



with left hand
BEND BACK
front cover



with right hand
REMOVE-REPLACE
inner folder with
contents



175

A PROPOSAL:
DIVISIONAL DECENTRALIZATION OF A
GROCERY MERCHANDISING DEPARTMENT
BY
INTEGRATION OF THE BUYING AND
MERCHANDISING FUNCTIONS

A Thesis
Presented to
Dr. Edward M. Barnet
Michigan State University

In Partial Fulfillment
of the Requirements for the Degree
Master of Business Administration

by
Walter J. Stahl, Jr.

1960

ACKNOWLEDGEMENTS

The writer wishes to express his appreciation to Mr. Edward M. Barnett. His constant helpful criticism and guidance has been a source of inspiration to me.

I wish to give special thanks to my wife, Peg, whose patience and cooperation made this thesis a reality.

TABLE OF CONTENTS

	Page
LIST OF EXHIBITS	iii
 Chapter	
I. INTRODUCTION	1
Purpose of the Study	
Scope of the Study	
Limitations of the Study	
II. THE PRESENT CENTRALIZED BUYING ORGANIZATION OF COMPANY X	6
Introduction	
Duties of the Buyers	
Duties of the Grocery Merchandisers	
Procedure for Handling New Items	
Procedure for Handling Promotions	
Procedure for Preparation of Weekly Sales Plan	
Summary	
III. A PROPOSAL: DIVISIONAL DECENTRALIZATION OF A GROCERY MERCHANDISING DEPARTMENT BY INTEGRATION OF THE BUYING AND MERCHANDISING FUNCTIONS	20
Introduction	
Duties of the Buyers	
Duties of the Grocery Merchandisers	
Procedure for Handling New Items	
Procedure for Handling Promotions	
Procedure for Preparation of Weekly Sales Plan	
Routine Purchasing Procedure	
Summary	
IV. A CRITICAL ANALYSIS OF DIVISIONAL DECENTRALIZATION AS OPPOSED TO A CENTRALIZED BUYING ORGANIZATION IN COMPANY X	31
Utilization of Buyers' Specialized Knowledge	
Utilization of Time	
Steps in the Channel of Communications	
Supplier Relations	
Buyers-Stores Relationships	
Personnel Morale	
Additional Considerations	
Summary	

Chapter	Page
V. SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS	49
Summary and Conclusions	
Recommendations	
BIBLIOGRAPHY	52

LIST OF EXHIBITS

Exhibits	Page
I. Partial Organization Chart	4
II. Salesman Information Form	12
III. Submitted Merchandise	14
IV. Notice of Allowance Agreement	15
V. Advance Notice Form	16
VI. Proposed Organization Chart	22
VII. Buyers' Promotion Form Sample	24
VIII. Model for Buyer's Objectives	27
IX. Communications Channels (Figure 1 and Figure 2)	24

CHAPTER I

INTRODUCTION

Purpose of the Study

1. To present an analysis of the centralized¹ system of a buying organization in a retail food chain.
2. To present a suggested plan for decentralization² and reorganization of duties and responsibilities of the members to provide for better utilization of time, decreased clerical work, improved supplier relations, and to generate greater employee interest.

The contentions for the proposed reorganization follow:

1. Time will be saved by releasing the Grocery Merchandisers³ from making decisions on new items and promotions and delegating this authority to buyers. The time saved can be utilized by allowing the Grocery Merchandiser to develop and implement merchandising policies.
2. The number of steps in the channels of communication necessary for marketing of products from the manufacturers through the retail food chain merchandising department to the consumer will be reduced from five

¹Where an operation is concentrated to serve areas geographically dispersed, i.e., one buying office serving both the Cincinnati and Columbus markets.

²Generations located in the area that they serve, i.e., two buying offices.

³Responsible for all merchandising policies for grocery products such as display, advertising, and product handling. Policies are developed in order to provide the retail stores with the right products, at the right price, of the right quality in the right quantity to produce maximum profit for the company.

steps to three. Two steps will be eliminated in the process.

3. Buyers' experience and knowledge will be utilized instead of being neglected by the organization, because authority will be given them to make decisions on new items and promotions.

4. Supplier relations will be improved because salesmen will make their presentations directly to the buyers who will have the authority to make purchase decisions instead of presenting them to an intermediary who cannot make such decisions.

5. Buyers morale will be improved because they will be given authority and responsibility for purchasing products instead of functioning merely as order clerks.

Scope of the Study

The paper is concerned with the reorganization of the grocery merchandising department of Company X, a retail food chain. Company X operates eighty-five stores in the north central region of the United States. It is a part of a large retail food chain which operates four hundred and seventy-five stores. The volume of sales for the eighty-five stores is \$100,000,000 per year. The stores are divided into the Columbus division and the Cincinnati division. The Cincinnati division includes fifty stores and the Columbus division consists of thirty-five stores. The distance between Cincinnati and Columbus is one hundred miles. The company operates one warehouse in Columbus and one in Cincinnati. Each warehouse services the retail stores within a fifty-mile radius.

Both divisions are organized under the same Regional Vice-President (See Exhibit 1). Each division has separate buying offices for meat, produce, and dairy products. Grocery items⁴ are purchased centrally in the Cincinnati buying office⁵ for both the Cincinnati and Columbus divisions. This paper will include a description of the present organization and its operation with the duties of the members outlined and described. A suggested new reorganization to decentralized buying, i.e., one buying office for grocery products would be established in each division, will be given with the reassignment of duties of the members outlined. A comparison and analysis of the two systems will be presented.

Limitations of the Study

This paper is limited to a discussion of the organization and operation of the centralized grocery merchandising department of Company X. It excludes the organization and operation of decentralized meat, produce, and dairy merchandising departments of Company X. No comparisons are made between this grocery merchandising department and any other grocery merchandising departments in the retail food industry.

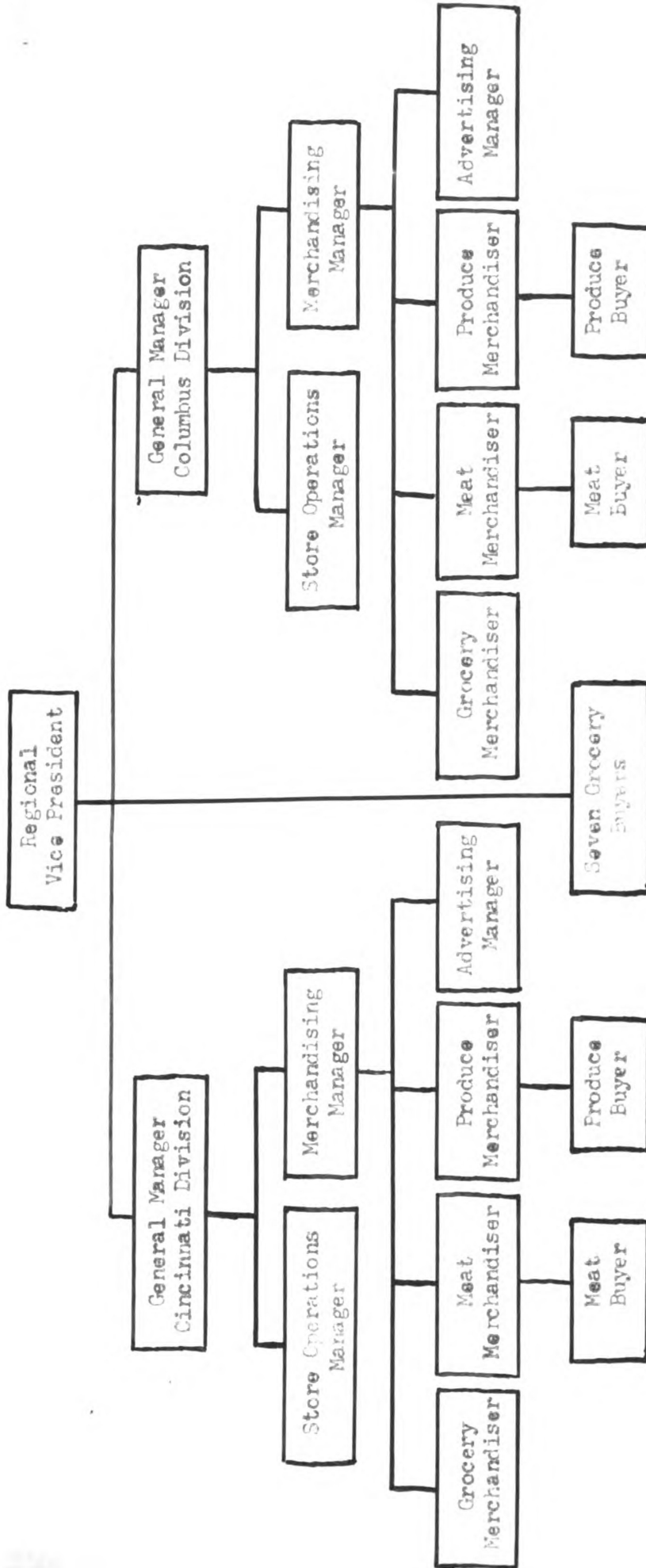
No formal survey has been conducted. Information has been gathered informally from representatives of a variety of food chain organizations and manufacturers representatives. Much of the information presented

