Journal of Research in Business, Economics and Management (JRBEM)
ISSN: 2395-2210

SCITECH
RESEARCH ORGANISATION

Volume 10, Issue 3
March 6, 2018

Journal of Research in Business, Economics and Management
www.scitecresearch.com

Selection Listing Decisions: New Product Adoption of Food Retailers

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Abstract

Retail selection policy determines the competitiveness of retailers. This is even truer of the bustling food retail market, thus how product assortments are determined is crucial in grounding profitability. This paper describes an analysis of new product listing decisions, based on which a tool-kit for food-retailers and ideas for producers in this domain are provided.

The research applies in-depth interviews among the largest and some smaller international and domestic retailers in Hungary to explore the characteristics of their listing decisions. Content analysis and informed grounded theory methodology are applied to examine the interviews. Results include a novel theoretical and practical framework for new product adoption, while two main innovation-related attributes are explored: profit as seen from a global perspective by new arrivals that accept losses on certain products to meet other company targets, and the needs-based perspective which defines more a complex approach to product selection according to customer needs.

The paper first presents an analysis of the secondary literature relating to new product listing and conceptualises the related factors. It then investigates food retailers' new product adoption decisions in Hungary, emphasising the related strategies. Finally, a model is presented to describe the explored preferences.

Keywords: Selection Policy; Retailing; Listing Decisions; New Product Adoption; Competitiveness; Content Analysis; Informed Grounded Theory.

1. Introduction

Maintaining competitiveness is a basic requirement in the survival, renewal and development of businesses. The pursuit of the latter can take many forms, including differentiation. This involves a variety of tactics, which can manifest in marketing strategy and communication, especially in terms of positioning, corporate identity and advertising, as well as in product offerings. Every attribute of supply is suitable for serving the purposes of differentiation. For this reason, assessing the width and depth of selection, including core and supplementary services, should be a fundamental part of retail strategies.

Food retailing is characterized by fierce competition and a rapidly changing market environment, which determine selection differentiation. Grocery offerings essentially consist of two main components: a basic and a temporary selection. The latter helps fulfill seasonal customer needs and the demand for continuous renewal, and to attract well-defined diverse segments of customers. However, the study described in this paper focuses on the basic assortment which helps both manufacturers and vendors establish a predictable strategy by supporting availability. These supply elements may become destination products which are included on buyers' shopping lists, meaning that, as a part of the compulsory selection, they must be kept in-store. If they are found to be lacking, customers are liable to switch to another shop (Agárdi, 2010). Nevertheless, even the basic selection may sometimes undergo notable changes.

The purpose of this paper is to explore and highlight the background and reasons for the modification of the basic selection of groceries. These changes are the outcomes of a retail selection strategy that is based on listing decisions. Thus, the main aim of the study is to explore new product adoption as the main tool of grocery selection policy and thus differentiation. Although the issue could have also been analyzed more controversially from the perspective of supplier selection in relation to retailers' purchasing of merchandise, mainly targeting retailer buyers (e.g. Sheth, 1980), the aim of this paper is to support the decision-making activities of retailers, which is why it focuses on the approaches and roles of vendors in the supply chain as regards listing decisions.

New product acceptance or product listing occurs through activity innovation and refers to selection building for the purpose of differentiating stores and/or satisfying customer needs, resulting in greater diversity and enhanced competitiveness. Deselection, delisting, or delaying involves reducing choice through stock-keeping-unit elimination. The latter has a significant impact on manufacturers and may affect customers too.

In the first part of this paper, a conceptual framework of listing decisions is constructed through the application of secondary research. Following this, the business managers of major types of grocery stores in Hungary were surveyed about the grounds for their selection decisions using qualitative expert in-depth interviews and informed grounded theory combined with content analysis as the analytical methodology. As a result of these secondary and empirical findings, practical tools for improving food retailers' practices are suggested.

2. Literature Review: Reasons Underlying Product-Listing Decisions

Product listing can determine retailers' competitiveness and profitability. Merchants may commit mistakes if they list new merchandise, but also if they do not: such decisions can boost customer satisfaction or increase disappointment, resulting in an increase, or a decrease in profit, which may be coupled with improved loyalty, or store switching. In these cases, customers' willingness to compromise regarding substitute products is decisive (Koul *et al.* 2017).

