

IMPORTER VENDOR CHOICE BEHAVIOR: A COMPARATIVE STUDY¹

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Introduction

While exporter behavior has been extensively reported in the literature, its counterpart in the international exchange process, importer behavior, has been relatively neglected (Yavas, et al, 1987; Liang and Parkhe, 1997). According to these authors, the reasons for this neglect stem from erroneous assumptions that exporters are the driving force behind international trade transactions and that importers exhibit rational choice behavior when sourcing vendors. Moreover, vendor search has been the least studied aspect of import behavior. Importing has also been viewed as a passive endeavor, seen as a defensive move (Leonidou, 1995; Liang, 1995) brought on by competitive pressure at home.

Recently, a number of studies have examined importer vendor search behavior in various country settings: Australia (Ghymn, et al, 1999), Japan (Ghymn and Jacobs, 1993), China (Ghymn, et al, 1993a) and Thailand (Ghymn et al, 1993b). The objectives of these studies were to determine the relative importance of import decision variables that managers use to select vendors and to determine if search behavior can be differentiated by firm characteristics, such as size, experience and import intensity. Product quality was the most important decision variable in all of

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these studies. While price was an important decision variable, it was ranked second in one study, but third and fourth in the others. Some, but not all of these studies reported that firm characteristics did influence import purchasing behavior. This finding is inconsistent with import motivation studies done in the United States where price was rated as the most important factor (Monczka and Giunipero, 1984; Dowst, 1987; Birou and Fawcett, 1993; Scully and Fawcett, 1994). The discrepancy between the United States and other studies may have resulted from differences in survey methods, such as selection of different universes (purchasing agents versus import managers) and use of different import motivation questions in structured questionnaires. In order to reduce these discrepancies and to progress towards model building, Ghymn, et al (1999) has called for comparative studies of import purchasing behavior. This paper is a step in that direction.

Israel's Foreign Trade

The value of Israel's imports totaled \$35.7 billion in 2000. The ratio of imports to GDP has averaged about 40 percent over the past several years. Approximately \$31 billion were accounted for by production inputs and investment goods (\$25 billion excluding diamonds), while \$4.5 billion accounted for durable and non-durable consumer goods. The major sources of Israel's imports are the EU, the United States and Asia in that order. As shown in Table I, \$15.4 billion worth of goods were imported from the EU in 2000, accounting for 43 percent of Israel's total imports. A sum of \$6.7 billion was imported from the United States in the same year, accounting for 19 percent of total imports, while 11.5 percent of total imports were sourced from Asian countries in the amount of \$4.1 billion. These three trade areas together account for close to three-fourths of Israel's total imports.

(take in Table I)

Methodology

This objective of this study was to investigate the decision criteria used by import managers in Israel. A structured questionnaire based on the one used by Gwynn, et al (1999) was slightly modified for use in Israel and translated into Hebrew and then back translated. It was pre-tested on a small sample before the final version was completed.

The sampling frame consisted of a list of some 100 Israeli-owned importers of both industrial and consumer goods compiled by the Israel Export Institute. Sample members were managers in each of these firms. Before mailing the questionnaire, each importer on the list was phoned in order to obtain prior consent to participate in the survey. Fifty-five importers agreed. However, in many cases, several follow-up phone calls were necessary before all 55 of the questionnaires were returned. The questionnaire consists of three parts. The first, based on dichotomous and multiple choice questions deals with information on the importing firms, e.g., their size, experience and market locations. These were the independent variables used to explain vendor choice behavior. The second part of the questionnaire contains 19 vendor selection variables. Respondents were asked to rate each on a five-point Likert scale ranging from “very important” to “not important.” These variables were grouped into three categories: “Product oriented, service oriented and government oriented. These three groups comprised the dependent variables in this study. In part three of the questionnaire, respondents were asked to state three of the most difficult problems they faced in importing.

Findings

Relative Importance of Variables

One objective of the study was to determine the relative importance of the 19 import decision variables. Table II shows the mean scores on the five-point Likert scale for the entire Israeli sample compared to findings from two previous surveys of Australian (Ghymn, et al 1999) and Swedish (Ghymn, et al, 2001) importers. In the Israeli study, product quality was rated as first in importance with a mean score of 4.67 and a standard deviation of 0.61. The next most important variables were price, timely deliveries and dependability of long-term supply. In summary, product variables (quality and price) were ranked highest followed by service variables (timely deliveries and supply). The least important variables were “promotion help from suppliers” (2.68), “trade laws and regulations” (3.57) and “timelines and ease of ordering” (3.65).