⁴Grocery items as used here includes all items sold in retail food stores except meat, produce, and dairy products.

⁵The buying office will be referred to as the merchandising department.

EXHIBIT 1

PARTIAL ORGANIZATION CHART



in this study is based on personal observation and experience acquired while working in this merchandising department.

CHAPTER II

THE PRESENT CENTRALIZED BUYING ORGANIZATION OF COMPANY X

Introduction

The present organization as shown in Exhibit 1 is under the direction of one Regional Vice President. He has the authority over both the Columbus and Cincinnati divisions. The seven buyers are directly responsible to him. They are also indirectly⁶ responsible to the Grocery Merchandisers, one in Cincinnati and the other in Columbus. The buyers are not attached to either division but they purchase grocery items for both divisions.

Each buyer has long experience in the procurement of grocery items. Each buyer has a class of items to buy. For example, one buyer purchases candy, gum, cookies, crackers and beverages; he does not buy anything else. Another buys just health and beauty aids and non-foods.⁷

Duties of the Buyers in the Present System

1. Buyers make routine purchasing decisions, i.e., order merchandise that sells at a regular rate. This is done by analyzing the quantity of merchandise in the warehouse and the amount sold in a given period of time. Information is given to the buyers by the tabulating department.

⁶The buyers must purchase what the Grocery Merchandiser stipulates but the Grocery Merchandiser does not control their working day nor can he assign them any other jobs.

⁷Non-foods include houseware utensils, glassware, etc.

The tabulating department supplies the buyer the following information on each item weekly on a single sheet of paper:

Code of the item
 Packs per case
 Size
 Amount in the warehouse--beginning of the week
 Amount shipped from the warehouse to the stores
 Amount received during the week
 Amount on hand at the end of the week
 The average weekly amount shipped to the stores in the last eight weeks

With regard to routine purchases the buyers are responsible for having enough merchandise available in the warehouse to satisfy the needs of the stores. The buyers are restricted in their purchases by company policy which sets certain dollar limitations on goods kept in warehouse stock.⁸

2. Buyers place orders for items to be displayed or advertised when told to do so by the Grocery Merchandisers.

3. They make recommendations on new items that have been presented for the company's sale. These recommendations are made at the "buyers meeting" at which all new items are reviewed in the presence of the buyers.

⁸They must always have the inventory as low as possible. If too much stock is in inventory, funds that could be utilized more profitably elsewhere, are "tied up" in merchandise. For example, if there is an inventory of 1,000 cases of Stockely Van Camp Beans at a cost of \$7.10 a case, the warehouse inventory should only be around 250 cases, a two and one-half week supply. These beans sell at a rate of 100 cases per week and they can be reordered and received from the manufacturer in two weeks. With 1,000 cases in the inventory, there would be an excess of 750 cases or \$5,325 that is "tied up." This money could be used for other operations or it could at least be in the bank accumulating interest.

Duties of the Grocery Merchandisers in the Present System

1. Prepare weekly sales plans. In preparing the weekly sales plan the Grocery Merchandisers decide which items will be advertised in the newspaper, which items will be displayed, and the quantities to be purchased for this advertising or display.

2. Accept or reject new items. These decisions involve answering the following questions concerning the new item:

- A. Is the item completely new and non-competitive?
- B. Is it an improvement on some existing product?
- C. Who will benefit from using it?
- D. How much will the average family consume in a month?
- E. What is the financial condition of the manufacturer?
- F. Has the manufacturer had any experience in the field of distribution and product competition?
- G. If the item replaces an existing product, will the demand for the product be increased?
- H. What is the margin of profit?
- I. Will it be advertised by the manufacturer?
- J. Has it been tested?
- K. Is the package self-selling?
- L. Can it be easily price marked?
- M. Will it be a regular item or will it just be handled for a short time?⁹

⁹"60 Questions a Chain Buyer Asks About New Products," Food Business, (February, 1956), p. 11.

3. Pricing of products. The Grocery Merchandisers must establish the retail price on all products. The price must cover all expenses such as cost of the merchandise, labor, equipment, and overhead, and still provide a profit.

4. Suggest displays to the stores. The Grocery Merchandisers send letters or pictures to the store managers suggesting how to best display merchandise.

5. Follow up store stocks on promoted items. It is difficult to determine before a promotion exactly how much merchandise will sell. Many times there is excessive inventory in the stores after a promotion. The Grocery Merchandisers must determine what action is necessary to dispose of the excess stock. Such action may entail reducing the price or advertising the products. They must be aware of store stock conditions which they do by getting an inventory of merchandise on hand from the store managers.

6. Develop long-range merchandising programs. These programs entail a study of the customers served by the stores. The type of products to be sold can be established from this study. For example, a less expensive line of products will be handled and promoted in a lower income community; quality may be secondary in importance. In another community of higher income, quality may be more important than price. Long-range programs provide for handling the products that people want and need.

7. Coordinate tests on new items. The product is bought for a small number of stores if its potential sales cannot be determined. The sales in test stores will determine whether the product should be

handled by all stores. The Grocery Merchandisers coordinate and evaluate such tests.

8. Determine store layout. A Infont survey indicates that 70 per cent of the sales in a supermarket are "impulse" sales;¹⁰ therefore, the position of each product in the store may affect the sales volume. The Grocery Merchandisers must study traffic patterns of shoppers in stores and determine the most advantageous position for products to get maximum sales of the products for maximum dollar profits.

9. Arrange to supply stores with "point of sale" material. Many manufacturers supply "point of sale" material to be used in the retail store which includes such things as banners and signs. This material makes the store attractive and usually has a selling message on it. The Grocery Merchandisers contact manufacturers and arrange for stores to have the material to help them perform the selling function.

10. Coordinate sales meetings. A sales meeting is held monthly to inform store managers of coming promotions. Seasonal reminders are presented and the coming plans are discussed. The meeting is also a means of creating enthusiasm in the managers for new promotions. The store managers "feel" they are a part of the promotional program when they are able to voice their opinions and are kept informed of future plans.

In addition to the afore mentioned duties, the Grocery Merchandisers also must perform the following functions:

¹⁰"Impulse Buying in the Super Stores, Infont Reports," Advertising Age, March 11, 1960, p. 28.

1. Arrange for store demonstrations.¹¹
2. Advise buyers what to buy in the way of seasonal merchandise, for example, Christmas candy.
3. Build good will by meeting socially with manufacturers.
4. Coordinate grocery plan with meat and produce plans.
5. Be aware of competition in the area by developing merchandising policies to combat them.

The organizational structure of the existing system and the duties of the members have been presented. The organization will be explained regarding how the system operates in the following situations:

1. The method of accepting or rejecting new items.
2. The decision on promotions.
3. The preparation of the Weekly Sales Plan.¹²

Procedure for Handling New Items

A new item is usually presented by the manufacturer's representative to one of two interviewers.¹³ Information gathered in the interview is recorded on the "Salesman Information Form" (See Exhibit 2). The form with samples of the new product is presented at the weekly

¹¹Store demonstrations are cooperative arrangements between the suppliers and food chain companies. Free samples are usually presented to customers for sales promotion purposes.