Some factors fundamentally influence listing decisions. Tactics depend on the size (Rao and McLaughlin, 1989, Bronnenberg and Mela, 2004) and location (Koul *et al.* 2017) of the retailer. However, it should initially be stated that smaller and rural retailers with moderate financial capital and consumers with modest expectations (Sheth, 1980; Koul *et al.* 2017) typically have different approaches to larger retailers with more demanding customers (Sinha *et al.* 2017). What is more, smaller groceries often do not have selection strategies: their assortments focus only on satisfying local needs, eliminating the need for comprehensive strategies (Juhász *et al.* 2008) and providing novel or high-end products. Related features, such as shelf space (Collins-Dodd and Louviere, 1999, Koul *et al.* 2017) and store type (Sheth, 1980) are also determinants of decisions. These features, complemented with the views and behavior of the management, are defined as *exogenous factors*, while the characteristics of the merchandise are considered *endogenous factors* by Sheth (1980). Attributes can also be evaluated according to their strategic role since they define market weight and competitiveness.

Retail buyers return verdicts about new products, which process is associated with risk because of the questionable revenue generation, potential for failure and opportunity costs connected to such decisions (Hansen and Skytte, 1998). However, in the case of less attractive products, intense salesperson – buyer relations can more than double the chance that a new product is accepted. Moreover, embedded relationships between companies significantly increase the probability of business transactions (Kaufmann *et al.* 2006).

The introduction of new products by vendors is affected by four main issues which can be categorized as follows (Table 1.):

(1) Customer and Consumer Features;
(2) Market Competition and Pressure;
(3) Power Relations in the Supply Chain;
(4) Expected Contribution to Profit and Gross Margin.

Interestingly, the least researched field is *(1) customer and consumer features*. As novel marketing approaches such as service-dominant logic and customer-dominant logic suggest, customer resources should be integrated through a process of value co-creation (Vargo and Lusch, 2004, Voima *et al.* 2010), which refers in this context to the contribution of customers and their involvement in new product identification. This is essential because the ultimate goal of vendors is to generate profit, which is impossible without sustaining and developing customer interests. In the framework of a supply chain, value may be created in parallel for all members, although this may take different forms such as margin for manufacturers and retailers and product experience for customers (Vinhas *et al.* 2010, Bauer and Agárdi, 2012). Product experience can be diverse, resulting from objective product features through shop atmosphere to anything that has even an indirect impact on customers.

Market-driven effects such as changing trends, fashion and tastes often influence this *first* category. To delineate market preferences, the attractiveness and the availability of the target group should be taken into account in relation to size, buying power and status (Koul *et al.* 2017).

Table 1: Factors Underlying New Product Adoption

Attributes involved in new product listing	Source
CUSTOMER AND CONSUMER FEATURES	
Integration of customer ***resources***, needs, behavior and recommendations; ***changing trends, fashion and tastes***	Koul *et al.* (2017)
Attractiveness and ***availability*** of target group (segment features: size, buying power, status)	Koul *et al.* (2017)
MARKET COMPETITION AND PRESSURE	
Business environment, competitive structure (macro-features of the market, regulations related to trade, e.g.: certification), number and accessibility of suppliers, number of retailers	Sheth (1980); Rao and McLaughlin (1989); Lin and Chang (2012); Nandonde and Kuada (2016)
Whether competitors have already listed the merchandise within the catchment area	Bronnenberg and Mela (2004); Shaikh and Gandhi (2016); Koul *et al.* (2017); Sinha *et al.* (2017)
Product type, uniqueness, quality, calculable and reliable quantity, country of origin and its traceability, positioning and packaging; in summary, whether the new product provides a competitive advantage and creates ***customer value***	Sheth (1980); Rao and McLaughlin (1989); Hansen and Skytte (1998);Collins-Dodd and Louviere (1999); Skytte and Blunch (2001); Kaufmann *et al.* (2006); van Everdingen *et al.* (2011); Lin and Chang (2012); Nandonde and Kuada (2016); Koul *et al.* (2017); Reardon et al. (2017); Sinha *et al.* (2017)
Category and product line features (category range and fulfillment, existence and frequency of new entrants in the category, market position and the share of national, international brands and private labels)	Sheth (1980); Rao and McLaughlin (1989); Collins-Dodd and Louviere (1999)
Corporate image and related brand equity, marketing communication support	Sheth (1980); Rao and McLaughlin (1989); Collins-Dodd and Louviere (1999); Koul *et al.* (2017); Sinha *et al.* (2017)
POWER RELATIONS IN THE SUPPLY CHAIN	
Embedded personal or corporate connections between the supplier and the retailer, membership in a retail buying association, Efficient Consumer Response (ECR), category management, merchandising, electronic merchandise tracking system, managerial support	Sheth (1980); Hansen and Skytte (1998); Skytte and Blunch (2001); Bronnenberg and Mela (2004); Corsten and Kumar (2005); Kaufmann *et al.* (2006); Agárdi (2010); van Everdingen *et al.* (2011); Lin and Chang (2012); Shaikh and Gandhi (2016)
Sales support, supplier/producer’s sales promotion, product information and display provision (e.g. display fees)	Rao and McLaughlin (1989); Agárdi (2010); van Everdingen *et al.* (2011); Lin and Chang (2012); Shaikh and Gandhi (2016); Sinha *et al.* (2017)
Retailer's bargaining position	Koul *et al.* (2017)
Need to avoid dependence – multiple sources of supply	van Everdingen *et al.* (2011)