In order to determine if there is some congruence or universality of importance ratings among the three countries, t tests for statistical significance were run on the mean scores shown in Tables II and III. Comparing Israeli and Swedish respondent ratings, the result shows that there were 11 significant ($p \geq .05$) differences between mean ratings, 8 significant differences ($p \geq .05$) between mean ratings of Israel and Australian respondents and 9 significant differences ($p \geq .05$) between mean ratings of Australian and Swedish respondents. The large number of significant differences shows that there is a lack of consensus as to the perceived importance of import decision variables among the three groups of respondents studied.

(take in Tables II and III)

Turning to the three groups of variables in Table III, we found significant differences ($p \geq .05$) in all three mean values between Israel and Sweden, no significant

differences between the ratings by Israeli and Australian respondents and two significant ($p \geq .05$) differences (service oriented and laws-regulation variables) between the ratings of Australian and Swedish respondents. These findings show that the particular environment faced by importers in each respective country drives import decisions.

Group Difference Analysis

From the results shown in Table II, it was shown that some, but not all product variables were ranked highest in importance. Product quality was ranked first in importance (also in the Australian and Swedish surveys), followed by price and product style/feature. Other product variables such as brand name reputation, product uniqueness and product packaging were ranked lower in importance than some service variables, such as timely deliveries and transportation cost.

In order to derive an overall importance rating for all three groups of variables (product, service and government), group means were calculated. As shown in Table III, product-oriented variables were rated highest in importance ($X = 4.14$), followed by service-oriented (3.84) and government (3.84). An ANOVA test showed that product-oriented variables were significantly (0.005) different from the other two groups. While product-oriented variables were also rated as most important in both the Australian and Swedish importer studies, there were no significant differences between the three variable groups in both studies. Therefore, all three variable groups share equal weight in import purchasing decisions.

Relations between Dependent and Independent Variables

In order to derive a better understanding of the import behavior of importers, an analysis of was conducted to determine what relations, if any, exist between the

independent (importer characteristics) and dependent (choice descriptors) variables.

This analysis is shown as Tables IV and Va, Vb, and Vc.

(take in Tables IV and Va, Vb and Vc)

Table IV lists the groups of firm characteristics. They include experience as measured by years in importing, market coverage measured by proportion of imports by geographical area, firm size measured by number of employees and import volume, import method, number of business trips abroad as proxies for involvement and type of product imported. Based on the categories shown in Table IV, Pearson correlations were run between the first two variables and the dependent variables. This method was chosen because these independent variables are continuous. For the categorical variables, tests of variance were run using ANOVA and t-tests, depending upon the number of categories contained in each variable. As shown in Table Va, there was no association between experience and any decision variable. Looking at the proportion of imports from different geographic regions, there was a negative correlation between percent of imports from the Middle East and product quality and between the proportion of imports from Africa and domestic demand. This shows that as the proportion of imports from these areas increases, the importance of product quality decreases. Perhaps this finding emanates from the fact that products from these areas are perceived as being of relatively low quality when compared to products from more developed countries.

Positive correlations were found between the proportion of imports from North America and brand reputation, compliance with Israeli safety requirements, timely delivery and price. This shows that these factors motivate imports from North America. On the other hand, negative correlations were found between the proportion of imports from North America and trade laws and regulations and variables

associated with governments. A possible explanation for this relationship is that an increase in regulations inhibits trade.

Table Vb shows significant relationships between firm size (number of employees) and payment method. Payment method is very important for smaller firms (4.22), less important for large firms (3.79) and least important (3.08) for medium-sized firms. Thus, there is a U shaped function between payment method and number of employees, where payment method is more important for small and large firms than medium-sized firms. A U shaped function was also found for an association between size of firm as measured by import volume and the variables “promotion help from suppliers” and “product quality”. Both product quality and promotional help is more important for small and large firms than medium-sized ones. Similar U shaped functions were found in the Swedish study. The importance of payment method for smaller firms can be explained by the fact that they hold less cash reserves. They are more dependent on sales to cover their obligations than larger firms who enjoy better credit terms. Also, promotional help from suppliers was most important to smaller firms, an indication of their lack of financing and experience.

