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**THE ROLE OF THE PURCHASING DEPARTMENT IN PRODUCT  
INNOVATION: *THE CASE OF FAST MOVING CONSUMER GOODS  
COMPANIES IN FRANCE.***

Master's Thesis in  
International Business

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**LIST OF ABBREVIATIONS**

FMCG	Fast Moving Consumer Goods
NPD	New Product Development
MNC	Multi National Corporation
BU	Business Unit
RQ	Research Question
ERO	Empirical Research Objective
TRO	Theoretical Research Objective



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## ABSTRACT

The globalization of the business environment over the last decades and the increase of the competition between global retail firms have forced the companies to reorganize their internal organization and some functions that were support activities in the past have now become strategic primary functions. The purchasing department is one of these functions. This thesis is studying how the purchasing function is incrementally integrating marketing aspects in order to be a driver of product innovation inside FMCG companies.

Much has been studied in the literature about the interaction between the purchasing and marketing department, but the integration of marketing aspects in the function has been globally understudied. Previous studies have also proved that the purchasing department has to be involved in the new product development and the capture of innovation. However this study aims to explore the causal relation between these two aspects, meaning how the integration of marketing aspects in the purchasing function is enhancing product innovation.

From a theoretical point of view, a literature review has been conducted concerning the concepts of purchasing, marketing and innovation and how these concepts are connected with each other, in order to have a better global understanding of the key elements.

From an empirical point of view, the study case analyses the role of the purchasing function in product innovation for four Fast Moving Consumer Goods companies in France by interviewing eight respondents. This study case highlights why the marketing aspects are now intrinsic to the purchasing function and how this integration is enhancing the capture of product innovation. The main finding is that nowadays a buyer in the retail sector has to have a very strong customer (or market) orientation in order to be able to find successful product innovation.

Finally the thesis makes a contribution to the existing literature by proposing a new definition of the purchasing function towards product innovation. This new definition is drawn in the form of a summary scheme.

**KEYWORDS:** purchasing, innovation, product innovation, marketing, FMCG companies, retail sector, customer orientation.



## 1.INTRODUCTION

### 1.1.Background for the study

The purchasing function in a company has often been defined as a functional function linked to the supply chain management of the company with responsibilities to find an efficient way to manage the workflow of goods and products the company needed, but also all the services provided to support the manufacturing activities (Cousins, 1992; Cousins & Spekman, 2003). Indeed the purchasing function was seen as the main department to save money and to be competitive on the market. Following the definition of Arjan Van Weele (2010), *“purchasing is the management of the company’s external resources in such a way that the supply of all goods, services, capabilities and knowledge which are necessary for running, maintaining and managing the company’s primary and support activities is secured at the most favourable conditions”* and that the main function of a purchasing department is to *“obtain the proper equipment, material, supplies and services of the right quality, in the right quantity, at the right place and time, at the right price and from the right source”* (Van Weele, 2010).

But in the last decade the development and the evolution of the international economy has changed the interaction between all the business agents and the relation between companies and either final customers or suppliers (Fletcher, 2001). The internalization and globalization of the economy has forced companies to broaden their market and to find new solutions in order to stay competitive. One of the main changes has been in the internal organization of companies, and the purchasing department has slowly developed into a more strategic function instead of a clerical function (Pearson & Gritmaker, 1990; Spekman, Kamauff & Salmond, 1994; Cox & Hines, 1997; Lamming & Cox, 1995; Gadde & Hakansson, 2001; Axelsson, Rozemeijer & Wynstra, 2005; Hardt, Reinecke & Spiller, 2007; Monczka, Trent & Handfield, 2005). The purchasing department in a company is gradually involved in cross-functional management activities and nowadays buyers in companies are first evaluated on their capacity to reach business goals and second to be able to have an overview of the

conception of the product, and not only the logistic part (Hines, Lamming, Jones, & Cousins, 2000).

Purchasing is now about building a strong supplier-buyer relationship, involving the supplier early in the processes in order to co-create and to achieve gain or benefit (Håkansson & Lind, 2004; La Rocca, Caruana, & Snehota, 2012; Kraus, Håkansson, & Lind, 2015; Lind & Strömsten, 2006; Sidhu & Roberts, 2008; Wouters, Anderson, & Wynstra, 2005). This new role of the buying function is possible only if the internal structure of the company is well organized and if the cooperation between the different departments (in particular the purchasing and marketing department) is efficient.