Nature of supplier's ownership: size, country of origin, location, reliability	Nandonde and Kuada (2016); Sinha *et al.* (2017)
Nature of ownership of retailer (centralization, formalization), size, type, shelf space, location, provision of customer experience (these determine retailer's financial and competitive position and market power)	Sheth (1980); Hansen and Skytte (1998); Bronnenberg and Mela (2004); Lin and Chang (2012); Koul *et al.* (2017)
Market share and reputation of producer	Rao and McLaughlin (1989); Collins-Dodd and Louviere (1999); Bronnenberg and Mela (2004); Shaikh and Gandhi (2016)
EXPECTED CONTRIBUTION TO PROFIT AND GROSS MARGIN	Rao and McLaughlin (1989); Hansen and Skytte (1998); Collins-Dodd and Louviere (1999); van Everdingen *et al.* (2011); Shaikh and Gandhi (2016); Koul *et al.* (2017); Sinha *et al.* (2017)
Growth potential of the product category reflecting the above-mentioned features	Rao and McLaughlin (1989); van Everdingen *et al.* (2011); Shaikh and Gandhi (2016)
Financial incentives from manufacturer such as allowances in the form of credits, discounts, rebates, free products, favorable stock financing, buy-back, defective product replacement, transportation, logistics, and other contributions like slotting fee, pay-to-stay fee	White *et al.* (2000); Marx and Shaffer (2004); Agárdi (2010); Lin and Chang (2012); Nandonde and Kuada (2016); Shaikh and Gandhi (2016); Koul *et al.* (2017)
Favorable purchase price and suggested retail price, price reduction support	Rao and McLaughlin (1989); Koul *et al.* (2017)
Opportunity costs	Rao and McLaughlin (1989); Hansen and Skytte (1998); Collins-Dodd and Louviere (1999); Kaufmann *et al.* (2006)
Note: No references were found in the literature to statements in bold and italics. Source: Author's construction	

Retailers' product acceptance is dominated by *(2) market competition and pressure.* The macro-characteristics of market and legal restrictions determine the business environment through the creation of requirements relating to competition that affect market structure and the number and accessibility of suppliers and retailers (Sheth, 1980; Rao and McLaughlin, 1989; Lin and Chang, 2012; Nandonde and Kuada, 2016). Product listing is supported in the case that competitors have already listed certain merchandise within the catchment area (Bronnenberg and Mela, 2004; Shaikh and Gandhi, 2016; Koul *et al.* 2017; Sinha *et al.* 2017).

A vendor is more likely to adopt and list merchandise if the new product offers a competitive advantage (which can be also referred to as customer value creation). The product's type, uniqueness, quality, predictable and reliable quantity, country of origin and its traceability, positioning and packaging are the most important features for retailers (Sheth, 1980; Rao and McLaughlin, 1989; Hansen and Skytte, 1998;Collins-Dodd and Louviere, 1999; Skytte and Blunch, 2001; Kaufmann *et al.* 2006; van Everdingen *et al.* 2011; Lin and Chang, 2012; Nandonde and Kuada, 2016; Koul *et al.* 2017; Reardon *et al.* 2017; Sinha *et al.* 2017). However, a favorable purchase price and the suggested retail price can also be important determinants in decision-making (Rao and McLaughlin, 1989; Koul *et al.* 2017).

