



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search  
<http://ageconsearch.umn.edu>  
[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

**THE IMPACT OF FOOD DISTRIBUTOR  
PROCUREMENT PRACTICES ON FOOD SYSTEM  
STRUCTURE AND COORDINATION**

by

Larry G. Hamm

WP-58

November 1981

The author is Agricultural Economist, ERS, U.S. Department of Agriculture. This paper is a summary presentation of a larger study dealing with the economic impacts of food distributor procurement practices.

## THE IMPACT OF FOOD DISTRIBUTOR PROCUREMENT PRACTICES ON FOOD SYSTEM STRUCTURE AND COORDINATION

In most food pricing policy debates a recurring refrain is that wholesale and retail prices do not simultaneously adjust with farm prices. System price lags cause producers' and consumers' concern, often lead to charges of exploitation, and are difficult for policy makers to explain. Understanding the processor-retailer interface and what happens within food distribution organizations is critical to explaining why the food system operates as it does. Recent interest in the operation and performance of vertical food system subsectors has further increased the need for understanding food distributor behavior. Many subsector researchers, because of data limitations and system complexity, have found it difficult to follow agricultural commodities all the way through the retail distribution channel.

In an attempt to contribute to both the understanding of vertical coordination and structure in the food system, a study of retailer procurement behavior was undertaken. The results of that study are published in the author's Ph.D. dissertation titled "Food Distributor Procurement Practices: Their Implications for Food System Structure and Coordination." This working paper, an adaptation of the concluding chapter of that dissertation, summarizes a) the framework and methodology used in the study, b) the basic operation of brand dry grocery and processed fruit and vegetable private label procurement systems, and c) the implications for food system coordination and structure of food distributor procurement practices.

Some food system researchers and observers might be interested in only selected aspects of this food distributor procurement study. The Appendix to this paper is the Table of Contents of the food distributor procurement study. Interested readers can refer to the Table of Contents to determine the extent and comprehensiveness with which specific points are covered in the full study.

### A Conceptual Framework

Earlier work on vertical subsectors and vertical coordination has been hampered by the lack of a fully-developed, commonly accepted conceptual formulation. This research is no exception. The author attempted to develop an analytical framework. Previous conceptual approaches used to analyze vertical systems were reviewed. Those components which seemed to be particularly relevant to food systems were incorporated into the framework. Earlier work by Bruce Marion was especially important to this part of the study.

The Richard Cyert and James March formulation of a theory of a firm's behavior became a key part of the conceptual framework used. There is a need to link a firm's behavior to vertical coordination. The Cyert and March concepts worked nicely; especially the concept of standard operating procedures (SOPs). The SOPs are fairly well defined rules which determine a firm's behavior in response to short-run feedback from its environment. By using SOPs, firms deal with 1) the uncertainty of their environment, 2) maintaining viable intrafirm coalitions, and 3) their limited capacity to assemble, store, and utilize information.

Task performance rules define the everyday operation of the firm. Functional task SOPs (procurement, merchandising, etc.) are critical to vertical coordination. The SOPs for procurement and merchandising of

grocery products set the basic market conditions for processors and manufacturers. Their response to these SOPs in turn influences their actions toward their suppliers and producers. This procurement research was dedicated to enumerating and explaining these retailer SOPs.

Procurement and merchandising SOPs are therefore part of the vertical coordination process. Embodied within food distribution SOPs are practices which determine and/or influence the flow of economic information and economic control within the food system. SOPs can influence the composition, completeness, accuracy, and timeliness of price, quantity, and quality information in the system. Of particular importance are SOPs which impact in food distribution organization's demand information critical to the decision making of other food system participants. Likewise SOPs which result in inaccurate, ill-timed, or incomplete information increase system uncertainty and may significantly alter food system performance.

Procurement and merchandising SOPs also partially determine functional tasks and responsibilities assignment in the system, thereby partially determining the level of risk other segments must bear. Thus retailer SOPs have a great deal of influence on the relative rates of return various producer, processing, and manufacturing segments receive over time. These relative economic returns establish the economic incentives for structural change and evolution. Careful analyses of procurement and merchandising SOPs reveals the likely structural configuration of vertical subsectors in the future. At this point, debate about the relative performance outcomes resulting from this particular set of behavioral SOPs can begin. Likewise, understanding the underlying SOPs

helps to establish an expanded set of policy variables which could be manipulated in order to alter evolving food system performance.

While the framework used in this research accomplished its intended purpose, it is by no means a comprehensive, fully-consistent theory of vertical systems. Vertical system analysis is sometimes criticized because no commonly recognized and accepted theory exists. If vertical systems analysts are to escape charges of being ad hoc, they must re-dedicate themselves to do more disciplinary research into a theory of vertical coordination.

#### Research Design

When reviewing the overall food system, several limiting decisions were made. First, this research was limited to the at-home (grocery store) segment of the system. Procurement practices in the away-from-home (hotels, restaurants, and institutions) await other studies. Second, only grocery procurement practices were examined. Trade literature reviews and consultations with industry observers indicated that produce and meat procurement SOPs are very specific and not transferrable to other products. Third, a distinction between processing and manufacturing was made. Manufacturers take raw product and process it into different forms and add a complement of marketing activities. Processors only take raw products and/or basic ingredients and add value only by changing product form. This distinction is critical for understanding vertical coordination practices and the evolving structure of the food system.

Three organizational characteristics of food distributors were found to be important for designing a study sample. These included 1) the functional assignment within distributor organizations; 2) the separation of functions in different firms; and 3) the existence and organization of separate distributor brand networks.

Critical to this analysis is the observation that procurement and merchandising functions are not necessarily assigned to the same individual within retail firms. Coordination of product movement within distributor firms often requires communication between two individuals. This communication gap is extenuated when procurement and merchandising are located in different firms. Affiliated independent retailers usually retain merchandising decisions but order products from distributor organizations who perform the procurement function. The interview sample was controlled for the organizational form (chain versus distributor buyers) on the a priori hypothesis that buyers in different organizations might face different incentive structures and therefore have different procurement SOPs.

Even more diverse than brand grocery procurement is distributor-private label product procurement because of the number of different methods and organizations involved. Private label procurement organizations were classified and described. Five basic private label procurement organizations were delineated and used to control for the interview sample. As with retailer organization form, private label procurement organizational arrangement was hypothesized as being an important factor which might lead to different procurement SOPs.

To further limit the study, one set of commodities were selected as the target for analysis. Preconditions for selection included that the commodity group 1) exhibit significant supply variation; 2) have both brand and private label segments and 3) be sufficiently mature so that the procurement SOPs would not be in a rapid state of change. Processed fruit and vegetable products were selected. In addition to the above characteristics these products constitute a small but important component of total store sales and are particularly important to the North Central region of the United States.

A priori evidence gained through trade literature reviews indicated that canned fruit and vegetable products had different procurement patterns than did frozen fruits and vegetables. Because of this, the interview sample was segmented to include both canned and frozen fruit and vegetable processors. Brand fruit and vegetable sellers interviewed included brand manufacturers and brokers. Private label sellers included proprietary and cooperative fruit and vegetable processors and private label brokers.

In total, seventy-nine personal interviews were conducted: thirty with buyers and forty-nine with sellers. More interviews were conducted with private label buyers and sellers than with brand buyers and sellers. Generally, there was much less information available in the trade literature on private label procurement practices. A mirror-image interview technique was employed whereby buyers were asked how they buy and then suppliers were asked how buyers bought. This technique served to check accuracy of responses.



Responses seemed to center on the same basic points and the SOPs seemed to be fairly consistent and stable across buying and selling firms. Toward the end of the interview process, interview emphasis was shifted as it became apparent that merchandising SOPs were also important in explaining food system coordination. Merchandising SOPs, however, were primarily derived from trade literature reviews.

### Brand Grocery Product Procurement Practices

#### Brand Grocery Buyers and Buying Systems

The standard procurement practices used to buy brand grocery products are generally applicable to all brand grocery products and not limited to only processed fruit and vegetable products. This is also partially a function of how brand grocery buyers jobs are defined and the buying systems used by distributors.

Some firms use separate buying and merchandising departments. Others (principally chains) use buyer-merchandiser systems whereby the buyer also has merchandising responsibility for his products. Some firms still use a buying committee system for determining many buying decisions. Irrespective of the buying system used, buyers usually have experience in buying many different types of products during their careers. Thus the procurement SOPs tend to get standardized over all types of products.

The other critical fact is that brand buyers have extensive job descriptions which often include more duties than just buying. They thus have little time nor commitment to understanding the basic market conditions surrounding individual products. Also buyers are most often

salaried employees of distributor bureaucracies. Their buying decisions and SOPs are conditioned by internal, inter- and intradepartmental constraints. All of these factors combine to form considerable impediments to adjustments to individual grocery products.

### New Product Procurement Practices

A recurring theme developed in this analysis is that because of buyer indifference, individual grocery products need their manufacturer's backing. This is true not only for new products but also well-established products. For example, successful new product introductions require both consumer-directed and trade-directed promotion activity. Consumer-directed activity such as television advertising, free samples, and manufacturers' coupons, are designed to create product differentiation and consumer loyalty to the product. Trade promotion activity is designed to overcome buyer and merchandiser indifference toward individual products by making those products more attractive relative to their close substitutes.

Over time the components of successful consumer and trade promotions have become fairly standard. Trade activities include buying and merchandising allowances, special purchase terms, and slot charges. Most firms desiring to enter the grocery business understand what is required.

