveness on Acceptance at Different Levels of Buyer-Salesperson Relationship Quality



The logit of acceptance scale (see y-axis) is a transformation of the probability scale such that .5, 1, and 0 on the probability scale = 0, + ∞, and – ∞ on the logit scale, respectively.

The impact of product attractiveness on acceptance varied across levels of firm-firm relationship quality as well, but in an unexpected and different fashion from that observed with buyer-salesperson relationships. The slope is less steep when firm-firm relationship quality is moderate compared to when the relationship is of lower quality, indicating that the link between product attractiveness and acceptance is attenuated as the relationship quality improves from low to medium (see Figure 4). However, this attenuation is not observed in the association between product attractiveness and new product acceptance as the relationship quality improves to high.

Product innovativeness was the only control variable that was significantly related to the criterion ($p < .05$). Contrasts across each type of product innovativeness indicate that both line extensions and me-too products are significantly more likely to be accepted than are innovative products. This may represent risk aversion on behalf of buyers. Further research may be required to understand this relationship.

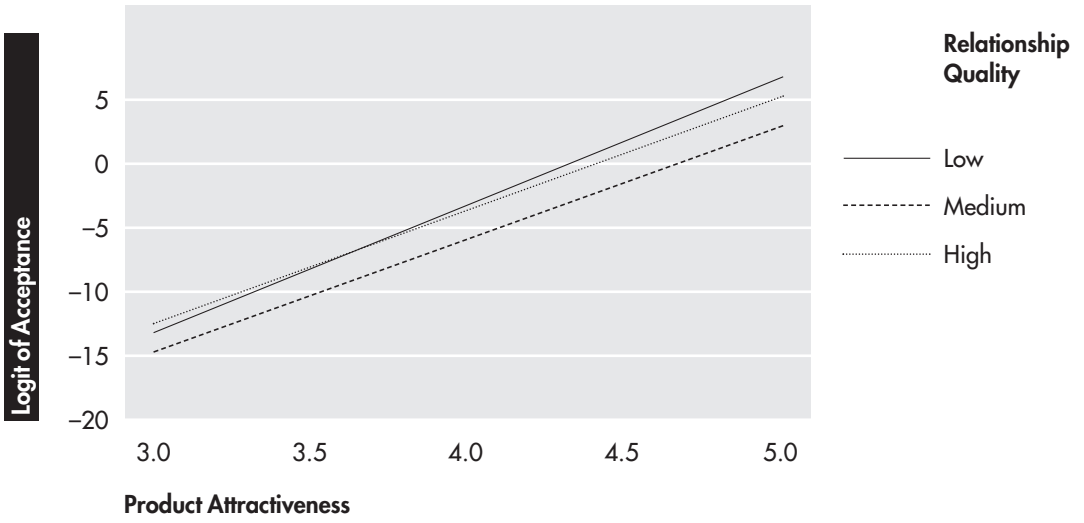
Discussion

This research examined how retailers' selection of new products is embedded in firm-firm and buyer-salesperson relationships by focusing on how the content of the relationships, as captured by relationship quality, serves as a heuristic that simplifies decision-making in an uncertain environment. In support of H1, the observed interaction between product attractiveness and buyer-seller relationship quality followed the expected pattern. Product factors only declined in importance when the relationship between buyer and seller was very strong. Thus, buyer-salesperson relationship quality serves as a heuristic in the decision-making process only when the relationship quality passes a threshold. This finding suggests that buyers are willing to put their faith in a salesperson's word only when the relationship is sufficiently strong.

A different and unexpected pattern, however, was observed when it came to the interaction between product attractiveness and firm-firm relationship quality (H2). In this case, buyers

Figure 4

Impact of Product Attractiveness on Acceptance at Different Levels of Firm-Firm Relationship Quality



The logit of acceptance scale (see y-axis) is a transformation of the probability scale such that .5, 1, and 0 on the probability scale = 0, + ∞, and – ∞ on the logit scale, respectively.

paid more attention to product factors when the quality of the firm-firm relationship was perceived to be low than when it was medium. However, beyond a medium level of firm-firm relationship, the impact of product attractiveness on new product acceptance did not vary. To assess whether the slopes for average and strong levels of firm-firm relationship quality were different from that of a poor relationship, we conducted a Helmert simultaneous test. For this analysis, the slope of the product attractiveness–new product acceptance association at the poor relationship level was compared to the slopes at the moderate and strong relationship levels and was found to be significantly different ($p < .05$). Thus, the firm-firm relationship is diagnostic at a lower level of relationship quality than is true for the buyer-salesperson relationship, but beyond a certain threshold it ceases to influence the association between product factors and new product selection. As the firm-firm relationship improves beyond the moderate level, it appears that the buyer perceives little additional risk reduction.