As established by previous research, marketing and purchasing interaction is becoming increasingly important and dependent one to another (Ivens, Pardo, & Tunisini, 2009). Indeed previous work has shown that strong cooperation or/and strategy alignment between the marketing and the purchasing department lead to an important source of competitive advantage (Axelsson et al., 2005; Monczka et al. 2005). The main goal of this cooperation is to “*understand and improve the customer's business in a proactive manner*” (Töytäri, Brashear-Alejandro, & Parvinen, 2011) because both departments are connecting the firm to the market environment (Wagner & Eggert, 2016). Therefore it can be stated that new value is created by both the marketing and the purchasing department in a company (Matthyssens, Bocconcelli, Pagano, & Quintens, 2016).

For now, many studies have focused on the relationship between the marketing and the purchasing function because their cooperation is becoming an obviousness in every sector of the massive distribution, but only a few of them have tried to link this cooperation with the research for innovation and competitiveness (Carneiro, Da Rocha, & Ferreira da Silva, 2008). The buyer is now also in charge of the product choice and has to work with the supplier in advance to discuss the marketing around the product and the communication.

The need of this study is to prove that now in order to capture the product innovation the purchasing department of a company has to take into consideration the marketing of the product. The marketing cannot be longer done when the product has been

already bought and chosen in store. The most important factor to stay competitive in today's business environment is the speed to market of the product and the supporting marketing campaign.

Thus, the main aim of this study is to link the purchasing function to innovation, in order to understand the role of the purchasing department as driver of innovation. For this purpose, the integration of marketing aspects in the purchasing function will also be discussed. As established by many authors, in the current business environment, ways for a company to grow is either to launch new products or new services (innovation) supported by the purchasing and the marketing function or to find and to attract new customers, supported by the marketing function (Kyläheiko, Jantunen, Puumalainen, Saarenketo, & Tuppur, 2011; Denicolai, Hagen, & Pisoni, 2015). The relationship between purchasing, marketing and innovation is especially important for Fast Moving Consumers Goods (FMCG) companies. FMCG are defined as all the goods present in the mass distribution or in the specialized mass distribution that are "sold quickly and at a relative low cost".

This study is important in the field of the current economy, because competition between companies is intensifying, and competitors are changing fast. Twenty years ago the main role of the purchasing department was to work on the price of the products with the goal to sell at a better price than the competitor. This situation is not valid anymore in the context of the firm's internalization and globalization. Now the price is not the unique buying trigger for customers. Companies like Nestle and Danone were seen as main competitors ten years ago. But now they have to face new substitution products and competitors, especially own label brands of the mass distribution companies as for instance Lidl, Tesco, Carrefour with very low prices. Big FMCG companies cannot compete with those own label products and therefore they need to compete on other fields including innovation, speed to market, or product's marketing in order to influence the consumer's buying decision.

By investigating the relationship between the purchasing and the marketing department of a company a better understanding of the way marketing is now also part in the purchasing function in companies is created. This is necessary in order to enable

the purchasing department to capture innovation and consequently to create new value for the firm.

### **1.2.Purpose / research question and objectives of the study**

In existing research studies have investigated either, consequences and benefits of the marketing and purchasing interaction among a company, or, the fact that a good purchasing strategy can lead to product innovation. But in previous research there is a gap in studying the relationship between marketing and purchasing in regards of innovation and new product development (NPD).

The aim of this study is to explore how the relationship between marketing and purchasing can drive innovation. To conduct the empirical research this paper will study the case of specialized mass distribution companies in France.

The research question (RQ) for this paper is formulated in the following way:

**“How does the integration of marketing in the purchasing function of a Fast Moving Consumer Goods company enhance product innovation?”**

The thesis will review the existing theory explaining the relationship between purchasing/marketing and innovation, seeking to study how the former drives the latter in a broad and multinational context. In furtherance of applying the theoretical findings to a real international business setting, an empirical study will be conducted with four multinational and specialized mass distribution companies.

The theoretical objective of this study is:

TRO: Explore the concept of innovation and the integration of marketing aspects in the purchasing department by examining existing literature in order to explain the relationship between both concepts.

The empirical objectives for this study are:

ERO 1: Explore the relationship between the purchasing department and marketing in FMCG companies in France.

ERO 2: Explain the purchasing department's responsibility for seeking new product innovation in FMCG companies in France.