Brand grocery buyers often are overwhelmed with the number of manufacturers' new product offerings. They therefore have developed criteria for choosing which new product offerings to accept for distribution and which ones not to accept. These criteria include:

- Advertising support

- Test market results

- Packaging considerations

Manufacturer's reputation

Product originality

Advertising support is usually evaluated by the extent and distribution of television and radio advertising and product coupons. Test market results are examined for sample bias, demographic completeness, and for pricing relevance. Packaging considerations include not only the attractiveness and convenience to the consumer, but also how the product would adapt to the rigors of wholesale and retail distribution. Manufacturer's reputation has two key elements; has the manufacturer lived up to past promises and commitments to buyers and have the manufacturer's more recent new products been successful. Product originality refers to whether the product is really new or just a minor variation of some existing product.

Buyers trade off among these criteria. However, most evidence indicates that the level of a manufacturer's advertising support is perhaps the most important criteria in determining new product acceptance. With extensive television and coupon support, buyers often accept products which they feel might have otherwise failed.

In order to introduce new grocery products on a national level requires substantial capital often amounting to millions of dollars. However, money is a necessary but not sufficient condition for new product success. Those manufacturers who can coordinate the consumer promotion activity with lagged grocery buyer responses to trade promotion activity will significantly increase the probable rates of success of their new products.

#### Procedures for Buying Existing Items

Procurement of existing grocery items has some similarity to the procurement of new items in that advertising, coupons, and trade

activities are equally important in existing item procurement SOPs. However, in existing item procurement, store ordering and warehouse inventory control-buying systems are important to the procurement process. These systems usually incorporate the record-keeping function for all grocery products both brand and private label. As such, all buying decisions are made from the numbers generated through these systems.

Computerized inventory control systems do a good job of tracking product quantities. Buyers know, for example, how many cases of a particular item are selling each week. These systems are able to keep historical movement data so that buyers are able to compare item movement of previous weeks and years. In addition, most of these systems contain all the descriptive material about products and suppliers necessary for executing buying orders. Most programs will automatically print purchase orders when stocks are too low. Most buyers are able to override the computer systems if they need to make special orders which are not recognized by the computer's simplified re-order programming.

Inventory control programs can carry current price and margin data along with the data about quantity. These data are limited however. Often the price data do not reflect price concessions via stock protection clauses and buy-ins at the end of deals. Also, the price data does not match the historical quantity data in the system. Thus there is no way for the buyer to know with these systems why product movement increased dramatically in some past time period.

Most buyers keep a price monitoring system which is independent of the inventory control systems such as noncomputerized cardex records. Here buyers are able to record such things as manufacturer's deals, retail promotions, and competing product promotions. With both data

systems, professional buyers can mentally recreate the market factors which caused a product's previous movement adjustments.

The combined operation of quantity and price monitoring systems tends to create a product movement and promotion cycles. As buyers search their records for explanations as to why a product was selling well a year ago, they observe that there was a group of promotions. They press suppliers for similar price concessions this year. The process tends to repeat itself year after year. Why do retailers always put baked beans on special on Memorial Day? Because consumers always buy them on Memorial Day. Why do consumers always buy baked beans on Memorial Day? Because grocery stores are always putting them on special on Memorial Day.

Occasionally, for whatever reason, manufacturers will want to reduce product prices to increase the products' sales. For this strategy to be successful, consumers must be presented with a lower price and they must recognize that the products are on special. The price reduction will be ineffective if retailers usurp the lower wholesale price and do not pass it forward or if consumers do not perceive and recognize the price change. Brand manufacturers have instituted various programs designed to induce retail grocery buyers to react in ways which will benefit the suppliers' products. Over the years, certain sets of programs (deals or promotions) have evolved and become standard practices in the food system.

The basic composition of most deals is that in return for a wholesale price reduction on the brand product, the retail buyer and/or merchandiser agrees to perform certain actions. These performance clauses usually involve one or more of the following conditions:

That the retailers implement special product display techniques on-shelf and/or off-shelf.

That the retailers reflect all or part of the price decrease to the consumer for some time period.

That the retailers allocate some of their newspaper advertising space to the manufacturer's product.

Performance conditions were originally established to ensure that retailers passed wholesale price reductions on to consumers. Retailers resent these conditions and have over the years bargained with manufacturers for other deal provisions. For example, promotion periods often run for four to six weeks while retailer performance can be met with one or two weeks of compliance. In addition such concessions as stock protection clauses and buy-in options have all been allowed to become standard deal provisions. In spite of all these concessions, retailers are still tempted to take the deal price concession and neglect performance requirements. With literally hundreds of deals available weekly to retailers, manufacturers have tried to find other methods to ensure retailer selection of their deal and compliance with that deal's provisions.

Here again direct consumer promotion enters as a necessary tool for the manufacturer. By extensively informing the consumer via television and coupons that product prices have changed, manufacturers can force retailers to reflect price changes and to fulfill other performance conditions. Without the ability to go around food distributors directly to the consumer, manufacturers must bid against one another with deeper trade allowances and/or special promotion provisions in order to have their price reduction--increased movement strategy work at the retail level.

Without direct consumer participation, retail buyers induce wholesale price competition among manufacturers. Without retail competition

there is no assurance that the induced wholesale price decreases will be passed on to consumers.

Promotion and deal prices could be calculated by reducing list prices or by giving temporary reductions off of list prices. When food prices were frozen by the government to halt inflation in 1973-74, list prices were used as the benchmark price. Since then, manufacturers have changed their pricing patterns. List prices are adjusted upward frequently and deal pricing is done off of list. The effect of this is to keep regular shelf prices high.

One way to reduce prices to consumers without altering the wholesale or retail price structure is by offering coupons to consumers. Since 1973, there has been a dramatic increase in manufacturer's use of coupons. Research on the causes and effects of manufacturer coupons is greatly needed. Hypotheses needing investigation are the relationship between use of coupons by manufacturers to fears of government price controls, and to the level of food retailing competition.

Another impact of the pricing behavior of high list-frequent deals is the development of limited assortment (box) grocery stores stocking only basic grocery items which move at high volumes and at low prices. Some retail competitors allege that box stores take advantage of existing deal provisions, especially buy-in clauses, to buy large quantities of deal merchandise only. Calls from retailers to manufacturers to stop this box store strategy have asked for implementation of additional performance requirements on standard deals.

The advent of box store competition has upset standard procurement practices for established grocery products which may be a sign that existing retailers were attempting to usurp too much of the manufacturer

deal price concessions for themselves. Likewise, this could be a classic case of cream skimming, which could be detrimental to the food retailing industry. Additional research investigating the causes and implications of selective deal purchasing behavior is needed.

Currently, brand manufacturers offer deals within regional markets which are largely determined by the patterns of retailer competition. Manufacturers are required by the Robinson-Patman Act to ensure that all retailers within a market area get the same cost-adjusted price. Consequently, manufacturers use region- or zone-based pricing with adjustments only for quantity purchases. The recent deregulation of trucking (June 1980) could have a significant impact on brand grocery pricing. Large distributors with their own truck fleets can, via backhaul provisions, provide for the shipping and transshipping of deal merchandise in quantities not easily duplicated by smaller retailer competitors. There may again be calls by manufacturers for changes to standard procurement practices and provisions. In the extreme, deregulation and backhauling can destroy the current pricing bases for most brand grocery products. Research into the likely structural and performance consequences of moving to "new" SOPs needs to be initiated.

Procurement SOPs for existing grocery products seem to be well established and stable. There is an inordinate amount of gamesmanship and bargaining between manufacturers and their competitors and between manufacturers and retailers which takes place within these SOPs. The resulting dynamic implications for the manufacturing structure are significant. Some signs, however, indicate that some of the procurement SOPs are at variance with current market conditions and developing trends



enumerated above. A significant upheaval in the procurement process for brand products in the near future might come about.

#### The Product Discontinuation Process

The SOPs used by retailers to drop items from distribution are also nearly universal and stable. Products may be eliminated from distribution as part of 1) the introduction of a new product; 2) competition from close substitute products; and 3) systematic product group reviews.

Most retailers, because product category shelf space is relatively fixed in the short run, will drop one item for each new one introduced. In rare instances they will drop product facings from several products in order to make room for the new item. The rule seems to be to drop the lowest volume item in the category in which the new item is being added. Some buyers will drop one of the existing items of the firm which is introducing the new product. This "quid pro quo" SOP has significantly different implications for dynamic behavior of manufacturers and their ability to use product proliferation to garner more shelf space.

When a manufacturer reintroduces a product by offering trade allowances to retailers, the buyer often drops the slowest moving brand product in the category. While this appears to be similar to the above SOP, it differs because this is not a new item. Decisions to drop items induced by competition are critical in the gamesmanship between manufacturers.

Products often get dropped when the buyer systematically reviews the entire product category or department. At these annual or semiannual reviews all buyers and merchandisers systematically assess product mix and shelf space needs. With a few exceptions (one-of-a-kind or specialty items), these reviews also use the slowest volume criteria.

Although treated separately, the three classes of brand product procurement procedures (new product, existing products, discontinued

products) are all interrelated. The computer programs which form the basis for inventory control develop the statistics on which many buying decisions are made. The role of television advertising and manufacturers coupons is intricately related to the buyers' and merchandisers' requests for price concessions and merchandising support. The brand wholesale grocery market is very fluid and dynamic. Simplifying assumptions about its operation obscure many critical forces which explain food system behavior and performance.