Listing judgements seldom involve stand-alone decisions. Manufacturers and retailers think in product lines (i.e. in terms of variety of types of product offered by the same manufacturer) and/or in product categories (groups of substitute and complementary products produced by more manufacturers). The main functions of having multiple product lines and categories are to increase choice to meet different customer needs, thus enhancing satisfaction. If a product line/category is well defined, continuously monitored and maintained, it can help maximize profit, which is why vendors try to determine their selections carefully, adjusting them to customer expectations. The market position and the share of national and international brands and private labels are also product adoption factors, but it is also an exciting question how often new entrants appear in a category (Sheth, 1980; Rao and McLaughlin, 1989; Collins-Dodd and Louviere, 1999).

Products from a strong brand backed by a well-defined corporate image and the extension of product ranges are welcome, but only when coupled with marketing-mix support (involving price reductions, communication support, etc.) (Sheth, 1980; Rao and McLaughlin, 1989; Collins-Dodd and Louviere, 1999; Koul *et al.* 2017; Sinha *et al.* 2017).

New product involvement in a selection seems to be mostly defined by *(3) power relations in the supply chain*. This is reflected in embedded, long-term personal or corporate connections between the supplier and the retailer (Hansen and Skytte, 1998; Bronnenberg and Mela, 2004; Corsten and Kumar, 2005; Kaufmann *et al.* 2006; van Everdingen *et al.* 2011; Lin and Chang, 2012; Shaikh and Gandhi, 2016), membership in retail buying associations, and supply chain members' shared electronic merchandise tracking systems (Agárdi, 2010, Skytte and Blunch, 2001; Palandeng *et al.* 2018). The management skills and the capabilities of salespeople influence the success of negotiations (Sheth, 1980).

A notable influence on sales support is supplier/producers' sales promotions and additional in-store marketing activities such as product information and display provision (Rao and McLaughlin, 1989; Agárdi, 2010; van Everdingen *et al.* 2011; Lin and Chang, 2012; Shaikh and Gandhi, 2016; Sinha *et al.* 2017). Financial and marketing support for merchandising can involve charging a display fee for secondary product placement.

Greater resistance to new product acceptance may arise due to a retailer's strong bargaining position (Koul *et al.* 2017). Moreover, to avoid dependence retailers can choose from multiple supply sources (van Everdingen *et al.* 2011). Both supplier and retailer ownership, size, country of origin, location, and reliability can be crucial in making long-term agreements (Sheth, 1980, Nandonde and Kuada, 2016; Sinha *et al.* 2017). The centralization and formalization of the retailer, its shelf space and potential customer experience can determine their financial and competitive position (Hansen and Skytte, 1998; Bronnenberg and Mela 2004; Koul *et al.* 2017). A significant market share and the producer's favorable reputation can contribute to the listing of new merchandise (Rao and McLaughlin, 1989; Collins-Dodd and Louvier, 1999; Bronnenberg and Mela, 2004; Shaikh and Gandhi, 2016).

A further reason for a new product launch is *(4) expected contribution to profit and gross margin* (Rao and McLaughlin, 1989; Hansen and Skytte, 1998; Collins-Dodd and Louviere, 1999; van Everdingen *et al.* 2011; Shaikh and Gandhi, 2016; Koul *et al.* 2017; Sinha *et al.* 2017). Factors involved here include market outlook, such as the growth potential of the product category (Rao and McLaughlin, 1989; van Everdingen *et al.* 2011; Shaikh and Gandhi, 2016). Financial incentives offered by the manufacturer, such as allowances in the form of credits, discounts, rebates, free products, favorable stock financing, buy-back, defective product replacement, transportation, logistics, and other contributions like slotting fees and pay-to-stay fees can enhance the likelihood of product listing or maintenance (White *et al.* 2000; Marx and Shaffer, 2004; Agárdi, 2010; Lin and Chang, 2012; Nandonde and Kuada, 2016; Shaikh and Gandhi, 2016; Koul *et al.* 2017).

Retailers typically take into account all costs related to new product adoption such as database record costs, related in-store communication and further potential communication costs, including new product evaluation costs and opportunity costs (related to inappropriately exploited shelf space), and failed product costs (Rao and McLaughlin, 1989; Hansen and Skytte, 1998; Collins-Dodd and Louviere, 1999, Kaufmann et al. 2006). The latter may have multiple and sometimes considerably negative impacts on store image – beyond markdowns – if in extreme cases customers switch stores due to their perception of inadequate merchandise (Collins-Dodd and Louviere, 1999). The risks of these effects can often be reduced by imposing slotting fees, and, above all, regarding shelf space as a scarce resource (Sullivan, 1997; White *et al.* 2000).