### **1.3.Delimitations and scope of the study**

This study is analysing the causality between the purchasing department in FMCG companies and the capture of innovation. The purchasing department of FMCG companies is the one as it has been described before, so there is an interaction between marketing and purchasing (Sheth, Sharma, & Gopalkrishnan, 2009). This new definition of the purchasing function is useful in order to gain a important competitive advantage and is now also widely recognized (Axelsson et al. 2005).

The other main delimitation scope is the kind of company this study is going to focus on. The study will focus only on FMCG in the mass distribution and specialized distribution. This choice has been made because in the industrial companies marketing does not hold a place as important as in mass retail distribution, because purchasing is very technical and the innovations are technological more linked to a marketing approach or new products development. Innovation is also part of the scope of this study. Innovation makes product more competitive in terms of price or/and technology (Castaño, Méndez, & Galindo, 2015).

For the empirical part of the study, the paper aims to explore the concepts of purchasing and innovation within the organization of four multinational companies in France, all in different fields, but within the FMCG industry. Different interviews will be conducted with eight different person, all working in the purchasing department of their company. This empirical part has the purpose to answer the two empirical objectives in order to give a more global answer to the research problem of this thesis.

#### **1.4. Structure of the study**

This study is divided into five main chapters that are the basic structure for every Master's thesis: the introduction (1), the literature review (2), the research methodologies (3), the empirical part (4) and the conclusion (5).

Chapter 1 is providing the background, the interest and need for this study. Also main concepts, and the research gap existing in the current literature are defined. The chapter 1 is also presenting the research question, the theoretical and empirical objectives, and the delimitation of the study.

The chapter 2 is the literature review of this study and is split in four main parts. The first main part discusses the different definitions and role given to the purchasing department in a company, by conducting first a historical review of the evolution of the function. Then the current definition of purchasing is given and explained in order to have a better understanding of the theoretical framework. The place of the purchasing function in the internal organization of the company is also defined in order to give explanation about the function itself.

The second part of the literature review introduces the new role of the purchasing function with the marketing integration. First a classic and basic definition of marketing and on the role of marketing in the organization is given in order to clarify the utilization of the word "marketing" in the thesis. The second part provides the explanations on how and why marketing should be integrated to the purchasing function towards the suppliers, and explains how this cooperation between the two departments is useful for the relationship with the company's suppliers. The last part of this section defines also how this integration between the two functions takes place in the internal organization of the company.

The third part of the literature review discusses the concept of innovation, by first giving a global definition of innovation and stating the different types of innovation existing in the literature review. The second part focuses on one new kind of innovation, called open-innovation. The clarification of this term is useful in order to better understand how purchasing department can drive innovation. Finally the last

part provides more complete definitions of product innovation as this thesis focuses only on this type of innovation.

The last part of the literature review introduces the link between the purchasing department (with the marketing interaction) and the new product development (innovation). Therefore a discussion will be hold on how the innovation is managed inside the purchasing department, then a focus will be made on how to capture innovation by managing a panel of suppliers. The last part will quickly give an overview of the different challenges that the purchasing department can face towards innovation.

The chapter 3 explains the methodological structure of the paper with a description of the research design and the research methods utilized in the purpose of this thesis. This part gives a description of the data collection methods and the justifications. The different procedures to assure the validity and reliability of the study are also highlighted.

The chapter 4 presents the empirical findings of the study case conducted. An analysis of the different data from the interviews is conducted and discussed in this part in order to explain how the purchasing department is now responsible to enhance innovation in a FMCG company. This empirical part is divided into three subchapters. The first one aims to give a better understanding of what is the purchasing department and about the function of the latter in a FMCG company nowadays. The second subchapter analyses the link between purchasing and marketing and gives an explanation on how marketing is now integrated in the purchasing function. The last subchapter explains the findings about innovation, and more particularly how the purchasing department henceforth is a driver of product innovation. Finally in order to answer the research question of this study, a final scheme is drawn to explain all the different findings and give a new definition of the role of the purchasing department based on the empirical part.

The chapter 5 concludes the research by presenting the conclusions of the empirical part, with an acknowledgment of the different delimitations and potentials managerial

implications of the results. Some suggestions for other researches will also be presented.

## 2.LITTERATURE REVIEW

### 2.1.The role of the purchasing function

#### 2.1.1. A historical review of the role of the purchasing function

In order to have a better understanding of the evolution of the purchasing function and to understand the role that it is playing in a company nowadays, it is important to have an historical overlook of what was the purchasing function at the commencement and how it has evolved since then (Trehan, 2014). According to Scouarnec (2008) in order to understand what is happening in the present it is primordial to understand the past.