The fact that an increase in firm-firm relationship quality beyond a moderate level does not lead to further reduction in the role product attractiveness plays in new product acceptance may be a result of attempts on the part of the retail organization to avoid suboptimal decisions resulting from an excessive reliance on relationship quality. Such suboptimal decisions are consequences of what Selnes and Sallis (2003) call the "dark side" of reliance on trust in buyer-seller relationships. It may be, then, that as a result of relationship learning (Selnes and Sallis 2003), the buying firm makes an effort to limit the dysfunctional effects that excessive reliance on firm-firm relationship quality can have on new product acceptance.

Overall, the variance in the impact of buyer-salesperson and firm-firm relationships on new product acceptance may be attributable to differences in the nature of the two relationships. Firm-firm relationships may be more calculative, what Selnes and Sallis (2003) describe as a rational association based on formal mechanisms and credible information. The use of firm-firm

relationship quality as a heuristic is likely, therefore, also to be calculated, in order to ensure that the "dark side" of over reliance does not have a chance to take hold and make possible suboptimal decisions. Buyer-salesperson relationships, however, are more likely to contain a strong emotional element. As such relationships grow stronger, strong positive emotions and liking may exist (Jones and George 1998). Once this level of emotional relationship develops, critical information search may be diminished (Selnes and Sallis 2003). In the context of a buyer-salesperson relationship, relationship quality may be adopted as a heuristic in a more emotionally charged manner than is the case in the context of a firm-firm relationship, with the consequence being a greater "dark side" risk of suboptimal decisions.

The difference in the impact that the two relationships have on the association between product attractiveness and acceptance can perhaps also be attributed to their different expected durations. The association between buyers and salespeople is generally of much shorter duration than the firm-firm association. The latter relationship, in many cases, can be expected to continue in perpetuity. As such, the shadow of the future is much more clearly defined for the firm-firm relationship than for the buyer-salesperson relationship. Therefore, once the relationship has achieved a minimum level of quality, buyers can expect that it will continue well into the future, giving them the opportunity to redress grievances that might arise from the failure of any specific product. When choosing new products, they may, therefore, reduce their focus on product attractiveness at a lower level of relationship quality than would be the case in a buyer-salesperson relationship.

Theoretical and managerial implications

This study demonstrates how retailers' selection of new products can be influenced by the embeddedness of the decision in relationships both at the firm and the individual level. The study contributes to institutional theory by demonstrating that the content (quality) of relationships, and not their mere existence, influences organizational actions. It contributes to the relationship marketing literature and new product literature by providing evidence of how relational embeddedness may influence retailers' decisions to stock new products and consequently, new product success. Our results indicate that marketers need to be cognizant of the role relational embeddedness plays in the success of the product.

In light of these findings, manufacturers interested in influencing new product acceptance rates may wish to consider how they train and prepare their salespeople. Turnover of salespeople, whether voluntary or involuntary, is a challenge in many companies and may present an obstacle to building a sales organization. The cost of replacing a new salesperson is measured not only in terms of training but also in terms of the larger cost associated with the loss of relationships that salespeople build with their customers over time (Kaydo 1997). In this study, although the data is cross-sectional in nature, the quality of a buyer's relationship with a salesperson was positively associated with the duration of the relationship ($p < .01$). The consequences of turnover and subsequent shorter buyer-salesperson relationships are not immediately clear or easily quantifiable, but findings in this research indicate that less emphasis is placed on the product in the acceptance decision when relationships are strong. This benefit may be worth considering in light of the fact that an average packaged-goods company spends "… over 12 percent of sales on trade promotion, but less than 4 percent on its sales force costs" (De Vincentis and Kotcher 1995, p. 73). If turnover is rapid and frequent, the relationship may never strengthen to the level required to attenuate attention to the product.

For the buying firm, a buyer's use of the quality of the relationship with a salesperson as a heuristic to aid decision-making is not always optimal. As Selnes and Sallis (2003) observe in the context of trust, there are hidden costs inherent in using relationship quality as a heu-

ristic when it comes to accepting new products. The buyer may not even be aware of these decision inefficiencies, such as avoidance of negative information and relaxation of explicit control mechanisms. Thus, buyers might require training to sensitize them to the downside of over-reliance on the relationship in buyer-salesperson interactions.

The findings regarding the impact of firm-firm relationships suggest that a manufacturing firm may wish to conserve resources or deploy them prudently when trying to build stronger relationships with its resellers. A firm aspiring to build a very strong firm-firm relationship may be spending considerably more resources than are required or beneficial, at least as far as new product acceptance is concerned. A McKinsey packaged-goods survey found, for example, that brand manufacturers who make substantial investments in order to help retailers grow category profitability have lower dollar growth, volume, or both, when compared with other brands (Alldredge, Griffin, and Kotcher 1999).

Limitations

The study has limitations that need to be acknowledged. A study based on self-report data has the potential to be influenced by common-method bias. The only absolutely certain way of overcoming this problem would be to collect data for independent and dependent variables from different sources. This is, however, a difficult task in organizational research where corporate buyers are the decision makers. However, it should be noted that method bias is less likely to be a problem in investigating complex relationships such as the interaction hypotheses tested in this study. In addition, we collected data on the outcome measure, new product acceptance, after a delay and used that in the analysis, although the same buyer provided this data as well.