Listing decisions are often coupled with deselection processes. This occurs on the one hand because of the need for shelf space, and on the other, on account of specific product features.

3. Methods

The research described in this paper applies a qualitative explanatory method to investigate retailers' new product listing decisions. As an analytical method, informed grounded theory methodology was used. Grounded theory methodology was originally introduced by Glaser and Strauss (1967) to enhance scientific investigation through the definition of a systematic process of qualitative data collection, sample size determination, and analysis. The method has since been developed and has changed notably. According to the initial and later descriptions of grounded theory as defined by Glaser (1992), only interview-based data should strictly be taken into account. However, the novel direction suggested by Corbin and Strauss (1990) and Charmaz (2000, 2006, 2017) emphasizes the need for proof supplied by the secondary literature (but still not involving this in the analytical process). Thornberg (2012) proposes the use of informed grounded theory which facilitates the adoption of secondary literature as context. Nevertheless, the main target of the analysis is ultimately to determine and expound novel categories and create novel theory involving the researcher's thoughts. Informed grounded theory legitimizes the use of reviews as a reference framework, in contrast to the former inductive method (Glaser and Strauss, 1967, Glaser, 1992), suggesting the use of an abductive framework (Charmaz 2000, 2006, Thornberg, 2012). 'Abductive' refers to a combined method that incorporates inductive and deductive elements: it is inductive because it draws the final theory from the respondents' answers, while it is deductive because it compares these results with the literature in the course of theory-making.

Sample size should be increased to until theoretical saturation is reached, which refers to the point at which new queries derive no new information (Kozinets 2002, Dörnyei and Mitev, 2010). Data collection proceeds iteratively, while sample elements and data collection should be regarded as coming under the umbrella of relevance (Corbin and Straus, 1990).

Grounded theory is thus a well-documented, scientific, qualitative process of data analysis based on literal transcripts of interviews that uses words and phrases from interviews as initial codes to identify the main category(ies) and the ultimate theory(ies) (Strauss and Corbin, 2008). Grounded theory methodology has been also applied by Koul *et al.* (2017) in a similar context to the one presently described; in addition, Teji (2016) used informed grounded theory to explore retailer success and methods of measurement.

The present author agrees with the stated advantages of informed grounded theory – mainly its ability to create insightful perspectives and provide aid for systematic abstraction and data gathering, thus identifying emerging theory. However, besides informed grounded theory, the analysis described in this paper uses narratives to enable the reader to drill deeper into the topic, conforming in some ways to the principles of content analysis. Nonetheless, this is not the primary aim of the analysis: rather, the target is to reveal latent content, a goal more similar to that of the grounded theory approach. Narratives are necessary because expert interviews contain a reduced amount of information which facilitates coding and category definition, but on the other hand create only a restricted framework; moreover, example-rich cases may be fruitfully employed.

4. Data

Hansen and Skytte (1998) point out that most of the research in the field of listing decisions is hard to evaluate, mostly because of poor data documentation. To avoid this, the paper provides a detailed overview of the sample (Table 2). All of the largest food retailers in terms of gross margin (Nielsen and Trade Magazin, 2016) and some smaller regional and specialist groceries in Hungary were examined. Business managers and owners of the stores were surveyed through a process of qualitative expert in-depth interviews. Addressing food retailers allowed for a focused explanation of listing decisions, because their judgements were in many cases significantly different depending on their profiles (Davies, 1994).

The Hungarian food retail market is concentrated: only nine market players, including international and domestic chains, share almost ninety per cent of the market (Nielsen and Trade Magazin, 2016, KSH, 2018). For this reason, affiliation is referred to in the later analysis.

Data collection involved two main stages in order to involve more retailers, and let the topic emerge. The transcripts of the in-depth interviews were abstracted by analyzing the research data through the application of informed grounded theory. This made it possible to identify the elements underlying new product introduction. The research builds on the main theoretical category 'reasons for listing decisions', so the encoded and identified elements are intertwined with the following main research questions, as required:

K1. Which factors determine the new product adoption of retailers in Hungary?
K2. What tools contribute to a new product's market success in practice?
K3. What strategies are used for successful products?

Results are based on the topics of questions and are thus introduced in this order. Although these are not empirically derived categories, the subcategories describe themes related to retailers' views and practices. However, the aim of the paper is to examine retailer's thoughts about practical issues, rather than confirming secondary findings.