The year 1850 marks the apparition of the purchasing function in a company, with the beginning of the construction of the railway in the US in 1853 (Fearon, 1968) the need for buying material goods was important and the price was the primary factor. The buyers, at this time, were in charge to buy all the construction materials needed for the site.

Before 1960, and during the “Glorious Thirty” the industry and the mass distribution are in expansion in the United State and Europe, huge constructions site are launched everywhere, a broader variety of products is available on the market and the need to buy material is more important than ever. That is the reason why the purchasing function in a company was seen at this time as an administrative function “*in the service of plants*” (Keough, 1993) and was linked to the material management. During this time the relationship between suppliers and buyers were qualified as “*adversarial approach*” (Ali, Smith, & Saker, 1997).

In 1970, the different oil crises changed the stakes for a lot of companies. Companies were struggling with financial issues and the only way to get out of the crisis was to generate significant savings. The competition in the market became harsher, and little by little the purchasing department of retail and industries companies were seen as a keeper of the competitive advantage by succeeding to reduce costs. For the first time, some academic research mentions the strategic dimension of purchasing (Leenders, England, & Lewis, 1975).

Started from the year 1980 the relationship between buyers and suppliers moved from an “*adversarial relationship*” to a “*relational relationship*” (Ali et al., 1997) meaning that buyer and suppliers started to work together as partners and equals rather than as opponents. In 1988 Leenders and Blenkhorn (1988) introduced the notion of “*reverse marketing*” in the academic field. The fact that the marketing is reverse means that the purchasing department has to have the same logic than the marketing department, with the difference that it is situated in the opposite side of the value chain of the company. A more complete explanation will be given further down in the discussion. The relationship between the buyer and the supplier has to be more relational and more proactive (Leenders & Blenkhorn , 1988).

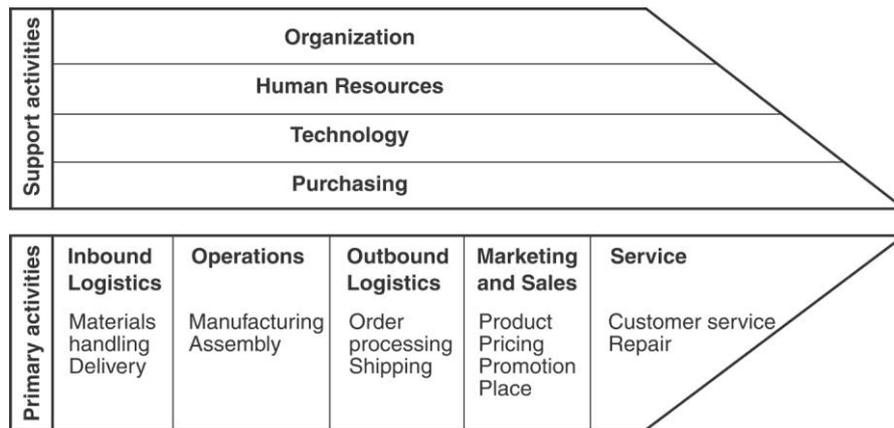
In the early 2000 and with the explosion of the “dot-com bubble”, the purchasing department was introduced in every services company in order to control and to reorganize the service sector (Trehan, 2014). The strategic role of purchasing is for the first time really taken into account (Calvi, Pache , & Jarniat, 2010). But even if the strategic role of purchasing became increasingly obvious for every company, there were still a lot of internal difficulties to position the purchasing department in the organization of the company and on some strategic decisions such as: make-or-buy, innovation, launch on the market and so on (Trehan, 2014). But the “cost-killing” side of the purchasing function slowly started to disappear.

Theses difficulties to position the purchasing department on strategic choices are still present nowadays for a lot of companies, but the mentalities are evolving and the purchasing function is taking more importance in the business activities.

Therefore as described before, it can be concluded that across the years, the purchasing department of a company has transitioned from a single business function to a cross-functional business process (Mogre, Lindgreen , & Hingley, 2017).

### 2.1.2. The current academic definitions of purchasing

The “purchasing” function in the value chain of the company is usually situated amongst the fourth support function of the company (Porter, 1985) as shown in the Figure 1 below:



**Figure 1.** Porter’s generic value chain (Porter, 1985)

The value chain according to Porter is the set of activities that a company or an organization has to achieve in order to create value for its end customers. This set of activities is divided in two main activities, the primary and the support ones. The primary activities are directly linked to all the logistics operations, the marketing and sales and the customer’s services. The support activities are supporting the primary activities by playing a role in every primary activity. So according to this theory, the purchasing function of a company is a support activity and is taking part in every primary activity to help the company to create margins and profits (Porter, 1985).