As shown in Table Vc, there is a strong relationship between method of import and product variables. Using the indirect method of importing allows sharing risks. An importer who chooses this method may feel more confident and thus pays less attention to product variables. For example, the importer may rely more on the intermediary for arranging shipping and product packaging.

A significant relation was found between the number of trips abroad and product packaging, dependability for long term supply, product safety, and length of business association with suppliers and service variables. Importers who meet with suppliers abroad may feel that they have more control over their business association.

Therefore, they may be more confident that product safety, product packaging, long-term supply and service will be more reliable. Finally, price was found to be a significant consideration for both consumer and industrial goods importers. This is consistent with the finding of the high ranking of price as shown in Table II.

Problem Areas

In the final part of the questionnaire, importers were asked to list those problems associated with importing that they considered most important. As shown in Table VI, some sixteen problems were mentioned, with five receiving nine or more mentions. These five most important problems are high import costs, meeting delivery schedules, compatibility with import regulations, payment terms and customs clearance. Thus, three of these problems are directly related to important functions such as profitability (cost and payment terms) and the other two with bureaucracy.

(take in Table VI)

Comparing the problems faced by Israeli importers with those mentioned by Australian and Swedish importers, we find that there is little common dominator between them. The only convergence of import problems concerned timely deliveries, ranked as the most pressing problem by Australian and Swedish respondents and second by the Israelis. Other common problems were payment terms, ranked fourth in importance by the Israelis, fifth by the Australians and sixth by the Swedish respondents and customs clearance, ranked fourth in importance by Swedish respondents and fifth by the Israelis (but only 16th by Australians). The most pressing problem for the Israelis was high import costs, but ranked only seventh by both the Australian and Swedish respondents. High import costs for Israelis are partly owing to inefficiencies in Israeli ports delays in clearing customs that result in increased costs for importers.

Conclusions and Suggestions for Further Research

This study adds another chapter to the literature devoted to the investigation of importer purchasing behavior. Moreover, it includes some comparisons between findings from Israel, Australia and Sweden. As the number of cross-country empirical studies increases, some generalizations may be made. The first of these generalizations, based on results from the three countries, investigated shows that price is not the most important criterion in vendor selection. Rather, product quality was ranked first in importance in all three studies. Another factor of relative importance is both the timeliness of delivery and the dependence on long term supply. Thus, the ability of a vendor to provide high quality products and stability of supply are dominant in the selection decision process. Surprisingly, brand name reputation was ranked tenth in importance (out of the 19 variables) by importers in all three studies. This was the case for both consumer and industrial products. An explanation for this occurrence may be related to the increase in consumer preference for private label and institutional products in all three countries.

While some generalizations may be made about import decision variables, there is less congruence with regard to import constraints, or problem areas. For example, in Israel, high import costs was ranked as the most important problem area by sixteen percent of respondents, but only seventh in Australia and Sweden by six and five percent of respondents, respectively. Payment terms seem to be a problem for Israeli importers (11 percent of respondents), but less so for Swedish (5 percent) and Australian importers (6.3 percent). Compatibility with import regulations is a problem for Israeli importers (12.7 percent of respondents), but was not mentioned by Australian nor Swedish importers. Therefore, we can conclude that problem areas

facing importers are endemic to the particular environment involved and cannot be generalized.

Studies of importer behavior can be an important tool for determining export strategy. Knowledge of the criteria used by importers to evaluate foreign sources of supply may be used to adapt the marketing-mix to specific target markets. On the other hand, some of the problems faced by importers as revealed in this and similar studies, may be addressed by exporters (e.g., delivery time), while other problems may be dealt with by governments (port logistics). The removal of entry barriers should contribute to more efficient exchange.

Further research is needed to broaden the findings reported above. First, more effort is needed to determine import behavior by type of importer (e.g., agent, importer-distributor), by industry and specific product category. Second, while the sort of research reported here reveals some of the criteria used by importers to choose suppliers, the actual selection process by which importers choose between alternative sources of supply is missing. How do importers search for suppliers? How are potential suppliers identified? Is the search passive (opportunistic) or active? How do importers acquire information by which alternative sources of supply may be evaluated? How are alternative suppliers evaluated? Answers to these questions will contribute to building a theory of importer organizational buying that is sorely lacking in the international marketing literature.