### Distributor Label Procurement Practices

In many respects private label buying is more difficult than that of brand label. Because distributors have to formulate design, and market their products, buyers need to be knowledgeable in many areas which do not usually concern brand product buyers. While some of the principles of private label buying are similar to brand procurement, distributor label procurement SOPs are more extensive and often more specific. The procurement study contains a very complete description of the operation of the private label-distributor label procurement system. Interviews concentrated on processed fruit and vegetable products. Therefore the procurement SOPs documented are applicable only to commodity products. Specific differences in SOPs for manufactured distributor label items were noted in a separate part of the chapter.

### Private Label Buyers

Private label buying personnel differ from brand label buyers because of the technical expertise needed to develop specific products. An understanding of label design and management, transportation institutions, quality control, and perhaps most importantly the everyday market conditions for their specific commodities is needed. While a brand buyer can

substitute one brand for another to ensure that consumers have a choice, private label buyers cannot. They must be able to supply their products on a continual basis at prices which achieve the firms overall marketing strategy.

There are fewer private label buyers because many retail organizations buy private label through buying organizations. These buyers are centrally located and usually do not have merchandising authority. Thus, even though they are well informed about product supply conditions, they usually do not have direct access to retailer merchandising power.

### Theory of Distributor Labels

Private label programs are developed because they give retailers and/or distributors one or more of the following:

A product with sufficient differentiation so that it cannot be exactly matched by competitors.

A higher retailer margin than normally exists for comparable brand items.

Categories of products which give consumers a value choice across quality and price characteristics.

Exclusive control over the pricing, advertising, and merchandising of a group of items.

The concept of most private label programs is that their products should be of equal or better quality, have lower consumer prices and higher retailer margins than their brand product counterparts. Private labels are copies of brand products and therefore have no value for consumer awareness without a brand comparison. When a private label is the only label in a category, it ceases being a private label and becomes a differentiated brand.

New private label items are added when a product has sufficient volume and market stability so that a distributor label could be added which adheres to the basic price-margin concept. Depending on the

category's volume, the private label can be added quickly. More often, however, distributors wait until some of the original brand competitors have lost market share and have excess production capacity available for hire.

When private label items are dropped, it is usually part of systematic product category reviews. Because private labels carry the distributor's name, there tends to be greater resistance to dropping private labels than to dropping brands.

#### Private Label Specification and Monitoring

The first step in private label procurement is defining the product and product characteristics. Product specifications are established. The SOP is to copy the product characteristics of the leading selling brand in the distributor's market area. If that product can be sold at a lower price and higher margin than the brand, this specification is adopted. If it cannot, the buyer and/or the private label organization must decide which product characteristics to change in order to meet the price margin conditions.

If product volume is sufficiently high, private label distributors will use multiple private labels. Second and sometimes third (now generic) labels are added to the category. These additional labels are usually designed to provide a price alternative to top quality brand and first label distributor labels. To achieve these lower price-higher margin constraints, additional product characteristics must be altered.

Since distributors specify product content and product flow through stores on a continual basis, private label buyers must develop procedures for monitoring private label product quality. Three types of quality monitoring programs were identified: distributor-run, distributor-supplier run, and supplier run. The key differences between the three

revolve around the extent of the distributor's commitment to capital and personnel investments and concern about product consistency. The best run quality control programs have very systematic sampling and monitoring procedures. A few private buyers after issuing product specifications leave all quality control to suppliers. Quality control is critical in the private label system because of the very competitive nature of product procurement. In order to meet their price-margin conditions, private label buyers are always maneuvering for the lowest prices. If suppliers are pushed to breakeven or below cost sales, they will naturally attempt to alter the real price of the product by not adhering to product specifications.

Commodity-based private label products not only have variable prices but also variable quality. Are retail private label buyers willing to adjust or modify their specifications to more closely match the availability of various product qualities? Publicly, specifications especially for first-label products are not variable. The transaction costs involved in changing specifications on an annual basis is high. However when the supply of quality product precludes rigid adherence to formal specifications, adjustments are made. The most common adjustment method is to alter second and third label specifications. Buyers will normally try to alter marketing plans (promoting more second label, for example) rather than substantially altering product specifications.

#### Private Label Booking System

Because of commodity price uncertainty, private label buyers have evolved institutional procedures to deal with variable prices. These SOPs are included in a booking system.

Basically the booking system is a set of verbal agreements between buyers and sellers, where the buyer maintains the option to take delivery

of the product only if he finds the price quoted at the time meeting his expectations. There is no formal commitment of the buyer to a forward price or a set quantity. Suppliers are expected to have the booked quantity available if the buyer decides to take it.

Buyers book the product in early spring, usually after annual crop planing decisions are made and are usually in the form of thousands of cases to be shipped in the next market year. Buyers and sellers usually monitor bookings on a quarterly basis. Buyers book the same product from many suppliers and are thus able to "pull" bookings from those which they feel are on the market price.

The booking system is very effective in protecting the buyers from market price changes. They are able to have the product on order without incurring inventory losses or gains during the marketing year. With ample supplies, buyers are also assured of getting the lowest price. The system shifts most risk to suppliers. However, in short crop years the booking system could work against buyers.

When supplies are short and buyers must maintain product flow to the stores, bargaining power shifts towards private label suppliers who have developed a complicated prorating system to allocate short supplies among the various buyers. The prorating system in theory treats every buyer equally, while in practice allowing suppliers to reward certain buyers.

The booking system also could distort demand signals in commodity subsectors if buyers were to consistently overbook. A buyer could overbook with the intention of having suppliers produce more product than the buyer really intends to buy. This kind of strategic overbooking

increases the magnitude of commodity quantity-price cycles and may result in short-run exploitation of small private label suppliers.

Evidence from this study indicated that strategic overbooking is not a serious problem. Because of the small number of suppliers, overbooking buyers lose credibility. Suppliers are able to discount this type of overbooking. However, some natural overbooking does occur caused by the fact that much demand information useful to the system is still impacted in the retail sector.

#### Distributor Label Wholesale Pricing Practices

Aside from the basic payment terms, private label wholesale pricing has little in common with that of brand grocery. A key difference is that private label suppliers do not use promotional pricing with its associated performance criteria, rather private label prices are straight price quotes. Quotes are usually recent list prices or prices discounted from list prices.

Private label pricing is also F.O.B.-based pricing. Buyers must therefore be concerned about the costs of getting the product from plant docks to retail distribution centers.

Since there are no promotion prices, there is little formal price protection in the wholesale private label market. Rarely do private label suppliers grant stock protection clauses and formal buy-in procedures as do their brand counterparts. However, private label buyers with their superior intelligence networks are usually able to anticipate significant market price changes. On a rising market, they can buy-in. In a falling market they can refuse to pull their bookings until the price has stabilized. The operation of the booking system serves as an informal price protection system. The flexibility granted by the booking system probably accentuates wholesale market price movements.

Buyers make rising markets stronger and weak markets weaker. Should individual buyers get caught with the product on a rapidly falling market, they can often use their superior bargaining position to get suppliers to lower prices to market levels.

Because a brand grocery item is common to all buyers, the Robinson-Patman Act is supposed to ensure all buyers that they are receiving the same prices but it does not apply as directly to private label products. In theory, each retail buyer could have different specifications and therefore different products. Regulators would have to prove price differences were not justified by quality-determined cost differences. Since regular cost justified Robinson-Patman cases are very complicated and difficult to litigate, price difference case justified by cost of quality would be nearly impossible. The lack of assured procurement price comparability by the Robinson-Patman Act is one reason private label buyers are very skilled.

Wholesale private label fruit and vegetable pricing follows distinct patterns during the marketing year. After-pack opening sales (late summer); fall canned goods sales; after Christmas holiday sales; and National Food Processors Association Convention sales (February) are the four major pricing periods in the private label market year. After each of these pricing points, price negotiations usually involve small adjustments around routine shipping patterns. Although these markets are fairly competitive, market pricing activity is not volatile everyday during the marketing year.

#### Private Label Transportation Issues

Transportation costs can make up a significant portion of private label product costs which is especially true for products grown on the West Coast and shipped East. Private label buyers almost never accept



less than truckload or carload (LTL) shipments as they cost substantially more than full car or truckload shipments. This practice discriminates against smaller suppliers who supply slow moving products. They need to have additional fast-moving products to fill out loads or they have to participate in storage-in-transit programs.

Storage-in-transit programs are mechanisms to merge the needs of inventory management with transportation rates. Products are shipped in full load lots at a through rate between two cities even though the product stops and is reloaded at an intermediate point. At the intermediate point the product can be unloaded and reloaded in smaller quantities with other slower moving items. Therefore the distribution center only receives the minimum quantities it needs. Retailers are billed for the transportation and average warehouse costs. If the suppliers products (now cased and labeled) are moved out of storage quickly, they do not lose money; then if products stay in the storage-in-transit warehouses too long, they lose money. Since private label buyers control shipping from the warehouses, suppliers are at a strategic disadvantage. Larger private label suppliers, recognizing the savings from forward warehouses, have started to establish their own distribution networks.

#### Some Longer Term Issues Including Private Label Procurement

Historically there have been sufficient numbers of processed fruit and vegetable suppliers so that buyers have been able to choose from favored vendors. Buyers select suppliers on the three basic performance criteria of quality control, price, and service levels to the buyers. Since the distributor's reputation is closely related to its private label products, buyers need suppliers who can consistently deliver products which meet the buyer's specifications. Next suppliers must be able to supply those products at prices consistent with those obtained by

competitors. The service level is a catch-all phrase which indicates how well suppliers have taken care of the little everyday details involved in private label transactions.