¹²The Weekly Sales Plan is information sent to the stores about which items will be promoted during a specific week.

¹³Two buyers act as interviewers regarding all new items and promotions. Their job is to record information given them in the interview by the salesman about the product or promotion.

EXHIBIT 2

SALESMAN INFORMATION FORM

DATE _____

To clearly and quickly obtain the most from your interview, please fill in the information requested below, before your appointment with the buyer.

A. NEW ITEMS - Please fill in information on lines below.

B. IN STOCK ITEMS - Please fill in information on lines 1, 2, 10 & 12.

1. ITEM: _____
2. PACK & SIZE: _____
3. COST PER CASE: _____ DELIVERY TERMS: _____
4. TRADE DISCOUNT: _____ CASH DISCOUNT: _____
5. ADVERTISING ALLOWANCE: _____
6. SUGGESTED RETAIL PRICE: _____
7. DISTRIBUTION IN THIS AREA:
 1. _____
 2. _____
 3. _____
 4. _____
8. PACKED BY: _____
9. ADDRESS: _____
10. LOCAL REPRESENTATIVE: _____
11. APPROVED: _____
12. SPECIAL PROMOTIONS OR SPECIAL ADVERTISING PLANS: _____

buyers' meeting. All buyers as a group then send their recommendation regarding the acceptance or rejection of the new item to the Grocery Merchandiser of each division. The Grocery Merchandiser makes the decision and if the item is accepted, he stipulates the original order regarding quantity. His decision is sent to the buyer within whose classification the item belongs. The buyer makes out the order and the "New Item Form" (See Exhibit 3). The form goes to the Grocery Merchandiser for pricing and initial distribution to the stores. The form then is returned to the buyer for recording on the inventory control cards.

Procedure for Handling Promotions¹¹

The initial contact by the manufacturer's representative is made with one of the two interviewers. Information from the interview is recorded on the "Notice of Allowance" Form (See Exhibit 4). These forms are sent to the Grocery Merchandiser with a copy for the buyer who purchases the item that is to be promoted. The Grocery Merchandiser then makes the decision to promote or not and notifies the buyer stipulating the quantity to purchase for the promotion.

Procedure for Preparation of Weekly Sales Plan

The weekly sales plans are made up by the Grocery Merchandiser. Six weeks in advance of a weekly plan, a notice specifying what to buy for the week's plan is sent to the buyers (See Exhibit 5). Each buyer

¹¹ promotion on an item presented by the salesman could be in the form of a buying allowance, a market decline, advertising to take place, or a special pack to be manufactured.

EXHIBIT 3

SUBMITTED MERCHANDISE

11

Date _____

Manufacturer _____

Local Representative _____ Address _____ Phone _____

ITEM	Factory Pack	Size & Style Container	Shipping Weight	Cost FOB/Tel'd	Unit	Disc & Allowances	
						Cash	
						Swell	
						Freight	
						Other	
	Unit Cost	Zone 3 Retail	Zone 1 %	Zone 2 Retail	Zone 3 Retail	Zone 4 Retail	Zone 5 Retail
CINCINNATI							
COLUMBUS							
Class of Store	AA	A	B	Specialty	Special	Test	Reg. Stock
AUTHORIZED							
INITIAL DISTR.							
Code Floor No. Cincinnati	Shipping Unit	Reorder	Illc.	Insert on Catalog		Quantity Purchased	
				Yes	No	CINCINNATI	
						COLUMBUS	

MAIL DEPT. _____

BUYING DEPT. C.R. _____

REMARKS: _____

Date Purchased _____

Approx. Arrival _____

Re-Order Point _____

Average Order Qty. _____

Maximum Order Qty. _____

Maximum Invty. _____

Annual Movement _____

How Arrive _____

EXHIBIT L

NOTICE OF ALLOWANCE AGREEMENT

15

Cinti Mdse	Cols. Adv.	Date	No.
ED: Cols Mdse		EFFECTIVE DATES	
Accounting	Tabulating	From	To
Cinti Adv.	File	Buyer	
From:	Vendor	Discounts	

Item Code	Pk/Size	Item	FOB	Case Del'd Cost Old New	New Unit Peld.	Net Per.
-----------	---------	------	-----	----------------------------	-------------------	-------------

INVENTORY POSITION:		CINTI WISE		C. L. WISE	
Market Advance	Market Decline	Floor Stock Protection Yes	Floor Stock Protection No	Floor Stock Protection Policy:	

ALLOWANCES

Count and Recount	Other	Quantity Discount
-------------------	-------	-------------------

EXPLAIN:

Billing Instructions to Accounting Department

ADVERTISING AND DISPLAY ALLOWANCES

EXPLAIN:

PERFORMANCE REQUIRED:

TERMS OF PAYMENT

IF THEIR CONTRACT FORM AVAILABLE (IF SO, PLEASE ATTACH TO THIS FORM)

ADVERTISING DEPARTMENTS MUST ISSUE ADVERTISING AGREEMENT NOTICE - FORM 615L

REMARKS:

EXHIBIT 5

ADVANCE NOTICE - WEEK OF APRIL 4 - APRIL 9AD OF APRIL 7TO: ALL GROCERY BUYERS:

Buyers are requested to review and return approved copy and/or recommended changes to the attention of the Grocery Merchandiser by March 17, 1960.

Estimated
Quantity to be
in Warehouse
3/24/60

CodeItemCommentsCINCINNATI WAR HOUSE

Freshlike will have a color ad in the newspaper. \$700.00 promotion money to advertise this week.

800	21257	Freshlike Peas	Limit 4 of your choice with \$5.00 purchase
300	21351	Freshlike W. K. Corn	12¢ per can
250	21109	Freshlike Cut Beans	Regular Price
250	21109	Freshlike Spinach	Regular Price
400	21325	Freshlike G. K. Corn	Regular Price
Order on Bakery Order		Our Pride Bread	Limit 2 with \$5.00 purchase 12¢
250	55703	Charmin Tissue, Assorted - 4 pk	
600	58208	Clorox, Qts.	Flower Seed Offer - Attached
1000	58208	Clorox, 1/2 Gallons	Flower Seed Offer - Attached
800	58208	Clorox, Gallon	Flower Seed Offer

Display material available - Salesman will contact stores

Estimated
Quantity to be
in Warehouse

3/24/60

Code

Item

Comments

CINCINNATI WAREHOUSE

200	38229	Franks Black Pepper, 1 1/2 Oz.	Dump display - Franks will pay \$5.00 per store
200	38232	Franks Black Pepper, 3 Oz.	
200	37720	Pennant Marshmallow, 10 Oz.	
400	09369	Blue Water F. F. Fish Sticks Cell # 3/1.00	
250	11437	Nanette Sweet Pickles	Special buying allowance until
250	11437	Nanette Hamburger Slices	April 2, 1960

P & T FRANCHISE WAREHOUSE

Bought		Tide, Giant	\$4 coupon on 1 qt.
Will		Tide, Large	or on 2 Large
Fun		Oxydol, Giant	\$4 coupon on 1 qt.
in Ad		Oxydol, Large	or on 2 Large
		Mr. Clean	\$4 coupon on any size
March 31, 1960		Ivory Snow	\$2 coupon on any size
		Joy	\$4 coupon on any size
150	35238	B. C. Gate Bar Mix	10% Discount
100	35226	B. C. Lemon Fudding	"
50	35211	B. C. Chocolate Fudding	"
50	35207	B. C. Carrot Fudding	"
100	New	Gaines Gravy Train Log Food, 2#	Regular Price
100	New	Gaines Gravy Train Log Food, 5#	Regular Price

* There will also be a distribution made of 500 cases of sample packages - 6 oz. each which contain a coupon good for 10¢ on the large packages.