The role of the purchasing department is to provide the buying input, the technology, the human resources, and every other infrastructure to support the activities of the company (Portier, Pardo, & Salle, 2010).

As discussed in the introduction the most used definition of purchasing is the one given by Arjan Van Weele (2010), “*purchasing is the management of the company’s*

*external resources in such a way that the supply of all goods, services, capabilities and knowledge which are necessary for running, maintaining and managing the company's primary and support activities is secured at the most favourable conditions"* and that the main function of a purchasing department is to *"obtain the proper equipment, material, supplies and services of the right quality, in the right quantity, at the right place and time, at the right price and from the right source"* (Van Weele, 2010).

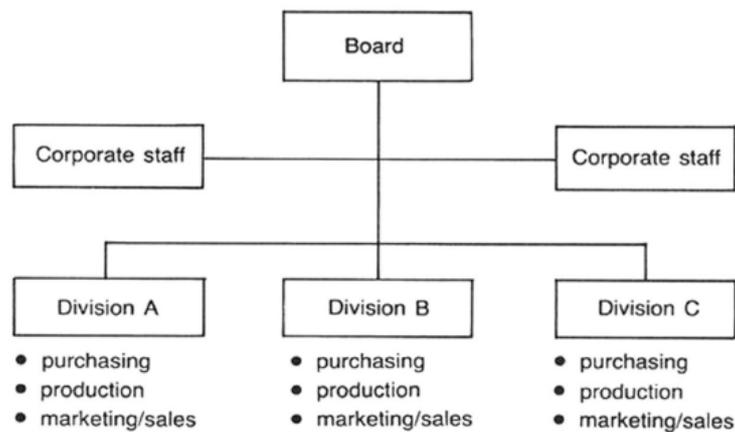
Bruel (2007) defines the purchasing department as the function responsible for acquiring the goods and services needed for the effective functioning of the company within the best conditions in terms of cost, quality, services and innovation. (Bruel, 2007). Some researchers are going further away from those definitions by defining purchasing department as a process. It includes and goes from the definition and understanding of the company's needs, to the analysis of the prices/cost, with all the market analysis that are relevant, until the negotiation and contractualization, and finally ending with the ordering process with the management of the stocks and deliveries (Monczka et al., 2005).

### 2.1.3. The purchasing function within the internal organization of a company

As stated before, according to the definition of Porter, the purchasing department of a company belongs to the support activities inside the internal organization. But one of the main changes during the last years has been in the internal organization of companies. The purchasing department has slowly moved into a strategic function instead of a clerical function (Monczka et al., 2005). The purchasing department in a company is increasingly involved in cross-functional management activities and nowadays buyers in companies are evaluated on their capacity to reach business goals and to be able to have an overview of the all conception of the product, not only the logistic part (Hines et al., 2000).

The purchasing's organizational structure inside the company strongly depends on

business characteristics and situational factors. For the purpose of this thesis the characteristics of the business is large global MNCs in the FMCG sector. There is five major organizations existing for the purchasing department (Van Weele, 2010; Johnson & Leenders, 2004): (1) decentralized purchasing, (2) centralized purchasing, (3) line/staff organization, (4) hybrid structure and (5) cross functional sourcing team. The decentralized purchasing (1) is when every business units (BU), or divisions of the company is responsible for its own purchasing (Van Weele, 2010). The decentralized purchasing is organized as in the figure 2 below:

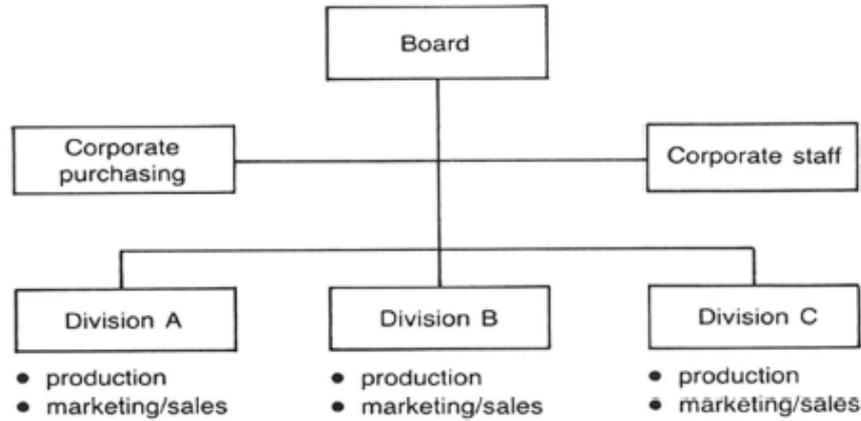


**Figure 2.** Decentralized purchasing organizational structure. Adapted from Van Weele (2010).

This organizational structure is the most common in FMCG companies where every business units is responsible for the purchasing of their products with their own purchasing department.