The number of suppliers used by a buyer depends on the size and geographic distribution of the buyer's retail stores and the type of product being purchased. Large national distributors need geographically dispersed suppliers in order to minimize transportation costs when shipping to dispersed warehouses. For commodity items the booking system provides buyers with price and risk protection. In order for the booking system to work, the buyer needs several suppliers to play off against one another.

Buyers in the interviews indicated that they tended not to buy private label from manufacturers who also have a brand franchise for that product. For commodity items, dual-brand firms would be unreliable suppliers because they would service their brand accounts before their private label accounts. Private label buyers will, however, buy excess merchandise from manufacturers. Several manufacturers also indicated that they would prefer not to sell to private label buyers because retailers could use their brands' shelf space allocation to bargain for private label concessions. Because of these considerations in processed fruit and vegetable products, there is little use of dual brands.

Although more constrained than buyers, suppliers can also favor certain buyers. When possible, suppliers prefer to deal with effective but fair buyers. They prefer buyers who have sufficient organizational power to move and sell products quickly to consumers when the supplier needs to sell more of the product. They also would prefer that buyers be honest and that they approach business dealings in a professional manner.

Although the elements of a private label program are available to all firms, there are perceivable differences in the private label programs of various retailers. These differences trace back to the basic purpose or philosophy applied by high level management to their private label programs. The "Franchise Development" philosophy is characterized by 1) a long-term commitment to product consistency, 2) a corporate commitment to professional private label personnel, and 3) a goal of developing private labels into differentiated brands. The "Competitive Response" philosophy entails programs, as the name implies, put together to match or meet retailers' competitors private label programs. These programs usually have 1) a short-run lowest-price orientation, 2) little long-run planning for facilities or personnel, and 3) inconsistent supply and merchandising patterns. Firms with different philosophies will often have buyers with different buying behavior. These differences are important to understanding the dynamic operation of the processed fruit and vegetable markets.

There is very little retailer vertical integration into processed fruit and vegetable processing. The availability of competitive suppliers and the inherent risks in commodity processing seem to have prevented integration. Where extensive vertical integration has taken place, commodity uncertainty has been controlled. During the private label interviews, three vertical integration traps were discovered. Detailed explanations of the 1) "Capacity Utilization" trap; 2) "Transfer Price" trap; and 3) "Preferential Treatment" trap were given in full procurement study.

#### Factors Resulting in Different Procurement SOPs

During the course of studying private label fruit and vegetable procurement, several differences in SOPs used to buy manufactured versus

commodity based private label products were discovered. Some of the more important differences include:

- Few supplying firms on buyers' lists
- No formal booking system
- Supplier-developed specifications
- Formal policies for supplier terminations
- Less volatile pricing

This is an area touched on by this procurement research which needs further investigation. Of particular importance is the identification of the suppliers of manufactured private label products.

Different procurement SOPs are used to buy frozen private label vegetables. Frozen vegetables have a much higher private label market share than do canned products. Therefore private label pricing dominates the wholesale grocery pricing of these products. Frozen products also have higher average quality specifications because shelf space is not available to stock lower grades and consumers of frozen products seem to be more quality conscious.

Another key distinction is that unlike canned products, frozen products have very significant institutional and industrial sales. Those markets seem to have different procurement patterns and thus seem to dominate (at least for some products) the retail market pricing. Because many frozen vegetables can be individually quick frozen, they do not have to go into final consumer packages until the time of sale. This flexibility gives suppliers more market bargaining power. Finally, frozen vegetables cannot be easily merchandised and promoted in as many different stores as are canned goods.

These differences suggest that frozen fruit and vegetable products undergo significantly different vertical coordination processes. Before these can be explained, further research is needed into the procurement practices of institutional and food manufacturer buyers.

Because of the recent notoriety, a section on generic or "no brand" products was included. Historically generic fruit and vegetable products have always been sold in grocery stores since some second labels, most third label, and many packer brands were the same types of products. Never have these products received as much promotional effort as they have gotten through retailers' attempts to differentiate their "no brands." As a result, such efforts may affect consumer preferences for price-quality trade-offs in many products. High inflation and falling real incomes can only enhance these preference changes.

Food Retailer Merchandising and Brand Product  
Marketing Standard Operating Procedures

Suppliers indicated during the interviews the necessity to understand retailer merchandising and brand manufacturer marketing practices in order to understand how retailer behavior affects food system coordination and structural evolution. The final interviews concentrated

on merchandising and marketing behavior which was augmented by trade literature data.

A theoretical presentation depicting individual consumer demand for individual food items was a prelude to explaining merchandising and marketing SOPs. Consumers do not respond to many price changes on individual grocery products. Small price changes at retail may not be perceived. Even after the consumer recognizes a price change, purchasing behavior may not be altered because the search cost to find a new product may exceed the savings from the price change. Retailers' merchandising actions have the role of eliminating perception thresholds and reducing reaction thresholds. In theory, retailer merchandising shifts the market demand curve either up or down and facilitates increased or decreased product movement thereby increasing cyclical price movement amplitude.

Trade interviews indicated these are precisely the effects of merchandising SOPs. Suppliers consistently indicated that their wholesale price changes did not bring sufficient consumer demand adjustment without retailer merchandising actions. The critical constraint faced by suppliers, especially private label and small brand suppliers, was getting merchandising actions by retailers.

Two general merchandising rules were identified. First, retailers prefer to put heavily used or fast moving products on special. These products have the greatest consumer drawing power and are therefore more effective for the retailers in increasing store traffic. Second, merchandisers prefer to promote (at least in advertisements) brand products. Brand products project a more known value market-wide and enable consumers to compare. Promoting private label only projects value to the firm's

existing customers. Slow-moving private label items are thus particularly disadvantaged when attempting to gain access to retailer merchandising power.

Shelf location of a product and the number of facings it is given are some of the key merchandising decisions affecting it. Facings and location are determined by product movement. Products without promotion, if their movement slows, may get moved to poor locations and/or have fewer facings. When that happens volume can drop further. Without some marketing push, products can enter self-destructing cycles until they are dropped from the shelf entirely.

Adding display signs to a product's shelf increases movement. However, the most significant merchandising SOPs is moving the product to special end-aisle displays. The addition of special point of purchase signs and advertising can increase sales even further. These increased sales are the main reason manufactureres uaually include these types of activities as part of deal performance criteria.

Food manufacturers generally plan and execute strategies to increase and/or maintain their product's market share position over competitors' products. In order to achieve sales goals, they have to gain access to the sales power of retailer-controlled merchandising. They do this by elaborate price and promotion activity. By giving price concessions to retailers in return for display and newspaper advertising space, manufacturers can increase the product's movement. This combined with consumer-directed advertising and coupons assures retailer compliance.

The very largest, multiple product brand manufacturers will have elaborate marketing plans subdivided by market regions. The whole

process becomes a game whereby trade and consumer promotion are used to get retailer behavioral responses which will enable that firm to better its competitors. Major firms have developed elaborate promotion matrices which are based on implicit product merchandising, advertising, and price promotion elasticities. From these matrices firms make decisions on how best to allocate their marketing and advertising dollars. If a product is unfortunate enough not to have favored status, it will languish for lack of manufacturer market support.

Executing these complex strategies is difficult. Trade and consumer promotions must be precisely timed and coordinated. To implement marketing programs, manufacturers have developed extensive field forces composed of brokers and/or manufacturer representatives who do the many little tasks necessary for effective marketing. In the process they transfer labor and information to retailers. The result is that those manufacturers with effective field forces gain differential access and treatment from merchandisers. Professional, well-coordinated field representation is a necessary condition for success in grocery selling.

The marketing management tasks of manufacturers increase dramatically when products are commodity based. Variable supplies will force them to expand valuable marketing resources to help balance demand with supply conditions. With manufactured products, all marketing resources can be used for playing the marketing strategies best suited for the brand firm. Consequently, manufactured products have a higher rate of return. This is the basic reason why major fruit and vegetable manufacturers seem to be shifting away from commodity based items which is accomplished either by developing only high-processed new products or



by disintegrating the firm's marketing and processing functions. Some major firms are doing both.

This trend clearly needs further research. The extent to which disintegration has occurred requires documentation and needs to be explained to both producer and consumer groups. Questions are raised as to where these marketing firms will obtain processed products and what implication this procurement pattern will have on private label processing structure. This future research could also be expanded to investigate this trend in other commodity subsectors.

Given the importance of merchandising decisions to product flows through the system, it is clear why understanding the internal functional structure of food distributors is critical to understanding vertical coordination practices. When merchandising and buying are separated by person and/or organization, coordinating procurement and merchandising becomes more difficult. Brand manufacturers' field representatives bridge that coordination gap. Private label suppliers have no such ability; they can only try to curry favor from those private label buyers who can influence retail merchandisers.

The coordinating role ascribed to merchandising is based on trade interviews and data which indicate how powerful merchandising SOPs are. Better and more complete data and evidence are needed. A high priority research project would be to use data coming from the UPS scanning systems to test, document, and publish the sales impact of various merchandising techniques. Only this kind of evidence can substantiate or dismiss many of the arguments made by this study of procurement practices.