Estimated
Quantity to be
in Warehouse

3/24/60 Code
CEMINATI WAREHOUSE

Item Comments

LEVER BROTHES & SWIFTSTARR - "Wave Mail-In"

Handy Andy	7¢ coupon
Praise	5¢ coupon on any 3 bars
Lux Liquid - Pink	5¢ coupon
Whisk - New Blue	5¢ coupon
Surf	Mail-in offer
Air Wick	20¢ coupon and mail-in offer
Calgon	1. AIR WICKING UNIT. 20¢ off for display and mail-in offer -
Calgonite	Mail-in offer

HOME CENTER

50	75372	Salt & Pepper Shakers	Sell at 50¢
50	73432	Sugar Meter, 12 oz.	Sell at 35¢
1000 <u>only</u>	76086	Becker Fryer Unit Dish Cloths	If a unit is 1 package of 12--BUY
300	46025	Planters Cocktail, 7 1/4 Oz.	35¢ case buying
100	46026	Planters Cocktail, 16 Oz.	Allowance
stock on Hand	46030	Planters Spanish Peanuts	
650	55505	Blue Ribbon Napkins	Sell at 4.40¢ plus 25¢ S & H Stamps - 7¢ per case off invoice to pay for stamps
200	55160	Alcoa Wrap	Carving Set Display set Customer mail-in offer

notifies the Grocery Merchandiser that he will buy the items as stipulated on the advance notice. The quantities required for the sales plan are determined by the Grocery Merchandisers.

Summary

This chapter has described the authority relationships and the duties of the members of the grocery merchandising department of Company X. Procedures for the operation of this centralized merchandising or buying department with regard to new items, promotions, and the Weekly Sales Plan have been presented. The information has been presented in order to familiarize the reader with the present organization and system.

Chapter III will deal with the proposed organization and system. The proposed organization, the authority relationships and duties of the members, and the procedures for the proposed decentralized merchandising department with regard to new items, promotions and the Weekly Sales Plan will be presented.

CHAPTER III

A PROPOSAL: DIVISIONAL DECENTRALIZATION OF A GROCERY MERCHANDISING DEPARTMENT BY INTEGRATION OF THE BUYING AND MERCHANDISING FUNCTIONS

Introduction

Central buying of grocery products has been in effect since the early days of the company when both the Columbus and Cincinnati stores were serviced out of the warehouse in Cincinnati. Central buying of grocery products has worked in the past possibly due to the following reasons:

1. The company occupied the dominant position in both the Columbus and Cincinnati markets.
2. Both markets were similar, in regard to competing food chains with similar merchandising policies.

Now the two markets are dissimilar. The company no longer occupies the dominant position in either market because of the influx of new food chain competitors into both geographic areas. It has become necessary to reorganize the merchandising department in order to adjust to changing market conditions.

"We are living in days that call for the greatest awareness of revolutionary changes in our industry that are affecting even our most important companies. Today, rarely has one process or product been evolved before it is obsolete and being replaced by something new and different--more desirable."

15. J. Kelly and William Lazer, Managerial Marketing, Homewood, Illinois: Richard D. Irwin, Inc., 1960, p. 159.

The proposed organization will provide for decisions on new items, promotions, and grocery merchandising policies to be made by persons closer to the market. Market information will be secured from salesman and store managers in each geographic area. Decentralization will improve the company's adjustment to the market and help combat competitors.

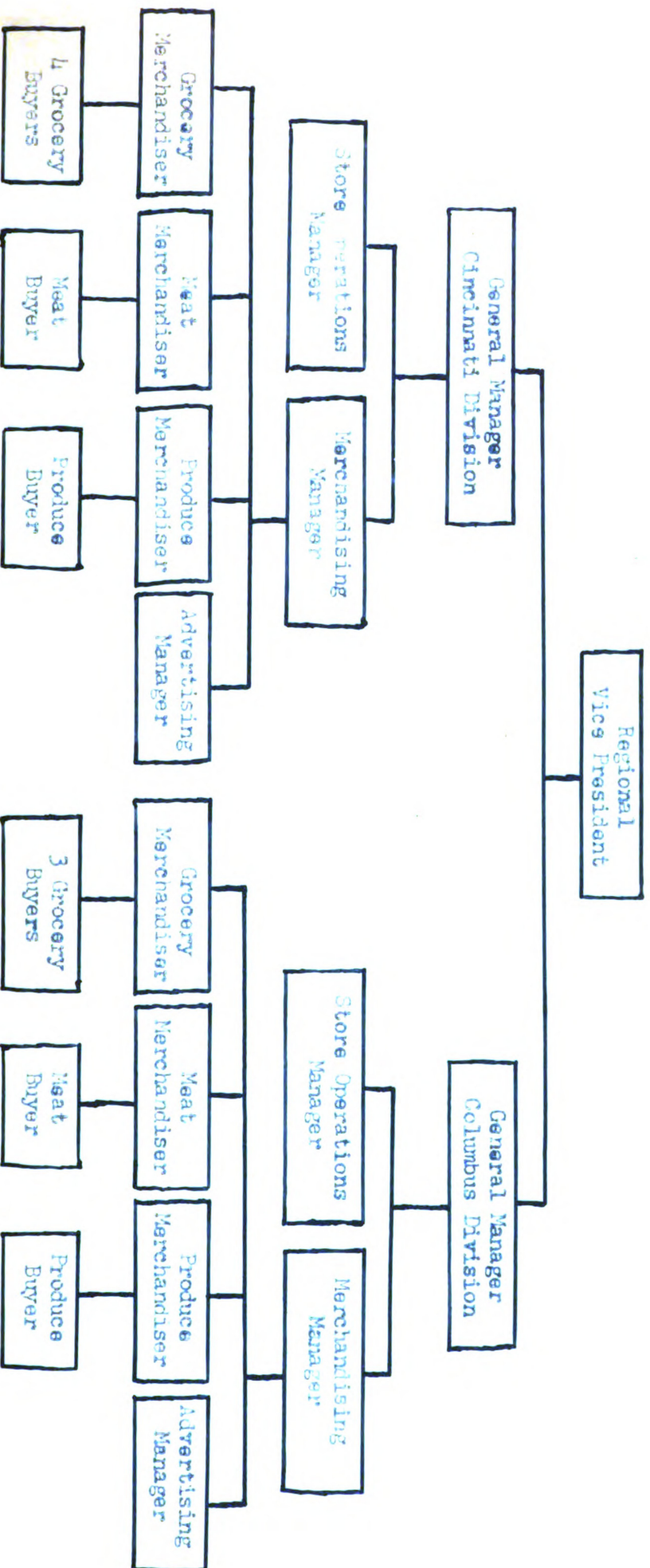
The Regional Vice President will remain as chief executive over both the Columbus and Cincinnati divisions (See Exhibit 6). One Grocery Merchandiser will be stationed in each division. Three of the seven buyers presently employed will be required to relocate in Columbus in order to establish a Columbus buying office. Each buyer will have an assistant to do clerical work including typing orders and posting inventory from tabulating department to inventory cards. The Grocery Merchandisers will have direct authority over the buyers in their respective divisions. Merchandisers will have the responsibility for controlling¹⁶ the buyers.

A short transitional period may be necessary in order that the present department may be divided. During the interim period the buyers will teach each other about different lines of products. For example, the paper products buyer will teach the health and beauty aid buyer about paper products. Conversely the health and beauty aids buyer will teach the paper products buyer about health and beauty aids. Under the proposed

¹⁶Controlling has reference to the developing of policies which dictate broad guides to acting and thinking of the buyers. These policies will state specifically how something will be done, when it will be done, and by whom.

EXHIBIT 6

PROPOSED ORGANIZATION CHART



system of organization each of the two individuals will be responsible for both categories of merchandise health and beauty aids and the paper products for their respective divisions.

Duties of the Buyers

Each buyer will have full responsibility for his class of items. Each will be responsible for sales of his product to produce a gross profit¹⁷ in accordance with the objectives stipulated by the Grocery Merchandisers. In connection with this responsibility, the buyers will perform the functions that follow:

1. Accept or reject new items.
2. Pricing of products in their respective product classifications.
3. Interview salesmen for promotions and new items in their product class.
4. Suggest displays and supply stores with selling information to aid in the selling functions at store level.
5. "Follow up" store stocks on promoted items and control warehouse inventory.
6. Suggest weekly promotions or displays in the Sales Plan meeting on "Buyer Promotion" form (See Exhibit 7).
7. Coordinate tests on new items.