Table 2: Sample Characteristics

Store type	Affiliation	Gender	Age	Position	Place of business	Average customer basket ($)*	Unit purcha-ses/day	Average revenue/ day($)*
Hypermarket	international chain	male	40	store manager	agglomeration around capital	32	7500	240000

Hypermarket	international chain	male	41	regional director	capital	27	7500	202500
Discount store	international chain	male	34	store manager	agglomeration around capital	21,2	2300	48760
Discount store	international chain	male	32	deputy business manager	capital	20	1200	24000
Discount store	international chain	female	28	deputy business manager	capital	7	2000	14000
Supermarket	international chain	female	46	store manager	agglomeration around capital	17,2	750	12900
Supermarket	international chain	female	45	store manager	country town	12	1050	12600
Supermarket	international chain	female	36	store manager	country town	20	1000	20000
Supermarket	international chain	female	36	store manager	capital	6	1750	10500
Supermarket	domestic chain	female	46	store manager	capital	10	850	8500
Supermarket	domestic chain	male	36	store manager	capital	2,4	800	1920
Supermarket	regional chain	female	50	financial manager	country town	8	250	2000
Food retail and wholesale trade	regional chain	male	47	executive director	country town	18	250	4500
Specialty store	domestic chain	male	49	owner, business manager	capital	16	30	480
Specialty store	domestic chain	female	47	owner	capital	4	170	680
Small store	regional chain	female	43	store manager	country town	16	4000	64000
Small store, /Partly franchisee	domestic store	female	56	store manager	capital	2,8	600	1680
Small store	domestic store	male	42	owner	agglomeration around capital	4	90	360

*Using a currency exchange rate of 250 HUF/USD.
Source: Author’s construction, N = 18

5. Results and Discussion

5.1. New Product Adoption Factors of Retailers

As the results show, new product adoption is not always in the hands of store managers, but sometimes depends on the dependence and the centralization of a store in relation to a chain. This situation may question the relevance of examining listing decisions at this level, but only in three instances during the interviews did store managers report to having no influence on the marketed merchandise at all, because

> *“Like so much else, it also falls under central control…”* (domestic store).

> *"I did not get information about that, I don't know, it is up to senior executives to decide."* (international chain).

> The new product *"…came due to an order from higher up."* (international chain).

In other stores respondents were able to provide information about listing decisions because they had part or full competence over decisions about new product listing. In most cases, the buying center or the buyer made such judgements, although they required support using market information from the store manager, who was usually in direct contact with the customer. This is why, in most cases:

> *"The center arranges it, they usually decide what to buy. There are compulsory products that must be kept in every […] store and there are a few optional alternatives as well. I decide about these."* (domestic chain).

Factors underlying expansion of supply (thus product listing criteria) vary significantly. Results indicate that new products are usually involved in selection based on "the voice of customer" (i.e., customer demand, their needs and preferences, personal and direct communication with the customer through the owner, the cashier, and the shelf stacker, especially in the case of returning buyers who ask for specific products or extraordinary quantities of them).

> *"She was very grateful for this and went home saying good things, and she has been buying from us since then."* (domestic chain).

Customers' ideas can also lead to product development:

> *"I spend a lot of time personally in the sales space, talking to buyers, resellers, and other friends who are shopping with us, and I usually get information from them. […] We are trying to adapt to customer needs, but of course this also depends on the sources of supply."* (regional chain).

> *"As a village shop, shopkeepers know the local people, talk to them, we are mostly inspired by them. These so-called 'tips': what is said to the shop manager, and the center asks whether buyers have any ideas or wishes."* (regional chain).

> *"Absolutely, the basis of everything is communication, as I mentioned, so we talk to customers about what they like, what they want."* (domestic store)

Another reason for listing is analysis of the assortment of competitors. Furthermore, new or enhanced quality products are also launched to meet and exceed customer needs. This can lead to differentiation and is connected with taking a global view, as demonstrated in the following quote:

> *"I think we have to also stock products that it is not sure will be used in the kitchen, but it's good for a customer to see that they are there [on the shelf], associated with our store. […] Someone cooks shrimps – say, the bigger ones. So, the bigger-sized ones, which is a rare thing, maybe they are cooked twice a year, then they [customers] will also recommend us to their friends."* (international chain)

The purchase price and the retail price should generate a reasonable margin, or increase competitiveness. *"…I can sell it the cheapest in Budapest."* (domestic chain).