Coordination and Structural Impacts and Policy Implications  
of Food Distributor Procurement Practices

To this point the behavior of several food system participants were analyzed separately including food consumers, retail merchandisers, brand grocery buyers, private label grocery buyers, brand grocery manufacturers, and private label sellers. Understanding the coordination and structural implications of their composite behavior requires that their individual behaviors be linked with dynamic evolutionary analysis. The conceptual framework developed in this research was used to follow the flow of control and information through the food system. Both single-year and multiple-year scenarios were used to isolate the likely structural impacts of the current array of procurement and merchandising SOPs. Because this was a complex undertaking, some of the policy implications associated with various aspects of participants behavior were discussed concurrently with the analysis.

Food retailers control much of the food merchandising, procurement and distribution functions. The latter function (transportation, warehousing) is the only one in which they maintain almost complete control. They abdicate a great deal of control of merchandising and some control of procurement to large food manufacturers. Manufacturer deals and promotions compensate the retail sector for this transfer. Food distributors abdicate this power only to the largest food manufacturers who have the financial resources to advertise and affect consumers directly. Smaller brand manufacturers without advertising and extensive field representation and private label suppliers are not able to manage merchandising and procurement decisions to the benefit of their products.

Retail distributors also largely control the flow of demand information to the rest of the food system. The advent of the UPC scanning technology will dramatically increase the amount of quality of demand information. Distributors, however, have no incentive to transmit demand observations. Brand manufacturers are able to obtain impacted demand information by purchasing it from private information services. No comparable service exists for private label suppliers. Most of the demand information obtained by fruit and vegetable processors is through the booking system.

The flows of control and information are important aspects of vertical coordination. Food distributors are in a pivotal position to affect coordination. However their responses to the incentives they face alter coordination flows to the rest of the system. Most importantly, their merchandisers have incentives not to alter their behavior to help match demand with supply contingencies; and their buyers have incentives not to release demand information and perhaps to transmit faulty demand information.

Given this vertical coordination behavioral pattern, certain products and firms are affected differently. If consumers face nearly totally inelastic demand schedules for individual products, appropriate merchandising actions must be taken by food retailers. These are the conditions under which supermarket products must operate, including commodity-based processed fruit and vegetable items.

Assuming that there are only five active food system participants (national brand sellers, above average and average private label suppliers, above average and average private label buyers) and that brand and private label retail pricing are directly linked, scenarios depicting

what happens to major canned fruit and vegetable products under various one year supply conditions were constructed. These results were then expanded over several year periods to hypothesize about the likely impact of current coordination practices on various commodities and firms. Some of the more significant conclusions include the following.

Brand and private label pricing are linked at retail. Therefore historically brand manufacturers' marketing strategies designed to balance their internal supply situations have had the effect of helping the private label sector balance its inventories. However when the brand manufacturers use spot sales and purchases to balance inventories, or if they disintegrate from processing, their coordinating marketing behavior is lost to commodity subsectors. The entire burden then falls on the private label sector.

Without access to merchandising power, private label suppliers must bid against one another through lower prices for retail buyers' attention. Typically insufficient merchandising action is forthcoming. In long crop years, inventory of processed product backs up with private label suppliers having to bear the costs. In short years, supplies are depleted too quickly and retail prices are higher than economically necessary.

Over time, the consequences can become worse. If prices are forced below those justified with coordinated merchandising behavior, producers of both annual and perennial crops will disinvest. The total disinvestment may be greater than that justified by longer run cost and demand conditions. Conversely, if prices are run extremely high for several years, consumers will shift to alternative products and market will shrink. Producers might increase investment dramatically. In several years, excess supplies will arise and the cycle can start again.

These commodity cycles when combined with retailer merchandising and procurement SOPs can seriously threaten the survival of products in grocery distribution. Major fruit and vegetable items, if their prices are ratcheted up over time, can lose major item status. When this happens concurrently with brand manufacturer disintegration, the consequences can be serious. Some of the more minor commodity items, once caught in the deficit merchandising cycle, are actually in danger of losing their shelf space altogether.

Contemporary procurement practices can clearly produce poor economic performance. Products which could be produced at prices consumers are willing to pay are not available. Producers have responded rationally to economic incentives and over time the products have fallen from consumers' conscious preference patterns. The result is often painful resource relocation such as between commodities and geographic producing regions which would have been avoided under different coordination conditions.

Inflexible merchandising leads to variable incomes for growers which is proportionately more significant for perennial fruit crops and annual vegetable crops which require specialized investment. Grower bargaining, marketing orders, and the move toward grower-owned processing cooperatives are institutional responses to current coordination consequences which may improve vertical coordination performance.

The composite effects of current coordination practices is to lower the longer term rate of return to processing fruit and vegetable products. The structural directions are clear. Brand manufacturers are shifting away from these relatively less processed food products and toward more highly processed manufactured foods. The brand firms continuing to sell

commodity-based products will most likely purchase these products from existing private label processors. Private label proprietary processors are also recognizing the longer term market prospects. They are either exiting the industry or selling their equipment to processing cooperatives. Only cooperatives appear to be willing and able to accept current rates of return.

The dynamic conversion to cooperative fruit and vegetable processing seems more certain in the future. Clearly the long-run economic returns in an all cooperative industry will have to adequately compensate the resources invested. However the basic shifting of risk and assignment problems have not been solved. Addressing these problems requires 1) some sort of supply planning institution(s) which is long-run oriented and 2) methods for effectively generating transfer prices between growers and their processing facilities. Research on both of these problems is needed.

The dynamic evolution of the commodity subsectors suggests that marketing orders and grower bargaining be evaluated in a broader context than their impacts on short-run pricing issues. Both institutions have some use in dampening commodity supply variations which seem to be the driving force in subsector evolutionary change. Proposed exclusive agency bargaining and markets for forward deliverable contracts would go even further in altering the evolutionary structure. Producer-sponsored generic advertising programs could, if properly implemented, help influence retailer merchandising decisions.

It must be remembered that all of the above are partial analyses and only deal with coordination in the retail market system. To have a complete understanding requires similar research efforts of food markets

in 1) institutional procurement SOPs and 2) industrial procurement SOPs. Both these segments make critical menu/product line decisions which dramatically affect demand for some food products. How these firms respond to commodity uncertainty is also important. They could either not affect, dampen, or accentuate the coordination consequences of retailer SOPs. When all of these components are understood, perhaps systems modeling tools could be applied in an attempt to quantify some of the relationships postulated in this research.

Food distributor procurement practices directly affect brand manufacturing industry structure. This occurs primarily because of the differential effects procurement SOPs have on different types of manufacturers. When manufacturers are classified as 1) first tier firms which have access to significant amounts of direct consumer advertising and 2) second tier manufacturers which attempt to get distributors to help market their products; these different impacts are clear. First tier manufacturers can, through specialized knowledge and adequate financial resources, effectively manipulate the retailer procurement process so as to give their products guaranteed retail distribution. Buyers' SOPs push second tier firms' marketing monies toward distributors and away from consumer advertising. Second tier manufacturers are precluded from becoming first tier firms because they are financially foreclosed from gaining effective consumer advertising exposure. Over time second tier firms either merge with first tier companies, revert to private label processing, or go out of business. So significant are the differences between first and second tier firms that most buyers interviewed indicated that they saw few, if any, new entrants into national distribution of brand grocery products.

This analysis seems to suggest that successful entry into brand grocery manufacturing is essentially blockaded. The critical variable in brand food distribution seems to be market share commanded by a product. Brand marketing expertise (consumer advertising and field representation management) is readily transferable over most grocery products. The only potential entrants to national grocery distribution are independent firms with high regional market shares in specific grocery categories. Existing merger policy designed for horizontal and vertical mergers is inadequate to prevent conglomerate acquisition of these most likely entrants into successful brand marketing. If the public is concerned about continued competition in food manufacturing, legislation limiting leading firm acquisitions of high market share regional firms is critical.

Because of transportation and inventory cost trade-offs, private label buyers prefer multiple product firms. These, of course, tend to be the largest private label suppliers. Small firms must either process price-competitive major items or be willing to go into storage-in-transit programs. Both of these options are disadvantageous over the longer run.

Procurement SOPs interface with policy issues also. One basic policy error is to assume that all firms in a processing industry are homogeneous. First and second tier manufacturers demonstrate that fallacy. Policy makers must also recognize the dichotomous nature of grocery distribution. Not recognizing the difference between private label and brand grocery products leads to policy recommendations which can be very harmful to the private label sector. Source and nutrition labeling proposals are two such proposals. Failure by policy makers to



recognize differences between brand and private label producers' ability to adapt to and economically incorporate policy proposals could lead to the elimination of the effectiveness of the private label product system.

Large brand manufacturers and food distributors enjoy a countervailing power relationship. Public policy which significantly influences either segments' sources of power will conversely influence the bargaining power of the other segment. Banning television advertising, for example, would greatly enhance the power of large food distributors at the expense of brand manufacturers. Public policy in vertical systems requires a recognition that net changes in system performance is what is critical.

This recognition needs also to be carried over into food system policy research. Traditional industrial organization research often based on homogeneity and nondichotomous assumptions can lead to incomplete and misleading conclusions unless vertical behavioral relationships are addressed.

By the qualitative nature of this procurement research, many relationships between behavioral variables and structural and performance conditions were inferred. Empirical verification was not possible because, for the most part, necessary data only exist in private institutions and therefore were not readily available to the researcher. Attempting to empirically examine some of the most basic dynamic implications of procurement merchandising practices is clearly a high priority research endeavor.

Communicating these behavioral relationships is also an important task. This research would seem to be fertile ground for food distribution system simulation modelers. Incorporating the retail-manufacturer

pricing process into current food pricing and margin calculations should increase both their explanatory and predictive abilities. In addition, it is vital that these behavioral relationships get incorporated into the plethora of policy proposals to regulate the output (food labeling issues, food safety issues, etc.) of the food system.