¹⁷ Gross profit is the difference between the retail price and the cost of an item. For example, if an item is purchased from a manufacturer for 20 cents and sold for 25 cents, the gross profit would be 5 cents per unit.

EXHIBIT 7

BUYER'S PROMOTION APPLICATION

	Accepted Yes No	Quantity Bought for Promotion
Salesman _____ Co. _____		
Effective Dates _____		
Item _____ Code _____		
Date of "Tie In" _____		
Details of Promotion _____		

Information to be Given to Stores _____		

Display Material Available _____		

Salesman _____ Co. _____		
Effective Dates _____		
Item _____ Code _____		
Date of "Tie In" _____		
Details of Promotion _____		

Information to be given to Stores _____		

Display Material Available _____		

8. Arrange for store demonstrations of products in their product classification.

9. Suggest space allocation of products to the stores, i.e., the number of rows to be allocated to each item.

10. Discontinue products.

11. Arrange for point of purchase display material to be sent to the stores.

12. Keep current on market conditions by visiting the company stores and competitive stores.

13. Perform the routine buying functions and control store inventory.

14. Determine quantities of merchandise to be purchased for promotions and purchase the merchandise.

15. Coordinate promotions on seasonal merchandise and determine the quantities the stores will sell of this merchandise.

16. Provide for fulfillment of obligations of suppliers with regard to advertising contracts.

Duties of the Grocery Merchandisers

1. Develop merchandising policies and inform buyers of the policies. This duty will involve studying the consumer in the market place and the merchandising policies of competitors. The policies will be directed at selling the products the consumer wants and needs and also the products and prices that should aid in developing consumer preference for the company's stores over competitive stores.

2. Determine store layout.

3. Coordinate Monthly Sales Meeting.

4. Coordinate Grocery Sales Plan with meat and produce plans.

5. Train and supervise buyers to insure amicable relationships with salesmen.

6. Coordinate the workings of the buyers with regard to the Weekly Sales Plan.

7. Develop sales and gross profit objectives for each class of items (See Mod-1, Exhibit 8). This is the most important function in the new system. The objectives must be set for each product classification and the combination of these objectives must be in accordance with the whole merchandising department's objectives. Gross Profit Objectives must be set high enough in each classification to insure that buyers purchase the best promotions in their class. Objectives should be attainable to foster the buyers interest in the fulfillment of these objectives. Objectives should be flexible and must constantly be evaluated as market conditions change.

Procedure for handling New Items

The salesman will present a new item and give his selling presentation directly to the buyer who purchases the class of items within which the item would be placed. The buyer will make the decision to accept the item or reject it. In case of a dispute on the decision the salesman will have the right to appeal to the Grocery Merchandiser. The buyer will be qualified to make the decision because his job will be concerned only with his particular class of items. He will be familiar with the sales

EXHIBIT 8

MODEL FOR BUNNY'S PRODUCTIVITY

Canned Fruits, Vegetables, and Juices

Gross Profit Objective, 1960	<u>3,760,000.00</u>
Billing Total Retail	31,700,000.00
Billing Total Cost	3,338,000.00
Billing Gross Profit (21.00%)	880,000.00
Price Changes (.30%)	12,500.00
Discounts (2.50%)	196,000.00
Gross Profit Objective (18.20%)	<u>2,000,000.00</u>

of other items in the line and the promotional activity connected with the sales of other products in his line. With this knowledge, the buyer will be qualified to answer the questions¹⁸ pertinent to the acceptance of a new item.

Procedure for Handling Promotions

The salesman will present the promotion directly to the buyer. The buyer would decide whether to accept the promotion or reject it. For example, if advertising is to appear in the newspaper on an item, a decision must be made regarding whether or not to display the item to take advantage of the manufacturer's advertising. The buyer must determine whether the display of the product and sales will return more dollars profit rather than another item displayed in the same space.

The buyer will be qualified to make the decision concerning promotions in his line because he will have full knowledge of products in his line.

Procedure for Developing Weekly Sales Plan

Six weeks prior to the time a Sales Plan is to go into effect in the store,¹⁹ a meeting of the buyers and the Grocery Merchandiser will be held to develop the Weekly Sales Plan. Each buyer would bring his promotion form²⁰ in duplicate to the meeting. The men would develop the

¹⁸See Chapter 11.

¹⁹The Sales Plan must be developed six weeks in advance because the time necessary for delivery from some manufacturers is six weeks.

²⁰See Exhibit 7, p. 24.

Weekly Sales Plan. A well-rounded plan would include promotions from each line of products. Each buyer would note on the form his decision on each promotion in his line. Each will only accept or endorse the best in his line. The buyers' decision will be assumed to be sound since they will be responsible for profits in their respective lines. The "Buyers Promotion Form" will serve as a record of the items and quantities purchased for the specific weeks sales plan. This form would also be a basis for sending suggestions or information to the stores because the buyers will record information from the salesman's interview on the form. The Grocery Merchandiser will be given one copy of the "Buyers Promotion Form" from each buyer to be used as a basis for preparing Actual Sales Plans that will be sent to the stores.

When a buyer is presented with an exceptional promotion that requires quick action, the buyer would approach the Grocery Merchandiser and the two would decide on action to be taken. The buyer need not wait for the weekly meeting. This situation arises occasionally when a salesman has a promotion ready to "break" in the near future. It is then necessary to incorporate the promotion in plans that have previously been made, i.e., the Sales Plan is compiled six weeks prior to the time the plan goes into effect and the salesman may have a promotion that will "break" in three or four weeks. To reap the benefits of the manufacturers promotion and to present the promotion before competitors,²¹ quick decision

²¹ Salesman present promotions to all competitors also. A competitive advantage can be realized by being "first" with a promotion.

and action is necessary.

Routine Purchasing Procedure

Routine purchasing functions will be performed in the same manner as previously described in Chapter II under Buyers' duties. Each buyer will be responsible for the routine purchasing of merchandise in his line or class of items.

Summary

This chapter has presented the proposed decentralized merchandising departments organization and system. The change in the markets and the position of the company in the markets served by the centralized department has prompted the proposal. The reassigned duties and authority relationships of the members have been presented. The buyers in the proposed system are given authority and responsibility and their duties include some functions performed by the Grocery Merchandiser in the present system. The duties of the Grocery Merchandisers in the proposed system have been presented. Their major responsibility is to coordinate the functions of the buyers. The procedures with regard to new items, promotions, and Weekly Sales Plan have been presented.

Chapter IV will compare the present centralized organization and system to the proposed decentralized organization.

CHAPTER IV

A CRITICAL ANALYSIS OF DIVISIONAL DECENTRALIZATION AS OPPOSED TO A CENTRALIZED BUYING ORGANIZATION IN COMPANY X

Utilization of Buyers' Specialized Knowledge

Grocery Merchandisers have authority over the buyers under the existing system. They inform buyers regarding what to buy, but their authority does not include control over how the buyers spend their working day. Many of the functions that could be better performed by the buyers, must be done by the Grocery Merchandiser because the buyers lack of authority. For example, if a suggested space allocation²² plan for jams and jellies is to be sent to the stores, the Grocery Merchandiser is responsible for doing the analysis connected with making up this plan. The Grocery Merchandisers receive information about promotional activity on all items, but each promotion comes to them separately. Therefore, it is difficult for them to be aware of what is "going-on" in a specific line of products. It is difficult, without extensive analysis, to have a complete picture of a line of products. The jam and jelly buyer has special knowledge²³ because he deals only with this line of products and is familiar with the movements and promotional activity in the line.

²²A space allocation plan would suggest to the store manager how many rows of each product to display in a product's section in the store.

²³Special knowledge about a line would be the comparative sales of each product to the other or a promotion in effect on products in the line.

The analysis of a class of items by the Grocery Merchandiser is time consuming. Actually the Grocery Merchandiser studies the classifications to obtain knowledge that the buyer already possesses.