Second, the present study involves buyers only at two large grocery retailers, so the results may not generalize to the entire population of corporate buyers. For example, large manufacturers may have more distant relations with smaller retailers due to the higher costs involved with courting smaller retailers. This may be manifested in larger manufacturers' choosing to deal with lower-volume accounts through wholesalers, thereby sacrificing any chance of building their own relationships with those lower-volume retailers. Additionally, corporate buyers in different industries may also behave differently. For example, buyers of very expensive components used for industrial applications may work more closely with supplier sales and design teams.

Directions for future research

Based on this research, several areas for future investigation emerge. First, as advocated by Rao and McLaughlin (1989), it would useful to link corporate buyer decisions to product performance as defined by new product sales. In this regard, it would be possible to provide buyers with diagnostic information to enhance their decision-making; then it would be possible for researchers to explore additional interesting questions. For example, do strong relationships lessen or enhance the accuracy of new product acceptance decisions? Another avenue for possible research would be to examine the influence that institutional and personal relationships have in more complex buying decisions, when multiple individuals are interacting and making decisions.

Second, this study evaluated a buyer's decision to accept a new product. Additional research should examine how relationships and other factors affect the quality of product acceptance as represented by shelf space and placement. A firm may be happy to have its product accepted for distribution at a retailer, but be dismayed to learn that it will be shelved in a suboptimal location, substantively reducing its chance of success. Preliminary qualitative research suggests buyers may be more likely to give preferred shelf space to manufacturers who provide outstanding service (Cooper, Dröge, and Daugherty 1991). Additionally, interviews with buyers conducted for a Federal Trade Commission

(2003) study revealed that "… schematics [shelf displays or product placement] are driven by products with the highest profits and fastest turnover" (p. iii). Both findings are derived from qualitative studies and should be substantiated by further research.

A third area that merits attention is the effect relationships have on the frequency and magnitude of headquarters-determined in-store displays (e.g., end-of-aisle displays) and trade promotion pass-through rates, a vital part of most manufacturers' visibility and product investment (for more on this topic, see Wathne, Biong, and Heide 2001). For example, previous empirical research has shown that there is generally less pass-through of trade promotions to the consumer for low-share brands than for large-share brands (Blattberg, Briesch, and Fox 1995). Additional research concerning how relationships and other factors influence a buyer's decision to remove a product from the category may also prove valuable. Presently, industry convention is to review an item at six-month intervals to determine if it still warrants shelf space.

Another question deserving further study is our finding that a high percentage of accepted new products, 35%, merely replace one of the manufacturer's existing products. This raises some intriguing questions. For example, in these instances, do manufacturers get a free ride on new-item placement fees, or are these fees moderated in some way? If placement fees are mitigated, this may explain why companies launch so many "refresher" products that merely replace old packaging, flavors, etc. Findings from our study do indicate a high percentage of line extensions (51%) and me-too products (22%).

Finally, further study concerning the effect of firm-firm and buyer-salesperson relationships on new-item fees is warranted. For example, do strong firm-firm relationships or buyer-salesperson relationships result in a manufacturer's paying less when its new items are accepted? Initial results are ambiguous. According to a Federal Trade Commission (2003) study, "[R]etailers' data indicated that, in some instances, in the same product category for the same retailer, some new items pay slotting fees and others do not; retailers' data also indicate that, for any specific surveyed retailer, the amounts of slotting fees can vary significantly across products within the same category" (p. v). More research is needed in this area to confirm whether the strength of firm-firm and buyer-salesperson relationships influences slotting fees. Given the fact that nationwide rollout of a new grocery product requires $1.5 to $2 million in slotting allowances, this subject deserves further examination.

Conclusion

The marketing literature focuses enormous attention on the value of developing competitive advantages. Wright and McMahan (1992) note that the unique history a boundary spanner has with a customer and the social complexity of their relationship make the spanner's behavior difficult to imitate. Therefore, building strong interpersonal and interfirm relationships is one way selling firms may be able to gain a competitive advantage. Our study casts light on the value of such relationships by demonstrating that the quality of those relationships affects how much impact product characteristics have on a buyer's decision to accept or reject the new product. Given the increasingly competitive retail marketplace and companies' expectations that new products will deliver 34% of future top-line growth (Alldredge, Griffin, and Kotcher 1999), it would seem wise for manufacturers of branded products to complement their new product development efforts with a reassessment of their relationship-building competencies. ■

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Notes

1. The number of relationships is a function of category consolidation. For example, fewer relationships may exist in the cereal category than in health and beauty aids, which is a more fragmented category in which there are more competitors. This fact was uncovered through exploratory interviews and substantiated when reviewing completed evaluations that asked buyers for the number of vendor relationships they had in a given category.

2. First, all items were submitted to an exploratory factor analysis. Several reverse-coded items from different scales formed separate factors. These items were dropped from further analysis.

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