### Epilogue

If there is one factor that became clear as a result of this procurement research, it is that the modern food system will not equitably incorporate the needs of the uncertainty-filled agricultural commodity subsectors. One could reasonably expect the food system to respond to agricultural commodities when their relative share of the food dollar was large. However, as the marketing system has grown to the point where it totally dominates the proportion of the consumers' dollars spent on food, one cannot reasonably expect the system to adjust to the needs of commodity growers and the economic conditions of farm commodities. Rather, the powerful food manufacturers and grocery distributors will select away from commodity-based food products.

From a policy perspective, it might be reasonable to require the food system to adjust to commodity subsectors where the raw product value of the food item is fairly high. Thus, institutional innovations which require retailers, distributors, and processors to respond to price-quantity cycles in beef, fresh vegetables, etc., would be appropriate policy. However, in processed fruit and vegetable products, the raw product's share of the product's value will decline even further. Thus, requiring 80 percent of the food system to adjust to accommodate the remaining 20 percent might well produce more system costs than

benefits. In conclusion, it would seem then that the salvation of many commodity-based agricultural subsectors includes policies and institutions which stabilize raw product supplies and develop products which fulfill the exacting requirements of modern food marketers. Attempts to force, via public policy, the bulk of the food system to adjust to commodity subsector needs will probably just accelerate the system's flight from commodities.

## APPENDIX

This Appendix is the Table of Contents of the unpublished dissertation titled "Food Distributor Procurement Practices: Their Implications for Food System Structure and Coordination." Readers interested in only selected aspects of this study can refer to the Table of Contents to judge the extent and comprehensiveness with which particular topics are covered. Readers with additional questions about the research are encouraged to contact the author.

## TABLE OF CONTENTS

	<u>Page</u>
LIST OF TABLES . . . . .	xvi
LIST OF FIGURES . . . . .	xvii
LIST OF EXHIBITS . . . . .	xix
LIST OF APPENDIX TABLES AND EXHIBITS . . . . .	xxi
CHAPTER 1--INTRODUCTION . . . . .	1
1.1 A Not-So-Modern Problem . . . . .	1
1.2 Some Research Postulates . . . . .	3
1.3 Research Methodology . . . . .	4
1.4 Food Retail Procurement Research in Perspective . . . . .	5
1.4.1 Research into the Structure of Food Retailing . . . . .	5
1.4.2 Research on the Theory and Practices of Food Retail Pricing and Operations . . . . .	7
1.4.3 Research Into the Vertical Coordination of the Food System . . . . .	9
1.5 The Need for a Procurement Practices Study . . . . .	12
1.6 The Organization of This Study . . . . .	13
CHAPTER 2--A FRAMEWORK FOR THE ANALYSIS OF VERTICAL COORDINATION IN THE FOOD SYSTEM . . . . .	18
2.1 Vertical Systems--Conceptual Approaches . . . . .	18
2.2 Firms' Decision Making . . . . .	26
2.2.1 A Theory of Firms' Behavior . . . . .	27
2.2.2 Some General Concepts . . . . .	28
2.2.3 Standard Operating Procedures . . . . .	30
2.2.4 Relational Concepts . . . . .	34
2.2.5 Toward an Evolutionary Theory . . . . .	36
2.2.6 Application to This Research . . . . .	38
2.3 Vertical Coordination as a Process . . . . .	39
2.3.1 Information and Vertical Coordination . . . . .	39
2.3.2 Control and Vertical Coordination . . . . .	43
2.3.3 The Interface of Procurement SOPs and Vertical Coordination . . . . .	48
CHAPTER 3--FOOD SYSTEM ORGANIZATION: IMPLICATIONS FOR DESIGNING AND IMPLEMENTING A STUDY OF DISTRIBUTOR PROCUREMENT PRACTICES . . . . .	52
3.1 Introduction . . . . .	52

	<u>Page</u>
3.2 An Overview of Food System Organization . . . . .	53
3.3 Food Distributor Organizations . . . . .	57
3.3.1 Some Possible Factors Affecting SOPs . . . . .	57
3.3.2 The Internal Organization of Food Retailers . . . . .	57
A. Retailing Goals . . . . .	57
B. Functional Organization of Food Retailing . . . . .	58
3.3.3 Ownership and Control Patterns in Food Retailing . . . . .	61
3.3.4 Food Distributor Brand Organizations . . . . .	64
A. Types of Private Label Organizations . . . . .	65
B. Brand Terminology . . . . .	70
3.3.5 Factors for the Interview Sample . . . . .	71
3.4 Processed Fruit and Vegetable Subsectors . . . . .	72
3.4.1 Further Limits to the Study . . . . .	72
3.4.2 Processed Fruit and Vegetables in the Grocery Store . . . . .	73
3.4.3 The Relative Importance of Various Fruit and Vegetable Items . . . . .	76
3.4.4 Geographic Distribution of Fruit and Vegetable Production . . . . .	81
3.4.5 Organizational and Brand Distribution Factors . . . . .	85
A. Brokers . . . . .	85
B. Brand Distribution . . . . .	86
3.4.6 Summary of Factors for Supplier Interview Sample . . . . .	89
3.5 Interview Methodology and Sample Design . . . . .	89
3.5.1 The Mirror Image Technique . . . . .	90
3.5.2 The Interview Selection Process . . . . .	91
3.5.3 Interview Questionnaire Development . . . . .	93
3.5.4 The Interview Matrix . . . . .	95
3.5.5 Summary . . . . .	97
CHAPTER 4--BRAND GROCERY PRODUCT PROCUREMENT PRACTICES . . . . .	103
4.1 Introduction . . . . .	103
4.2 Brand Grocery Buyers and Buying Systems . . . . .	103

	<u>Page</u>
4.2.1 Buyer and Buyer-Merchandiser Procurement Systems . . . . .	103
4.2.2 Buying Committee Systems . . . . .	112
4.2.3 Grocery Buyer Job Performance Criteria . . . . .	115
4.3 New Product Procurement Practices . . . . .	122
4.3.1 The Definition and Importance of New Grocery Products . . . . .	122
4.3.2 Pre-Introduction Activities for New Brand Items . . . . .	127
4.3.3 An Example of a New Product Introduction Program . . . . .	129
A. Consumer-Directed Promotion Activity . . . . .	132
B. Trade-Directed Promotion Activity . . . . .	134
4.3.4 Standard Provisions of New Product Introduction Trade Programs . . . . .	135
4.3.5 Selection Criteria Buyers Use to Choose New Items for Distribution . . . . .	139
A. Advertising Support . . . . .	141
B. Test Market Results . . . . .	142
C. Packaging Considerations . . . . .	142
D. Manufacturer's Reputation . . . . .	143
E. Product Originality . . . . .	144
F. Trade-offs Among Criteria . . . . .	146
4.3.6 A Comparison of the New Product Buying Practices of Retail Chains and Wholesale Distributors . . . . .	149
4.3.7 New Product Procurement in Perspective . . . . .	151
4.4 Procedures for Buying Existing Items . . . . .	155
4.4.1 Major Aspects of Buying Established Items . . . . .	155
4.4.2 Store Ordering Systems . . . . .	157
4.4.3 Warehouse Inventory Control-Buying Systems . . . . .	160
A. Quantity Monitoring Systems . . . . .	160
B. Price Monitoring Systems . . . . .	165
C. Cyclical Bias . . . . .	167
D. System-Induced Inertia . . . . .	168
4.4.4 Standard Provisions for Bargaining and Pricing of Established Grocery Products . . . . .	170

	<u>Page</u>
A. Types of Manufacturer Promotions . . . . .	171
B. The Role of Coupons . . . . .	173
C. Trade-Oriented Components of Promotions . .	178
D. Performance Requirements . . . . .	182
E. Factors Involved in Choosing Among Various Deals . . . . .	185
F. Implications for Wholesale Grocery Pricing . . . . .	194
4.4.5 Some Miscellaneous Practices Used in Existing Brand Product Procurement . . . . .	200
A. Trade Incentive Programs . . . . .	200
B. Financial Terms . . . . .	201
C. Transportation Considerations . . . . .	202
4.4.6 Implications of Grocery Distributor Organi- zational Form on Existing Item Procurement . . . . .	205
4.4.7 Procurement Practices for Existing Items in Perspective . . . . .	207
4.5 The Product Discontinuation Process . . . . .	208
4.5.1 Simultaneous Product Discontinuing Practices . .	208
4.5.2 Competition-Induced Discontinuing Practices . .	212
4.5.3 Systematic Product Category Reviews . . . . .	213
4.5.4 Some Exceptions to Standard Product Dis- continuing Rules . . . . .	217
4.6 Brand Product Procurement Practices in Perspective . .	219
CHAPTER 5--DISTRIBUTOR LABEL PROCUREMENT PRACTICES . . . . .	230
5.1 What Makes Distributor Label Products Different . . . .	230
5.2 The Private Label Buyers . . . . .	231
5.3 The Theory of Private Label Merchandising . . . . .	236
5.3.1 Why Food Retailers Stock Private Label Products . . . . .	236
5.3.2 The Golden Rule of Private Label Food Merchandising . . . . .	239
5.3.3 Adding New Private Label Items to Distribution . . . . .	241
5.3.4 Discontinuing Private Label Items . . . . .	243
5.4 Private Label Product Specification and Label Design . . . . .	244