In today's age of global marketing, import purchasing and foreign sourcing have become an integral part of an MNCs' organizational buying activities. And yet, these activities are not reflected in the existing organizational buying theories and models. Another significant contribution to the literature would be that this pilot study

may provide a foundation for further studies that may serve to improve the theory of MNC organizational buying behavior.

Table I

Israel's Imports by Major Source and Commodity Group

(\$Billion, Year 2000)

Commodity Group	EU	USA	ASIA
Production Inputs	6.8	3.9	1.5
Investment Goods	2.9	1.9	1.0
Diamonds	3.6	.3	.8
Consumer Goods:			
Durable	1.0	.2	.3
Non-Durable	1.1	.4	.5
Total Imports	15.4	6.7	4.1

Source: Statistical Abstract of Israel, 2001.

Table !!

Import Decision Variables Ranked by Order of Importance

Variable Names in Rank Order (by Importance)									
	Israel			Australia			Sweden		
		Mean	s.d.		Mean	s.d.		Mean	s.d.
Product quality	1	4.67	0.61	1	4.77	0.46	1	4.69	0.60
Price	2	4.64	0.58	4	4.42	0.72	3	4.39	0.66
Timely deliveries	3	4.61	0.65	5	4.38	0.71	2	4.53	0.67
Dependability of long-term supply	4	4.46	0.81	2	4.49	0.67	4	4.07	0.83
Product style/feature	5	4.42	0.83	3	4.45	1.03	7	3.93	1.11
Product demand	6	4.07	1.35	7	4.13	1.02	11	3.64	0.99
Transportation cost	7	4.00	0.91	13	3.85	1.08	8	3.92	0.85
Compliance with local safety standards	8	4.00	1.19	6	4.33	0.99	5	3.99	1.03
Import duties/regulations	9	3.98	1.16	14	3.82	1.22	13	3.40	1.10
Brand name reputation	10	3.94	1.10	10	3.97	1.24	10	3.65	1.21
Product uniqueness in terms of technical specification	11	3.92	1.32	12	3.93	1.16	12	3.53	1.11
Packaging for safety in transit	12	3.98	1.16	17	2.98	0.95	9	3.84	1.01
Payment method	13	3.83	1.04	15	3.46	1.36	14	3.36	0.98
History of business association with suppliers	14	3.83	1.12	11	3.96	1.00	15	3.30	1.03
Product uniqueness in terms of cultural appeal	15	3.79	1.20	18	2.82	1.30	19	2.51	1.24
Product packaging for direct merchandising	16	3.70	1.22	17	2.98	1.45	17	3.04	1.33
Timeliness & ease of ordering	17	3.65	1.05	9	4.02	1.02	6	3.97	0.76
Trade laws/regulations of suppliers' country	18	3.57	1.31	19	2.74	1.31	16	3.16	1.11
Promotion help from suppliers	19	2.68	1.40	16	3.05	1.35	18	2.76	1.37

Table III

Comparison of Product-Oriented vs. Service-Oriented Variables						
Variable Classification	Israel		Australia		Sweden	
	Group Mean	s.d.	Group Mean	s.d.	Group Mean	s.d.
A. Product-Oriented	4.14	0.62	3.96	1.03	3.72	1.02
Brand name reputation						
Product style/feature						
Packaging for safety						
Packaging for direct merchandising						
Product quality						
Price						
Marketability (domestic demand)						
Product uniqueness (ethnic/cultural)						
Product uniqueness (technical specification)						
Product safety						
B. Service-Oriented	3.84	0.71	3.89	1.03	3.22	0.93
Timely delivery						
Dependability for long-term supply						
Payment method						
Length of association						
Transportation cost						
Timeliness and ease of ordering						
Promotion help from suppliers						
C. Laws/Regulations	3.84	0.97	3.63	1.17	3.28	1.10
Home government laws						
Host government laws						

Israel, n = 55; Australia, n = 104; Sweden, n = 96.