Under the proposed system the buyer will be responsible for performing such duties as space allocation plans. This will provide for the utilization of the buyer's specialized knowledge (a resource to the company). The use of this knowledge will reduce the time required for analysis of product lines. The Grocery Merchandiser will be released from doing detailed analysis work. His time can be used performing more important functions, such as developing merchandising policies, communications procedures, and developing sales and gross profit objectives for major classes of items.

Utilization of Time

In the existing system, in a normal week, each of the two interviewers will spend one eight-hour day receiving salesman. One promotion is presented every fifteen minutes. Sixty-four promotions (including new items) are presented every week. The Grocery Merchandiser must review all promotions from the information forms and decide what action to take. In reality the Grocery Merchandisers must, by reviewing the information forms, duplicate the time consumed in the interview. The remaining five buyers, also, in effect, duplicate the time used in the interview by reading their copy of the information forms.

For each promotion presented to the company by a salesman to the interviewer, thirty minutes of time is required in the present system.

The interviewer spends fifteen minutes, the buyer five minutes, and the Grocery Merchandiser ten minutes. Ten minutes for the Grocery Merchandisers' review of the form is conservative because in order to make a decision on a promotion, they must analyze the classification of items within which the promotion falls.

The new system would save ten minutes per promotion, 640 minutes per week. The buyers will do the interviewing of salesmen and make the decisions on promotions. The buyers for each promotion will spend fifteen minutes interviewing and five minutes to make the decision. The question is raised, "Why can the buyer make the decision in five minutes when it takes the Grocery Merchandisers ten?" This can be explained by the fact that the buyers have specialized knowledge of the class of items within which the promotion fits because they are concerned only with their own specific classification. They, therefore, can make more rapid decisions because they possess the background knowledge necessary for making a decision.

The new system would involve only twenty minutes per promotion as compared to thirty in the present system, a savings of ten minutes. In a normal week where sixty-four promotions are presented, the savings would amount to 640 minutes or over ten man-hours per week in the department.

Steps in the Channels of Communications

Information, such as promotion activity or advertising "going-on" on items under the present system, flows (See exhibit 9), as indicated by

EXHIBIT 9

COMMUNICATION CHANNELS

Figure 1

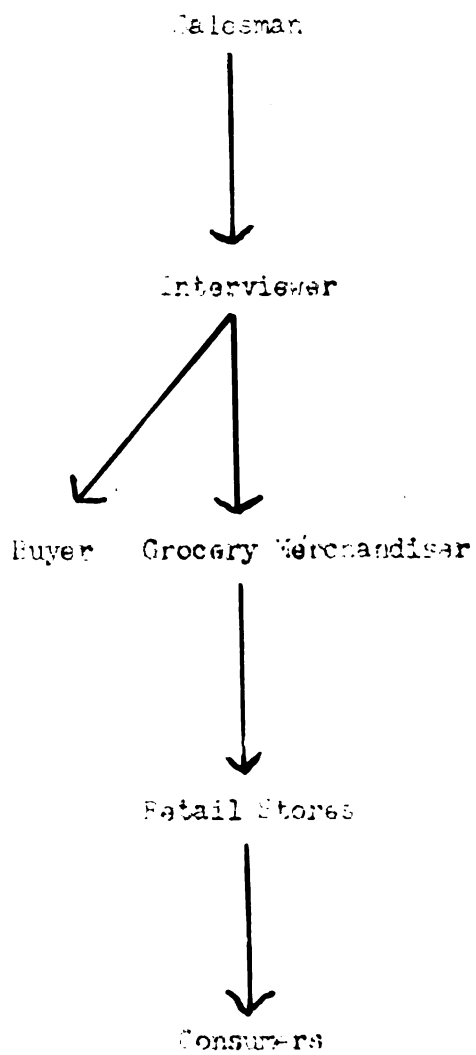


Figure 2

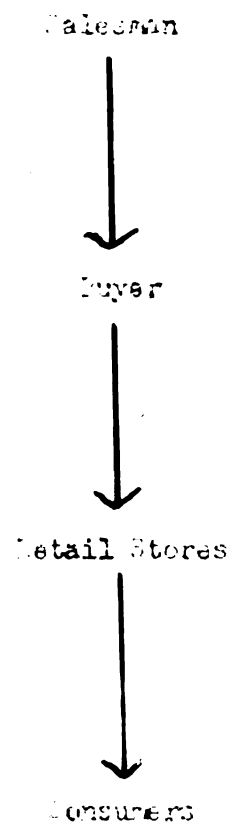


Figure 1, from the salesman to the interviewer. The interviewer passes on information to the buyers and the Grocery Merchandisers. The Grocery Merchandiser in turn passes the information on to stores to aid them in selling the products. Information communicated to the stores might be, for example, a letter stating that a product is being advertised on television. The stores would then construct a special display of the product in order to get the benefit out of television advertising.

The present system involves the following written communications to get information from the salesman through the merchandising department to the stores:

1. The recommendation from the buyers to the Grocery Merchandisers on new items.
2. Notice to the buyers on decisions on new items from the Grocery Merchandisers.
3. Information on "Notice of Allowance Agreement" form from the interviewer to the buyers and the Grocery Merchandisers.
4. Notice to the buyers from the Grocery Merchandisers concerning decisions on promotions presented on "Notice of Allowance Agreement" forms.
5. Notice to buyers from Grocery Merchandisers stipulating the quantities to buy for weekly sales plans.
6. Information from interviewer to buyer on new items.
7. Weekly sales plan from the Grocery Merchandisers to the store managers.

The number of the above written communications for a typical week would be as follows:

	Number
Buyers recommendation on new items	1
Grocery Merchandisers decision on new items	1
Notice of Allowance agreement to Grocery Merchandiser	40
Grocery Merchandisers decision on "Promotions presented on" Notice of Allowance Agreement Forms	1
Notice to buyers concerning Weekly Sales Plan	1
Weekly sales plan to the stores	1
Notice to buyers from interviewers on new items	24

A total of sixty-nine written communications are involved in the system. The new system will reduce the number of communications to five.

The new system, in which the buyer has the authority to decide on new items and promotions, would eliminate all of the above communications except the Weekly Sales Plan to the stores and would add one copy of "The Buyers Promotional Form" from each buyer (See Exhibit 7). Exhibit 7 illustrates the form that would be used by each buyer for the presentation of the best promotions in his line of products. The forms would be presented at a weekly meeting held to develop the Weekly Sales Plan.

The new system would reduce the channels through which information flows from five to three steps (See Figure 2, Exhibit 2). The likelihood of information being incomplete is reduced by reducing the channels through which informative communications flow. For example, it is almost impossible for the interviewer in the present system to record everything that was said in the interview on the forms he executes to the buyers and the Grocery Merchandiser. Some information given the interviewer by the salesman is omitted and never enters into the communication flow and therefore never reaches the stores. In the new system the buyer receives information directly from the salesman and is responsible for transmitting this information to the stores.

Supplier Relations

Manufacturers' representatives to the retail food industry are usually salesmen or brokers.²⁴ They contact the food chain headquarters to sell merchandise and are similar to "house-to-house" salesmen who may sell in your neighborhood. The salesmen are excellent sources of information about the products because they are interested in "selling" to the consumer. Good relations with the salesmen benefit both the food chain and the manufacturers. Some important advantages to the food chains are:²⁵

1. A reliable source of supply in case of shortages is available.
2. Salesmen may pass on good word-of-mouth publicity and help build the retailers good will in this manner.
3. A price advantage may be realized as long as the advantage is within the limitations of the Robinson-Patman Act.²⁶
4. More reliable prompt delivery of goods can be obtained.
5. Special privileges on returns and adjustments can be secured.
6. Research done by the manufacturers is passed on to the food chain which aids them in selling.
7. Suggested means of display are given the food chain representatives.

²⁴One who buys and sells for another on commission or who arranges for the negotiation of contracts.

²⁵Bertrand F. Canfield, Public Relations, (Homewood, Illinois: Richard D. Irwin, Inc., 1956), p. 280.

²⁶The law of 1936 prohibiting selling to different customers at different prices unless cost saving can be shown.