	<u>Page</u>
5.4.1 SOPs for Establishing Product Specifications . . . . .	244
5.4.2 Use of Multiple Private Labels . . . . .	250
5.4.3 The Design and Management of Labels and Packaging . . . . .	253
5.5 Procedures for Monitoring Private Label Product Quality . . . . .	256
5.5.1 Distributor-Run Quality Control Programs . . . . .	257
5.5.2 Distributor-Supplier Run Quality Control Programs . . . . .	259
5.5.3 Supplier-Run Quality Control Programs . . . . .	261
5.6 How Private Label Procurement Adjusts to Quality Variation . . . . .	263
5.7 The Private Label Booking System: Procedures Used to Obtain Private Label Merchandise . . . . .	268
5.7.1 Economic Factors Responsible for the Evolution of a Booking System . . . . .	268
5.7.2 The Definition and Organization of a Booking System . . . . .	270
5.7.3 An Example of the Operation of a Booking Procedure . . . . .	275
5.7.4 Booking System Operation Under Variable Supply Conditions . . . . .	279
5.7.5 Overbooking and Its Implications . . . . .	283
5.7.6 The Booking System in Perspective . . . . .	288
5.8 Private Label Wholesale Pricing Practices . . . . .	289
5.8.1 The Availability and Form of Price Information . . . . .	289
5.8.2 Private Label Pricing Practices Compared with Brand Pricing Procedures . . . . .	291
A. Some Similarities . . . . .	291
B. Lack of Promotion Pricing . . . . .	292
C. F.O.B. Pricing . . . . .	294
D. Formal vs. Informal Price Protection . . . . .	294
E. Robinson-Patman Act Considerations . . . . .	298
5.8.3 Pricing Behavior During the Marketing Year . . . . .	301
5.8.4 Some Specialized Buying Procedures . . . . .	308

	<u>Page</u>
5.9 Transportation and Its Impact on Private Label Procurement . . . . .	310
5.9.1 Relationships between Private Label Wholesale Prices and Transportation . . . . .	310
5.9.2 Storage-in-Transit Programs . . . . .	314
5.9.3 Strategic Use of Storage-in-Transit Programs . . . . .	317
5.9.4 Processor-Owned Distribution Systems . . . . .	319
5.10 The Pattern and Logic for the Account Selections of Buyers and Sellers . . . . .	321
5.10.1 Criteria Used by Buyers to Select Suppliers . . . . .	321
5.10.2 Dual-Branding and Cooperatives: Organizational Form and Supplier Selection . . . . .	327
5.10.3 Determinants of the Number of Suppliers Used by Buyers . . . . .	329
5.10.4 Criteria Used by Suppliers to Select Buyers . . . . .	333
5.11 Private Label Philosophies . . . . .	336
5.11.1 Franchise Development Philosophy . . . . .	337
5.11.2 Competitive Response Philosophy . . . . .	339
5.11.3 Retailer Organizational Form and Private Label Philosophy . . . . .	343
5.11.4 Private Label Program Brokers . . . . .	344
5.12 Food Retailer Vertical Integration into Food Manufacturing . . . . .	346
5.12.1 Some Factors Retailers Consider before Vertically Integrating . . . . .	346
5.12.2 Vertical Integration Traps . . . . .	350
5.13 Procurement of Private Label Manufactured Products: Some Observations . . . . .	354
5.14 Procurement of Frozen Private Label Products . . . . .	359
5.14.1 Various Types of Frozen Private Label Product Procurement Organizations . . . . .	360
5.14.2 Some Marketing Differences between Frozen and Canned Private Label Products . . . . .	361
5.14.3 Consequences of Quality Specifications for Frozen Products . . . . .	363
5.14.4 The Importance of the Institutional/Industrial Markets for Private Label Frozen Vegetables . . . . .	364

	<u>Page</u>
5.14.5 Packaging Characteristics of Frozen Vegetables . . . . .	366
5.14.6 Merchandising Private Label Frozen Vegetables . . . . .	367
5.14.7 A Summary of the Differences between Canned and Frozen Private Label Products . . . . .	370
5.15 Generic or "No Brand" Products . . . . .	371
5.15.1 The History of Generic Food Products . . . . .	372
5.15.2 The Theory and Reality of Generic Merchandising . . . . .	373
5.15.3 The Probable Future of Generic Foods . . . . .	378
5.16 Distributor Label Procurement in Perspective . . . . .	380
<b>CHAPTER 6--FOOD RETAILER MERCHANDISING AND BRAND PRODUCT MARKETING STANDARD OPERATING PROCEDURES . . . . .</b>	<b>389</b>
6.1 A Few Missing Links and Definitions . . . . .	389
6.2 Demand for Individual Food Items and the Role of Merchandising . . . . .	391
6.2.1 Theory of Consumer Demand for Individual Food Items . . . . .	392
6.2.2 The Role of Merchandising . . . . .	395
6.2.3 The Dynamic Implications of Merchandising . . . . .	403
6.3 Merchandising SOPs and Their Effectiveness . . . . .	406
6.3.1 The Need for Merchandising SOPs . . . . .	406
6.3.2 Some General Merchandising Rules . . . . .	408
6.3.3 Some Specific Merchandising SOPs . . . . .	411
6.3.4 Merchandising SOPs in Perspective . . . . .	421
6.4 Brand Manufacturers' Marketing and Coordination Strategies . . . . .	421
6.4.1 Introduction . . . . .	422
6.4.2 Brand Manufacturer Planning Processes . . . . .	423
6.4.3 Brand Marketing Logic . . . . .	427
6.4.4 Brand Sales Forces' Roles in Market Coordination . . . . .	431
6.4.5 General Strategies Used by Brands to Deal with Variable Quantities and Qualities of Raw Product . . . . .	435
6.4.6 Market Year Adjustments for Major Commodities . . . . .	438

	<u>Page</u>
6.4.7 Adjustment Procedures for Minor Fruit and Vegetable Products . . . . .	443
6.4.8 Trends in Brand Marketing . . . . .	446
6.5 Some Related Issues Which Affect Coordination Behavior . . . . .	448
6.5.1 Implications of Food Distributor Organi- zational Structures . . . . .	448
6.5.2 Brand-Private Label Conflict with Retail Organizations . . . . .	450
6.5.3 Empirical Evidence Concerning the Effective- ness of Retail Merchandising . . . . .	451
6.5.4 Supply Schedules for Individual Processed Fruit and Vegetable Products . . . . .	454
6.6 Merchandising in Perspective . . . . .	456
 CHAPTER 7--AN ANALYSIS OF THE COORDINATION AND STRUCTURAL IMPACTS AND POLICY IMPLICATIONS OF FOOD DISTRIBUTOR PROCUREMENT PRACTICES . . . . .	
	459
7.1 A Strategy for Analysis . . . . .	459
7.2 The Distribution of Information and Control in the Food System . . . . .	460
7.2.1 Integrating the Various Components of the Food Distribution System . . . . .	460
7.2.2 The Distribution and Flow of Control in the Food System . . . . .	461
A. Merchandising . . . . .	461
B. Procurement . . . . .	465
C. Distribution . . . . .	467
7.2.3 The Distribution and Flow of Information in the Food System . . . . .	468
A. Demand Information . . . . .	469
B. Supply Information . . . . .	474
7.3 The Dynamic Operation of the Processed Fruit and Vegetable Markets . . . . .	478
7.3.1 Some Definitions and Assumptions . . . . .	478
7.3.2 Market Behavior During a Normal Crop Year Scenario #1 . . . . .	481
7.3.3 Market Behavior During a Long Crop Year Scenario #2 . . . . .	486

	<u>Page</u>
7.3.4 Market Behavior During a Short Crop Year Scenario #3 . . . . .	490
7.3.5 Sensitivity Analysis of Assumptions Used to Construct Scenarios . . . . .	495
7.4 The Dynamic Coordination Consequences of Procure- ment Practices on Various Types of Processed Fruit and Vegetable Subsectors . . . . .	500
7.4.1 The Errosive Effects of Vertical Coordination Consequences . . . . .	500
7.4.2 Implications for Annual Processed Fruit and Vegetable Products . . . . .	500
7.4.3 Implications for Perennial Processed Fruit and Vegetable Products . . . . .	504
7.4.4 Implications for Minor Processed Fruit and Vegetable Products . . . . .	506
7.4.5 Words about Quantification and Causality . . . . .	509
7.5 Structural Implications of Vertical Coordination Practices . . . . .	511
7.5.1 Subtle Structural Change . . . . .	511
7.5.2 Brand Fruit and Vegetable Manufacturers . . . . .	511
7.5.3 Cooperative Fruit and Vegetable Processors . . . . .	515
7.5.4 Proprietary Private Label Fruit and Vegetable Processors . . . . .	517
7.5.5 Future Directions for Coordination Practices-- Induced Structural Change . . . . .	519
7.6 The Role of Present and Potential Public Market Institutions in Affecting Food System Evolution . . . . .	520
7.6.1 A Recurring System Response . . . . .	520
7.6.2 Marketing Orders . . . . .	521
7.6.3 Exclusive Agency Bargaining . . . . .	522
7.6.4 Markets for Forward Deliverable Contingency Contracts . . . . .	523
7.6.5 Producer-Sponsored Commodity Promotions . . . . .	525
7.6.6 Supply Control Through Weather Modification . . . . .	527
7.7 Procurement Practices Effects on Private Label Processing Industry Structure and Policy . . . . .	528
7.7.1 Buyer Bias Toward Multiple Product Firms . . . . .	528
7.7.2 Buyer Response to Source and Nutritional Labeling Proposals . . . . .	530