If the manufacturer or the wholesaler has a novel product, it is offered to the retailer, but smaller retailers may be required to search out new products. Manufacturers pay slotting allowances to list products at larger vendors. Purchasers are kept at a distance from producers so as to avoid them being influenced regarding whether a new product fits with corporate strategy. Smaller groceries *"…must always keep an eye open, and look at our suppliers when they come up with something new."* (domestic store).

Novel products are often related to seasonality; however, these products are outside the scope of the present research. Respondents find them to be important, together with weather-related goods. Food retailers have a separate strategy for seasonal products which is designed to be effective at tempting customers into the store or increasing customer baskets through additional impulse buys.

In addition to the typical cases that were mentioned several times, the "cheapness" (international chain) of a new product is also considered an important criterion, and on the one hand suggests a less risky product and, secondly, the opportunity for larger margins. Respondents also reported to having successful ideas about internal product development, for example with bakery products.

Profit and margin are and always will be among the most important factors in listing decisions. However, there are some retailers who see profit more globally and not as the foremost goal. Focusing on global profit involves more issues, namely:

> *"…one important consideration is what percent of total turnover the product generates as profit when we have incorporated everything, we have included wages and the rest, and then at the very end, it is what remains. There are very significant differences between product groups and, obviously, there are areas, where a company has to invest."* (international chain)

> *"Each area has its own purchasing team who evaluates numbers and results. Obviously, looking at surpluses, product performance, how much it is liked […] this is also very important for a product, and we investigate this, to see if a product is not profitable, but let's say, those who buy the product purchase ten times as much as the average buyer. Then it is probably not worth removing the product from the assortment because we want to keep that buyer very much. So, it's not certain that it is only that one product you have to investigate."* (international chain)

In this sense, the taste, habits, and behavior of the newly targeted market segment and market trends and fashion can spur new product adoption, as confirmed by other interviewees.

> *"Our goal is to target new customers, especially younger people, so now the video game and entertainment electronics department is in focus and we are expanding the range."* (international chain).

> *"There is more and more emphasis on healthy nutrition."* (international chain)

> *"We are always trying to innovate, so new products and product families are placed on the shelf."* (international chain)

> *"We are trying to be seasonal and current."* (regional chain)

This research has explored a novel needs-based new product listing approach which may lead to new product listing. The requirements of needs-based new product adoption create bundled products. A product package should combine supplementary products to satisfy complex needs. This necessitates a harmonized marketing strategy and related tools. In these cases, new products which are picked for selection are purchased from the producer to meet a wider set of demands. Thus, product offerings may also support cross-selling, for example, when a bundle contains multiple products.

> *"There are also well-connected products. Let's say, that pork chop is liked very much, because we are such a meat-loving nation, that's the truth, we are used to eating it once a week. And say okay, but that is fried meat, how do we cook it, what does it look like? And let's say that it's the meat and it's supposed to be cooked in breadcrumbs. […] the eggs, the flour, and the breadcrumbs must be added. […] Then we should come up with an offer which involves a discount for all of the ingredients together."* (international chain)

The above-described approaches, combined with other information taken from the following section on practical market success strategies, are abstracted and made into a model in Chapter 5.3.

5.2. Tools for New Product Market Success in Practice

Interestingly, strategy is often not complex, as it is theorized to be. It concentrates on different methods and tools of communication. Retailers mentioned larger launch campaigns which include introductory prices and communication activities such as point-of-purchase and point-of-sales promotions (POP and POS). Product placement appears to be the most important of these, which may include gondola end- and cashier-, island-, basket- and pallet placements. Hypermarkets use the event zone which is located at the inside entrance of stores. As a scare resource, the store area of businesses determines the opportunities. Retailers are keen on secondary placements, but in the case of smaller shops this can only be managed with difficulty, although hypermarkets often have as many as five placements of the same product or more.

According to the interviewees, price-sensitive consumers are attracted primarily to the food market, and newcomers and seasonal supply can stimulate demand. However, the research did not reveal the extent to which companies rely on attracting cost-conscious buyers and then cross-sell other products through a strategy of loss leader pricing.

There are new products and concepts for which companies try to provide financial and marketing support, but without success. These product lines and categories are typically then narrowed and reduced by delisting products.

> *"The case of the fish counter was very interesting: it did not bring in any profit, but at the same time it brought healthy eating and innovation into the store. This was shown in how ice sculptures were made by employees at our counters. Indeed, those who competed with each other made very beautiful counters, but we made very big losses on [the counter], and for a while, it was financed. Now, this is a backwards approach, because it is not an easy period right now – there is significant competition…"* (international chain)

The opportunity for buyback decreases retailers' risk, which is why if such an option is offered new products are more likely to be adopted. Risk reduction also involves ordering smaller quantities of products when allowed: units instead of multiple packs.