In the centralized (2) purchasing a central purchasing department is responsible for all the strategic and tactical decisions (Van Weele, 2010), this type of organization is

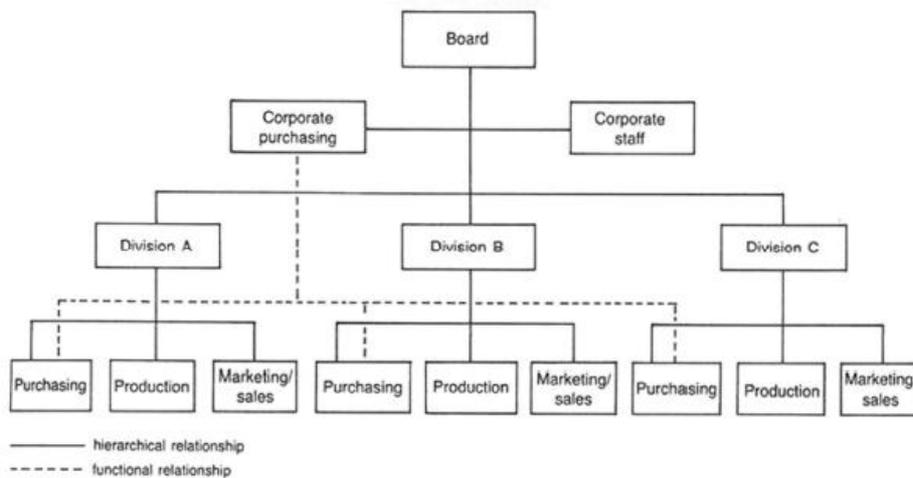
disposed as in the figure 3 below:



**Figure 3.** Centralized purchasing organizational structure. Adapted from Van Weele (2010).

The different business units of the company are all referring to one purchasing department, which deals with the purchases of the entire division of the company.

The two structures presented above are the two most common in companies (Bellizzi, 1982), the three others presented by van Weele (2010) are mixed organizational forms of the centralized and decentralized organization. The line/staff organization (3) is when both corporate purchasing and BU exist next to each other and divide all the responsibilities and activities. The hybrid (4) structure is a combination of the three previous structures aimed at combining common requirements across operating units (Van Weele, 2010). The figure 4 below aims to present the organizational structure of centralized/decentralized purchasing organization:



**Figure 4.** Centralized/decentralized purchasing organizational structure. Adapted from Van Weele (2010).

And finally the cross-functional sourcing team (5) is applied when a commodity team does contracting centrally, but all the operational purchasing activities are decentralized (Van Weele, 2010).

In a less structural way, the role of the buyer within the company is not only to buy anymore it so also to sell (Portier et al., 2010). Buyers have to convince the suppliers they are working with to invest in the company and to dedicate a lot of time and means in order to deliver the greatest quality/cost product possible to the final customer.

Indeed some researchers argue that the strategic criteria of purchasing has to be made according to the final value of the offer for the final customer (Bruel, 2007). It can be concluded that inside the internal organization of the company the buyer has a “dual-hatted” role. He/she is in the same time a supplier for the final customer and also a buyer for his/her supplier (Fenneteau, 1992). Due to its cross-functional role the purchasing department is a major actor of the implementation of the company’s strategy (Barreyre, 1976).

Therefore the purchasing department is what can be called a “*boundary-spanning function*” between the suppliers and all the different internal functions of the company (marketing, R&D, etc.) (Monczka et al., 2005).

But buyers in a company face many problems that require internal help and information (Kotler & Levy, 1973). This is the reason why the evolving role of the purchasing function within the marketing interaction will be studied in the second part of the literature review.