Table IV

Independent Variables and Classification for Group Differences Test

Independent Variables	Group Classification
1. Number of years firm involved in importing.	Continuous variable (years).
2. Proportion of imports by geographical origin. 2A. Europe 2B. Middle East 2C Asia 2D Central/South America 2E Australia, New Zealand 2F Africa 2G North America 2H United States	Continuous variable (0-100%)
3. Firm Size (# of employees)	1. Up to 15 2. 16-100 3. more than 100
4. Firm Size (\$ import volume)	1. up to \$500,000 2. \$500,000 - \$5,000,000 3. more than \$5,000,000
5. Import Method	1. Direct 2. Indirect
6. Business Trips Abroad	1. up to 5 per year 2. more than 5 per year
7. Type of Product Imported	1. Consumer 2. Industrial

Table Va

Significant Relationships between Independent Variables 1,2
and Dependent Variables

Independent Variable	N	Pearson Correlation	Dependent Variable
1. Number of years the firm is in import business.	55	--	No significant correlation with any decision variable.
2B. Percent of imports from the Middle East.	55	-0.271	Product quality. Sig = 0.045
2F. Percent imports from Africa.	54	-0.307	Domestic demand. Sig = 0.024
2G. Percent imports from North America	54	0.272	Brand reputation. Sig = 0.046
	54	0.312	Compliance with Israeli safety requirements. Sig = 0.021
	54	0.278	Timely delivery. Sig = 0.042
	55	0.389	Price. Sig = 0.003
	54	-0.275	Trade laws/regulations of exporting country. Sig = 0.044
	55	-0.371	Variables associated with governments. Sig = 0.005

Table Vb

Significant Relationships between Independent Variables 3,4
and Dependent Variables

Independent Variable	N	Mean	Dependent Variable
3. Firm Size (# of employees)			Payment method. ANOVA Sig = 0.003
1. Up to 15	27	4.22	
2. 16-100	13	3.08	
3. more than 100	14	3.79	
4. Firm Size (annual amount of imports)			Promotion help from Suppliers. ANOVA Sig = 0.015
1. up to \$500,000	19	3.37	
2. \$500,000 - \$5,000,000	17	2.06	
3. more than \$5,000,000	15	2.53	
4. Firm Size (annual amount of imports)			Product quality. ANOVA sig = 0.031
1. up to \$500,000	21	4.81	
2. \$500,000 - \$5,000,000	17	4.35	
3. more than \$5,000,000	17	4.82	

Table Vc

Significant Relationships between Independent Variables 5,6,7
and Dependent Variables

Independent Variable	N	Mean	Dependent Variable
5. Import Method 1. Direct Import 2. Indirect Import	31 19	4.09 3.37	Product Uniqueness. T-test (2-tailed) = 0.032
5. Import Method 1. Direct Import 2. Indirect Import	31 20	4.28 3.93	Product Related Variables. T-test (2-tailed) = 0.042
6. Trips Abroad 1. Up to 5 per year 2. More than 5 per year	43 12	3.88 3.08	Product Packaging. T-test (2-tailed) = 0.045
6. Trips Abroad 1. Up to 5 per year 2. More than 5 per year	42 12	4.59 4.00	Dependability for long-term supply. T-test (2-tailed) = 0.025
6. Trips Abroad 1. Up to 5 per year 2. More than 5 per year	42 11	4.17 3.36	Product Safety. T-test (2-tailed) = 0.046
6. Trips Abroad 1. Up to 5 per year 2. More than 5 per year	42 11	4.00 3.18	Length of Business Association with Suppliers. T-test (2-tailed) = 0.030
6. Trips Abroad 1. Up to 5 per year 2. More than 5 per year	43 12	3.96 3.47	Variables Associated with Service. T-test (2-tailed) = 0.034
7. Type of Product Imported 1. Consumer 2. Industrial	25 17	4.40 5.00	Price. T-test (2-tailed) = 0.000

Table VI

Problem Areas	Israel			Australia			Sweden		
		<i>f</i>	%		<i>f</i>	%		<i>f</i>	%
High import costs	1	18	16.9	7	11	5.8	7	7	5.0
Timely delivery	2	18	16.9	1	33	17.3	1	24	18.0
Compatibility with import regulations	3	14	13.2						
Payment terms	4	12	11.2	5	12	6.3	6	7	5.0
Customs clearance	5	9	8.4	16	5	2.6	4	10	7.0
Transportation problems (strikes, taxes, etc.)	6	7	6.5						
Supply quality	7	6	5.6	6	12	6.3	2	20	15.0
Bureaucracy	8	6	5.6						
Cost of storage	9	5	4.7	7	11	5.8			
Political & security problems in exporting country	10	4	3.7						
Lack of information about suppliers	11	4	3.7	4	14	7.3			
Damaged products	12	1	0.9						
Logistical problems	13	1	0.9						
Language constraints (catalogs)	14	1	0.9	15	6	3.1			
Political & security problems at home	15	1	0.9						

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