Attractive packing is an important requirement because it can sell the product itself. However, *"sales promotions and posters"* (international chain), and *"TV spots"* (international chain) may also increase the probability that a new product will be adopted in store. However, many respondents reported that they do not put emphasis on product launches itself, preferring to let buyers discover the product.

5.3. Model of New Product Adoption Factors of Food Retailers

In line with the research, the new product listing elements of food retailers can be classified into four groups (Figure 1.):

(1) Customer inputs and market ideas;
(2) Product and category concepts;
(3) Producer support;
(4) Retailers' targets and performance.

INSIGHTS INTO NEW PRODUCT ADOPTION BY FOOD RETAILERS

Customer inputs and market ideas	Product and category concepts	Producer support	Retailer's performance and targets
Customer demand, needs, habits, tastes and behavior	Enhanced quality, unique products with attractive packaging	Low-risk cheap products	Retailers' overall performance and global profit
Market trends and fashion		Smaller order quantity during launch phase	Targeting specific segments
Competitors' assortment		Contribution to product placement	Innovation
		Marketing communication	Needs-based product bundling
			Own product development

Figure 1: New Product Adoption of Retailers: A Practice-Based Approach

Source: Author's construction

The features of customer demand are some of the most important variables that influence selection: customers' suggestions are collected and taken into account in new product ordering. Market trends and fashion (such as the desire for healthy nutrition) are often considered. Competition stimulates continuous checking of other market players and related selection adjustment.

The expansion of the range of well-known brands and higher quality versions of some products are favored, especially those with attractive packaging. As retailers do not spend a lot on novelties, the role of packaging is essential and supports sales.

The producer's contribution can be multifold in nature, and is associated with risk, which is why a low purchase price and the opportunity to order fewer units can contribute to the welcome a new product receives. Because retailers do not allocate significant financial resources to launching new products, producer support can help avoid products remaining undetected. Manufacturers' marketing communication and POP/POS provision in the form of campaigns and slotting allowances may thus be requirements for listing a novel product.

Retailer performance and targets create the basis for the future outlook of the company. There are differences in the market: traditional perspectives assign product performance directly to profit, although it is recommended that profit is considered on a global basis, thereby tolerating some losses on products that facilitate reach to specified target groups. New products may also be introduced to stimulate innovation, refreshing the corporate image of the retailer and attracting customers. Contradictions may occur between profit-seeking and listing innovative, high-quality products, but it should be noted that these strategies serve different purposes. In the case of own product development, private labels may be developed with regard to existing product lines and categories.

Needs-based product bundling is an appropriate strategy for meeting the needs of individuals with accelerated lifestyles because it represents a more complex offering with a higher level of need satisfaction. The management of multifaceted products calls for deeper understanding of customer habits and behavior, not only in grocery stores, but also in everyday life. These efforts may be valuable because they can create loyal customers.

6. Concluding Thoughts

The alignment of the supply chain and the bargaining power of market players determines the strengths, competitiveness, conditions, and requirements of retail trade. Traders should seek to meet customer needs. A primary element of this involves creating a selection which provides the basis for store differentiation and, through that, customer loyalty. Thus selection building is of strategic importance.

New product adoption, as the secondary literature points out, is obviously dependent on gross margin and profitability (Rao and McLaughlin, 1989; Hansen and Skytte, 1998; Collins-Dodd and Louviere, 1999; van Everdingen *et al.* 2011; Shaikh and Gandhi, 2016; Koul *et al.* 2017; Sinha *et al.* 2017) but the present research recommends not taking the profitability of products into account because a global profit approach much better supports long-term strategy. Additionally, it may increase profit in the short-term by satisfying high-end customer needs.

A further novelty of this paper is the needs-based perspective it employs, which approach supports and combines the advantages of product bundling and cross-selling to create an enhanced and expanded range of choice.

The paper contributes to the development of listing strategies for retailers and producers by providing a literature and a practice-based framework for new product adoption. Further research into buying centers and marketers may add nuance to the picture.

Acknowledgements

The research, the analysis and the publication of this paper were supported by the ÚNKP-17-4/III. New National Excellence Program of the Ministry of Human Capacities.

A special thanks to Simon John Milton for editing the language in this manuscript.

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