In the present system supplier relations are sometimes poor. - Under the present system the salesmen are required to make presentations to the interviewer only. They do not have a direct contact with the buyer of their products. They are dependant on the ability of the interviewer to communicate his sales presentation to the decision maker (the Grocery Merchandiser). When a promotion or new item is rejected, the salesmen are never sure if the information presented in the interview was communicated correctly. The salesmen are constantly trying to circumvent the interviewers in order to make their presentations to the Grocery Merchandisers because of this uncertainty. Due to the great number of salesmen that have promotions to present, the Grocery Merchandisers have been doing some interviewing. More and more salesmen want to make their presentations directly to the Grocery Merchandisers. One cannot blame the salesmen because when they contact the Grocery Merchandiser instead of an interviewer, they give the "sales presentation" to the "decision maker" directly.

Salesmen who present their promotions to the Grocery Merchandisers must also present the promotions to the interviewer, i.e., go through the normal channels. This irritates the salesmen as it is duplicating their effort. The question may be asked, why must the salesman make their "sales presentation" again to the interviewer after presenting it to the Grocery Merchandiser. The reasoning behind this is, if the promotions were not given to the interviewer, he would want all salesmen to see the Grocery Merchandiser. The interviewer, if he finds he is being by-passed, feels he is not performing an important function and his morale is often

lowered. The interviewer could also avoid his duties by telling salesmen to see the Grocery Merchandisers.

In the present system, buyers are not in direct contact with all salesmen. They receive information about their products from forms provided by the interviewers. Because of the difficulty in recording all the pertinent information on the forms, this information is often incomplete and may be devoid of such things as competitor's promotions and ideas to help in the selling function.

Peter Drucker, in explaining the symptoms of malorganization, states that:

"going through channels rather than directly to the man who has information or ideas needed or who should be informed on what is going on, is unhealthy for an organization; it is not just a symptom of malorganization, it is the cause."²⁷

In the new system, buyers interview salesmen for their line of products and make the decisions on the presentations. The salesman will be dealing directly with the decision maker and will not have to duplicate any interview. The uncertainty regarding communication of their "sales presentation" is eliminated because they are not dependent on the interviewer to transmit same. The direct flow of information, from the salesman through the buyers to the stores, reduces the likelihood of information and ideas being omitted. The buyers will receive directly all the information the salesmen have to present. The necessity for the

²⁷ Peter Drucker, The Practice of Management, (New York: Harper and Brothers Publishers, 1954), p. 135.

Grocery Merchandiser to interview salesman will be eliminated because more men will be interviewing instead of two interviewers in the present system.

Buyers-stores Relationships

The buyers in the present system, are not required to visit the stores. A buyer should visit the stores and be aware of store problems and operations due to changing market conditions. The buyers located in Cincinnati probably will visit some stores in the Cincinnati area but very rarely visit the Columbus stores. It seems logical that in order to perform the buying function efficiently, complete knowledge of the selling function is necessary. Such operations as receiving, stocking, price marking, storing, displaying, and actions of competitors, should be known and considered when contemplating purchases of merchandise.

"Balance may be improved and better operating results attained by combining different parts of a job under several men into one complete job under one man. Joseph E. Hall, President of the Grocer Company describes such a change in operations as follows: 'Until the last few years, we operated on a functional basis with one man responsible for buying and another man responsible for selling. Sometimes there was friction between these men. If, for instance, merchandise failed to sell, the sales promotion man claimed that the merchandise was inferior, whereupon the buyer would intimate that the sales promotion man had missed his true vocation and should be farming or cleaning streets. The situation was somewhat like that between the meat manager and the grocery managers, in both cases it was difficult to find the man responsible who was even handled only a part of the complete job.'"

This same kind of situation arises when merchandise does not sell. The buyer blames the store manager and the store manager blames the buyer.

"In department store organizations the buyer is responsible for both the personal and impersonal selling of his merchandise."²⁹ The buyer is responsible for the planning of departmental promotions. He is responsible for the arrangement of his department and he supervises the interior display of the merchandise.³⁰

Traditionally the buying and selling function has been divided in the food chain industry for the following reasons:

1. Buyers have ability to purchase but are deficient in selling ability and experience.
2. The buyer cannot be in the relevant department of all stores simultaneously and is absent from the department too much to do an adequate job in supervising the sale of merchandise.
3. The volume of business is too great to permit the buyer to give adequate attention to supervision of selling activities of his department.
4. Greater emphasis can be placed on selling if buying and selling are separated.

In the new system, the buyers would be responsible for visiting stores at least once a week. They would be responsible for visiting both competitors' stores and the company's own stores. This will keep them in

²⁹Fred M. Jones, Retail Merchandising, (Homewood, Illinois: Richard D. Irwin, Inc., 1957), p. 167.

³⁰Ibid.

contact with the markets and develop an awareness of the selling functions performed in the stores. This will also provide them with a chance to talk to the store managers, thus providing for an exchange of ideas about the products sold. A knowledge of the selling function and more intelligent purchasing should result from such action. The buyers will be responsible for action to balance store stocks on promoted items, i.e., if there is an excess of stocks on a buyer's item in the stores, the buyer will be responsible for taking action to eliminate this excess inventory condition. Since the buyer will be responsible for "helping" the stores in the selling function, a better relationship between the merchandising department and the stores should develop.

Personnel Morale

In the present system the buyers function as order clerks. They make decisions only with regard to routine purchases. Their experience and knowledge about their specific product line is not utilized. Machines are now available that can perform the reordering function. These machines are designed to make out purchase orders when the stock on certain items reaches a predetermined minimum.³¹ The reduction to nothing but order clerks and constantly being by-passed on decisions on new items and promotions on products in their line, leaves much to be desired with regard to the buyers' morale. They have specialized knowledge in their line which qualifies them for making these decisions. They are aware

³¹ "Automatic Ordering and Billing" Chain Store Age, (November, 1957), p. 167.

of this and realize their status is inferior. They realize they are not recognized as assets of the company even though they have experience and knowledge. In view of the above reasons the possibility of the buyers doing just enough to "get by" is very proximate. The possibility of them being enthusiastic and innovative is remote.

In the new system, the buyers will be delegated responsibility and authority to make decisions concerning their product line. By receiving this authority their status will be improved and their knowledge and experience utilized. The buyers will be more likely to be interested in their jobs because top management will have shown confidence in them and have recognized their abilities.

In the present system the Grocery Merchandisers are making all decisions with regard to new items, promotions, and the sales plans. They are in reality performing the functions that would be more easily and efficiently performed by the buyers.³² These functions must be performed under the present system by Grocery Merchandisers because the authority to have them done by the buyers is not invested in them. Performing these functions involves extensive analysis of product lines. This defeats the purpose of having "specialized product line" buyers, i.e., the purpose of specialized buying is to divide the work load

³²Functions that could better be performed by the buyers include space allocation, pricing, coordination of cooperative advertising contracts, balancing of inventory, deciding which items should be handled and promoted, and communicating selling information to the stores. Because each buyer only deals with his product line, his specialized knowledge of that line gives him the background for performing these functions.

because the number of decisions necessary for all products is too great for one person to handle. Specialized product line buyers can make more effective decisions because they are only concerned with certain items and are constantly gaining knowledge and experience in their specific product line.

The performance of "buying functions" consumes much of the Grocery Merchandisers' time. Each Grocery Merchandiser spends the following amount of time in performing "buying functions" each week:

	Hours
Making decisions on new items and promotions	10
Analysis for space allocation	1
Pricing analysis	2
Making up Weekly Sales Plan	4
Putting cooperative advertising in plans	$\frac{1}{2}$
Checking store inventory or promoted items	$\frac{1}{2}$
Total time spent performing buying function	<u>18</u>

This amounts to a total of eighteen hours per week in which the Grocery Merchandiser is performing functions that could be performed by the buyers. The buyers could perform these functions, because their present duties do not require their full forty-hour week. They have the time available to perform additional functions.

In the proposed new system these functions would be delegated to the buyers, thus freeing the Grocery Merchandisers' time now consumed in performing these functions. The Grocery Merchandisers' "work load" will be reduced giving them additional time to perform other functions more efficiently such as: developing sales plans and training personnel. Decisions concerning the buying functions should improve because the men with specialized knowledge, the buyers will be making the decisions.