## **2.2. The new role of the purchasing function with the marketing integration**

### 2.2.1. Classic and simple definition of marketing

For the purpose of this thesis a quick literature review about the basic definition of marketing as a department inside of a company will be made. Indeed we will not go deep into the subject, as this master thesis is not based on marketing, just some basic definition are needed in order to understand better the followings parts linked to the purchasing department.

According to Kotler, marketing can be defined as “*the science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit. Marketing identifies unfulfilled needs and desires. It defines, measures and quantifies the size of the identified market and the profit potential. It pinpoints which segments the company is capable of serving best and it designs and promotes the appropriate products and services*”. The American Marketing Association defines marketing in a more corporate way: “*the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large*”. (AMA, 2013). Most of the time in a company “marketing activities” are organized within a single department, which promote sales and business activities. Traditionally the marketing department of a firm is in charge of the markets researches (to understand the market, measure buying

habits, competitor analysis), of the presentation of the product to the final customers, and of the promotions and of the business development (Johnson K. S.). Within the different responsibilities of a marketing department the different opportunities are first to pinpoint, and to turn these opportunities into new product development. Moreover the marketing department has to focus on attracting consumers and building product loyalty and brand loyalty. The marketing department is also in charge of the advertising pricing and the distribution of the new products. (Kotler & Levy, 1973).

Marketing has always been seen as “*the problem of the sellers attempting to achieve sales and profits in the market-place*” (Kotler & Levy, 1973) but this vision of marketing is slowly evolving within every department of the company.

Marketing is often organized within a single department in companies, but it also needs to be present in every department, because of its intrinsic definition given by Kotler, which defines it as “*a science and art*”. Every department of a company is required to have a “*marketing sensibility*” because the company’s strategy is focused on the final customer, and by consequence every department is working with the same final purpose in mind: to satisfy the final customer.

In the context of this thesis a focus will be held on how the purchasing department of a company is evolving with a marketing sensibility.

### 2.2.2. The integration of marketing in the purchasing function towards the suppliers

Since 1970 a lot of literature works and articles have focused on the rapprochement of the purchasing and marketing department, but never a complete and full analysis of the phenomenon has been conducted (Hawes, Baker, & d'Amico, 2006; Plank & Francis, 2001). The field of purchasing is still seeking for its conceptual basis (Portier et al., 2010).

The first authors having introduced the notion of purchasing and marketing together in a same paper are Kotler and Levy in 1973 in their paper “*Buying is marketing too!*”.

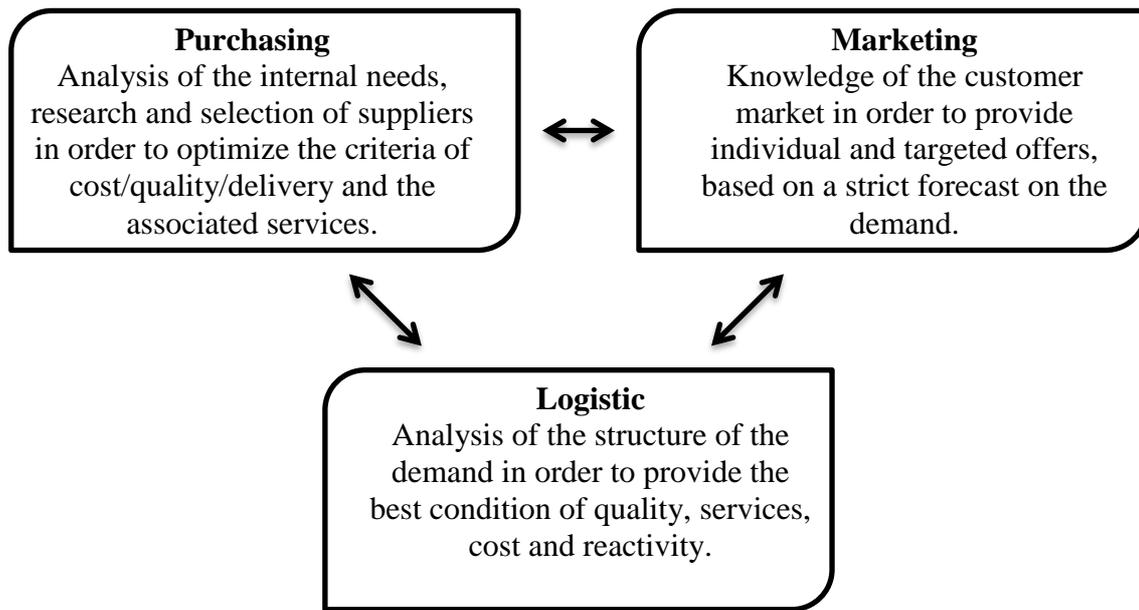
They argue that the vendor and the buyer of the same company are facing similar challenges and questions. Indeed it is strongly recommended for a company to act with its suppliers the same way than with its clients and customers (Portier et al., 2010). The buyer's role is to leave the passivity that was given by the function before, to become "*as the vendor*" (Lewis, 1932). This is due to the fact that the purchasing department and the buying function have also a commercial dimension (Davies, 1974). The concept of "*purchase marketing*" is becoming further popular amongst big massive distribution companies (Fenneteau, 1992). This concept is linked to the concept of upstream marketing (or Business to Business, B to B), which is referring to the work with suppliers on a given market. Business transaction should be done in a cooperative way between the buyer and the supplier instead of in a conflicting and adversarial way (Fenneteau, 1992). The purchasing department should imitate the marketing one in the settlement of partnership with the suppliers instead of conflicting discussions (Portier et al., 2010). This upstream marketing is also called "*reverse marketing*" (Leenders & Blenkhorn, 1988).