	<u>Page</u>
7.7.3 Some Policy Implications of Not Recognizing Heterogeneity in the Food System . . . . .	532
A. Grower Bargaining . . . . .	532
B. Cooperative versus Proprietary Processors . . . . .	532
C. Survival of the Private Label Concept . . . . .	534
7.8 Procurement Practices Effects on the Structure of Brand Food Manufacturers . . . . .	534
7.8.1 The Cumulative Impact of Procurement Practices . . . . .	534
7.8.2 Structural Implications of Merchandising SOPs . . . . .	535
7.8.3 Structural Implications of Procurement SOPs . . . . .	537
A. Discontinuing Product SOPs . . . . .	537
B. Existing Product Procurement SOPs . . . . .	538
C. New Product Procurement SOPs . . . . .	540
7.8.4 Dynamic Implications of Brand Manufacturer Response to Retail Buying Pressure . . . . .	542
7.8.5 The Probable Structure of Food Manufacturing in the Future . . . . .	549
7.9 The Effects of Procurement Practices on the Organization of the Food Retailing Sector . . . . .	550
7.9.1 Brand Product Procurement Practices . . . . .	550
7.9.2 Private Label Procurement Practices . . . . .	553
7.10 Some General Observations Important for Policy Issues and Debates . . . . .	554
7.10.1 The Importance of Vertical Relationships . . . . .	555
7.10.2 Impacts of Robinson-Patman Act on Food Firms . . . . .	555
7.10.3 Differential Access to Consumer Advertising . . . . .	556
7.10.4 Distributor-Brand Label Comparability and Policy . . . . .	559
7.10.5 Policy Actions and the Distribution of Power in the Food System . . . . .	561
7.11 The Handy-Padberg Model Revisited . . . . .	562
7.12 Some Conclusions About the Effects of Retailer Procurement and Merchandising Practices . . . . .	567
CHAPTER 8--A SUMMARY OF THE IMPLICATIONS OF FOOD DISTRIBUTOR PROCUREMENT PRACTICES ON FOOD SYSTEM STRUCTURE AND COORDINATION WITH SUGGESTIONS FOR ADDITIONAL RESEARCH . . . . .	573

	<u>Page</u>
8.1 A Conceptual Framework . . . . .	574
8.2 Research Limits and Design . . . . .	576
8.3 Brand Grocery Product Procurement Practices . . . . .	579
8.4 Distributor Label Procurement Practices . . . . .	588
8.5 Food Retailer Merchandising and Brand Product Marketing Standard Operating Procedures . . . . .	599
8.6 Coordination and Structural Impacts and Policy Implications of Food Distributor Procurement Practices . . . . .	604
8.7 Epilogue . . . . .	612
LIST OF REFERENCES . . . . .	614

## LIST OF TABLES

<u>Table</u>	<u>Page</u>
3.1	A Summary of the Basic Types of Private Label Procurement Organizations . . . . . 66
3.2	Grocery Store Sales by Product Division, 1978 . . . . . 74
3.3	Grocery Store Sales for Selected Departments and Product Groups, 1978 . . . . . 75
3.4	Canned Vegetable Products: 1978 Sales Volume and Margins . . . . . 77
3.5	Canned Fruit Products: 1978 Sales Volume and Margins . . . 78
3.6	Frozen Fruit and Vegetable Products: 1978 Sales Volume and Margins . . . . . 79
3.7	Selected Canned Vegetable Packs by Geographic Region, 1976 . . . . . 82
3.8	Selected Canned Fruit Packs by Geographic Region, 1976 . . 83
3.9	Selected Frozen Fruit and Vegetable Packs by Geographic Region, 1976 . . . . . 84
3.10	Private Label Product Sales of Processed Fruits and Vegetables, 1975 . . . . . 88
3.11	The Number and Distribution of Personal Interviews with Grocery Buyers and Sellers . . . . . 92
4.1	Performance Criteria Used to Evaluate Grocery Buyers . . . 116
4.2	Ten-Year Trend in New Item Introductions . . . . . 125
4.3	Growth in the Number of New Items and Warehouse Acceptances . . . . . 126
4.4	Time Required for a New Product Introduction to be Implemented Through the Retail Level . . . . . 152
4.5	Manufacturer Cents-off Coupons by Media, 1974-79 . . . . . 175
5.1	An Illustration of the Basic Private Label Pricing Rule . . . . . 240
5.2	Comparison of the Product Specifications for a First Label and a Second Label Cling Peach Halves . . . . . 251



<u>Table</u>		<u>Page</u>
6.1	The Impacts of Advertising and Display Merchandising Techniques on the Incidence of Purchase for Selected Canned Fruit and Vegetable Products . . . . .	410
6.2	Effects of Merchandising Techniques on Product Movement . . . . .	416
6.3	Services Provided by Manufacturer's Salespeople or Brokers to Retail Chains and Independent Stores . . . .	433
6.4	Labor Cost Savings Accruing to Food Retailers from the Activities of Food Manufacturers' Representatives in Retail Stores . . . . .	434

## LIST OF FIGURES

<u>Figure</u>		<u>Page</u>
2.1	General Paradigm for Vertical Subsector Studies . . . . .	19
3.1	A Simplified Diagram of the Flow of Food Through the U.S. Food System . . . . .	54
3.2	Functional Tasks and Responsibilities Needed in Retail Food Distribution . . . . .	59
5.1	A Simple Diagram of a Storage-In-Transit Warehouse Program for Processed Fruits and Vegetables . . . . .	316
6.1	Hypothetical Individual Demand Curve for Low Cost, Nondurable Food Products . . . . .	393
6.2	Price and Product Movement Implications of Retail Merchandising for Wholesale Product Market with a Supply Increase . . . . .	396
6.3	Price and Product Movement Implications of Retail Merchandising for Wholesale Product Market with a Supply Decrease . . . . .	397
6.4	Hypothetical Price Movements With and Without Merchandising Adjusted Demand . . . . .	404

## LIST OF EXHIBITS

<u>Exhibit</u>	<u>Page</u>
4.1 Job Description for a Grocery Buyer . . . . .	105
4.2 Job Description for a Grocery Buyer-Merchandiser. . . . .	108
4.3 Scratch Report Used in Monitoring Buyer Performance . . . . .	119
4.4 Calendar of Events for a New Product Introduction Program . . . . .	131
4.5 New Item Form . . . . .	140
4.6 Sample Page from a Store Order Book . . . . .	158
4.7 Sample Product Information Taken from a Grocery Warehouse Inventory Control-Buying System . . . . .	161
4.8 Sample Ordering Information Taken from a Grocery Warehouse Inventory Control-Buying System . . . . .	162
4.9 Example of a Manufacturer's Theme Sale . . . . .	172
4.10 Manufacturer Coupon Tracking Document Used by Brand Grocery Buyers . . . . .	177
4.11 Example of a Manufacturer's Deal Sheet . . . . .	179
4.12 Performance Contract Presented to Retail Buyers . . . . .	183
4.13 Internal Firm Form Used to Collect New Deal Information . . . . .	187
4.14 Internal Firm Form Used to Highlight Last Buy Possibilities . . . . .	188
4.15 Standard Rule of Thumb for Buying and How Much of a Product Should be "Bought-In" . . . . .	192
4.16 Order Book Page Announcing New Product Addition . . . . .	210
4.17 Store Bulletin Announcing Discontinued Items . . . . .	211
4.18 Page Taken from Product Review Session Worksheet . . . . .	215
5.1 Actual Product Specifications in Use for Canned Snapbeans . . . . .	247
5.2 Actual Product Specifications in Use for Frozen Broccoli Spears . . . . .	248

<u>Exhibit</u>	<u>Page</u>
5.3 Sequence of Events Leading to the Creation of Labels for Distributor Brands . . . . .	254
5.4 Shipping Schedules and Terms Used by One Private Label Supplier . . . . .	271
5.5 Account Status Report Sent by Suppliers to a Private Label Buyer . . . . .	273
5.6 Reconstructed Sample Page of a Private Label Buyer's Booking Record . . . . .	274
5.7 Private Label Product Price List Issued by a Private Label Packer . . . . .	293
5.8 Example of Special Fall Promotion of Private Label Products . . . . .	303
6.1 Plan-o-gram for the Canned Vegetable Section in a Retail Grocery Store . . . . .	413
6.2 Plan-o-gram for the Canned Fruit Section in a Retail Grocery Store . . . . .	414
6.3 Marketing Matrices Used by Brand Manufacturers . . . . .	429

LIST OF APPENDIX TABLES AND EXHIBITS

<u>Table</u>		<u>Page</u>
3.1	Percent of Retail Sales in Private Label for Selected Fruit and Vegetable Products in Selected Years . . . . .	99
4.1	Literature Forming the Foundation for Section 4.2.2-- New Product Procurement Practices . . . . .	223
6.1	Comparison of the Impacts of Advertisements on National Brand and Private Label Products . . . . .	457

<u>Exhibit</u>		<u>Page</u>
3.1	Miscellaneous Interviews Not Included in Table 3.11 . . . . .	101
4.1	Job Description for an Assistant Grocery Buyer . . . . .	225
4.2	Job Description for a Grocery Buying Assistant . . . . .	226
5.1	Actual Product Specifications for First Label Cling Peaches . . . . .	383
5.2	Actual Product Specifications for Second Label Cling Peaches . . . . .	385