This chapter has dealt up to now with the disadvantages of the present system and the advantages of the suggested new system. The present system is not without benefits to the company. The centralized grocery buying operation has definite advantages in performing functions necessary to supply the stores with the proper merchandise. The benefits from this centralized buying operation will also apply in the new system.

Additional Considerations

The benefits of the central grocery operation which will be retained in the new system are as follows:

1. Utilization of IBM equipment. IBM tabulating equipment located in Cincinnati does the record keeping for both divisions. This equipment is rented at a fixed rate per month. The rent on these machines is the same regardless of how much they are used. The machines have excess capacity, i.e., they can do the record keeping for more than eighty-five stores; the more they are used, the greater the benefits that can be derived from their use. As it is in the present system and as would be in the proposed new system this equipment could continue to perform the dual function of record keeping for both divisions. The use of these machines will continue to perform the record-keeping function at the lowest cost possible.

2. Comparisons between the two divisions. Each buyer has the records of product sales for both divisions in the same file in the central buying organization of the present system. This provides a standard which can be used for possible control. For example, if an item is selling

well in Cincinnati and not well in Columbus, an investigation would take place to discover the reason for this situation. The investigation would most probably result in some kind of corrective action.

Records for both divisions will continue to be supplied from the tabulating department in Cincinnati, and comparisons between the two divisions can continue to be obtained very easily.

3. Uniformity of records and reports. In the present central buying operation the same forms are used for all records and reports. This provides for simple comparison and analysis between the two divisions. In the new system, the present forms and reports will be retained in each division and comparisons will still be able to be made easily.

4. Specialization. Under the present system, the grocery merchandising department specialization (each buyer being only concerned with one class of items) is beneficial because the buyers grow in knowledge and experience about their specific products. In the new system specialization and the benefits of specialization will be retained. In the new system the buyers will have the responsibility for one expanded class of items, such as one buyer being concerned with the purchase of health and beauty aids and paper products.

5. Quantity buying. In the present central buying operation, large quantity purchases are possible.³³ It is possible for the Columbus and

³³By buying larger quantities of merchandise from a manufacturer a lower price per unit can be secured. For example, if a chain buys 1-500 cases of merchandise, the price could be \$2 a case. If 500-1,000 cases are bought the price per case could be \$1.90 a case.

Cincinnati divisions to share a large purchase resulting in lowered cost of the merchandise. Now both divisions have grown in size enabling them to gain the benefits of quantity purchase separately. Therefore, in the new system, lower prices from quantity purchases will be attainable in both Columbus and Cincinnati.

6. Possible Problems. In the present central buying operation, the employment of "top grade" personnel in buyers' jobs is not very important because buyers only perform routine buying functions. In the proposed decentralized operation, it is very important to have responsible and clever men in buyers' positions because they will be given the authority to make strategic decisions.

In the present organization the training period for buyers is relatively short. In the proposed organization, training for proper performance of responsibilities requires much more time because of the experience necessary. Therefore, in connection with the proposed organization some arrangement would have to be made to provide for the training of buyers to replace the men in these positions.

In the present organization the buyers have been located in Cincinnati for many years. The proposed system would necessitate convincing three buyers to relocate to Columbus. The improvement in status and responsibility should "go a long way" in convincing the buyers to uproot their families and move to Columbus.

In the present system the Grocery Merchandisers, by making all decisions, control the promotions and prices to conform with the overall merchandising policies and dollar objectives of the merchandising

department. The objectives should be established in order to provide goals for the buyers but also overall departmental goals.

Summary

The comparison of the two systems shows that the advantages of the present system will be retained in the new system and the following additional benefits will be gained:

1. Buyers knowledge and experience will be used.
2. Ten man-hours will be saved in a normal week's buying operation, allowing the time to be utilized in planning on the part of the Grocery Merchandiser.
3. Clerical work in typing and filing communications will be reduced by the elimination of two steps in the channel of communications and the reduction in the number of forms required presently.
4. Information will flow with more speed and accuracy.
5. Supplier relations will be improved.
6. A better relationship between the department and the stores will develop.
7. Buyers morale will be improved.
8. The Grocery Merchandisers' work load will be lightened.
9. Better decisions will result and these decisions will require less time per decision.

CHAPTER V

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

Summary and Conclusions

The present buying and merchandising department of Company X is centralized, i.e., buying of grocery items is performed in Cincinnati for both the Cincinnati and Columbus markets. Because the two markets have become dissimilar, it has become necessary to decentralize. The proposed decentralized buying organization, i.e., the establishment of two buying and merchandising departments, one in Columbus and one in Cincinnati, provide for the following:

1. The saving of time by releasing the Grocery Merchandisers from making decisions on new items and promotions and delegating this authority to the buyers. The time saved can be utilized by allowing the Grocery Merchandisers to develop and implement merchandising policies.

2. The number of steps in the channels of communications necessary from the manufacturers through the retail food chain merchandising department to the consumer will be reduced from five steps to three. Two steps will be eliminated in the process.

3. Buyers' experience and knowledge will be utilized instead of being neglected by the organization, because authority will be given them to make decisions on new items and promotions.

4. Supplier relations will be improved because salesmen will make their presentations directly to the buyers who will have the authority to make purchasing decisions instead of presenting them to an intermediary

who cannot make such decisions.

5. Buyers' morale will be improved because they will be given authority and responsibility instead of being relegated to being merely order clerks.

Recommendations

1. Buying and merchandising department should be established in Columbia in addition to the one in Cincinnati.

2. Three buyers should be relocated to the Columbia department.

3. Buyers should be given authority to make decisions on new items, promotions, and other decisions concerning their product lines.

4. The Grocery Merchandisers should be given direct authority to incorporate the buyers in their respective divisions and establish objectives for them.

5. Buyers should be required to visit the company as well as competitive stores.

6. Buyers should interview salesmen for products in their respective lines.

7. Buyers should be responsible for passing on information about their products to the retail stores to aid in the selling function.

8. Buyers should arrange for supplying retail stores with display of sales material.

9. Buyers should be responsible for store inventories and have authority to take action when needed.

10. Buyers should be responsible for discontinuing items in their respective lines.

11. Tabulating equipment and printed forms used in the centralized organization should also be utilized in the decentralized operation.

12. A training program should be initiated to provide for replacement of tea buyers.

13. Monetary incentives should be established to prompt the buyers to realize the objectives in their respective product lines.

14. Buyers' titles should be changed, for example, to "Good Manufacturer of Health and Beauty Aids and Paper Products."

This paper has presented a proposal in which benefits may be gained. The real proof of the new organization's success would be shown if it were actually tried. "The proof of the pudding is in the eating."

BIBLIOGRAPHY

1941

Frank, W. A. Functional Analysis of Food Distribution. East Lansing, Michigan: Michigan State University, 1941.

Garfield, Herman F. Public Relations. Homewood, Illinois: Rinehart, Inc., 1950.

Leise, John. Planning and Developing the Company Organization Structure. New York: American Management Association, Research Report, Number 1, 1951.

Lippman, Peter. The Practice of Management. New York: Harper and Brothers Publishers, 1941.

Loeb, Fred W. Retail Merchandising. Homewood, Illinois: Richard D. Irwin, Inc., 1951.

Mingate, John W. Buying for Retail Stores. New York: Prentice Hall, Inc., 1946.

PERIODICALS

"Automatic Ordering and Billing," Modern Store Age, December, 1955.

"Buy It or Skip It," Modern Store Age, October, 1955.

"Buying Committees," N.M.A. Bulletin, November, 1955.

"Charles Taylor At the Super Store. Infant Reports," Advertising Age, March 14, 1956.

"Portrait of the Super," Supermarket Merchandising, January, 1956.

"Freedom of Committees," Management Science, October, 1955.

"60 Questions a Chain Buyer Asks About His Store," Super Merchandising, February, 1956.

"Supermarket Buyer Talks Free," Supermarket Merchandising, May, 1956.

MICHIGAN STATE UNIVERSITY LIBRARIES



3 1293 03177 6127