The marketing logic that has been underlined above concerning the rapprochement between the purchasing and marketing department is like an injunction made to the buyers to be more pro-active with the suppliers. The buyer needs to be the one who will lead the exchanges (Portier et al., 2010) and who will "*persuade the supplier to propose to him exactly what his company needs*" (Blenkhorn & Banting, 1991). The stability of the relationship between the different suppliers is also a very important in order to maintain the trust on the long term (Portier et al., 2010). So one part of the marketing action of the buyer is to set partnership, and to bid the different suppliers of the company in order to have the best deal possible (Fenneteau, 1992). In a nutshell the integration of the marketing aspects inside the purchasing function is made with the goal of bringing more "initiative" and "persuasion" to the buyer's role. There are different ways to convince a supplier and to achieve the purchasing goal, these ways are inducement, persuasion and education (Kotler & Levy, 1973). Inducement and persuasion are techniques that are own to the marketing. The purchasing function has a strategic stake in a company because it often costs between 60% and 80% of an organization's revenue (Wallace & Xia, 2015), and that is the reason why the buyer

needs to buy “better” than his competitors. Consequently, the fact to have a pro-active and a persuasive behaviour towards the suppliers is encouraging the co-creation of value where the supplier as well has an “active behaviour” (Vargo & Lusch, 2004). This co-creation of value can be in an organizational way, but also in the new product development, but this part will be developed later in the literature review.

### 2.2.3. The interaction and integration of marketing and purchasing function inside the company

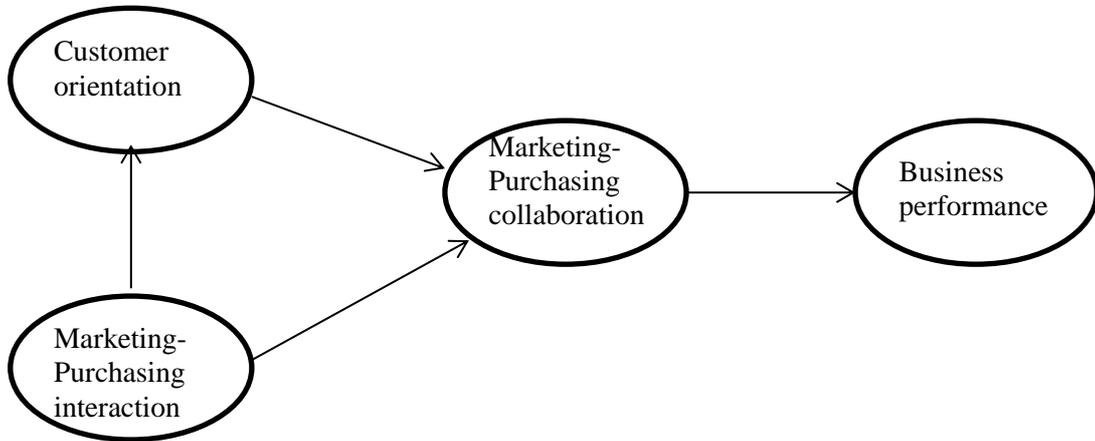
In order to be more competitive, a company needs to establish “*strategic internal relationship*” amongst its different departments and especially between the marketing, the purchasing and the logistics department (Piercy, 2009), because these are the three main departments, which are involved in the value creation of the firm. Without the cooperation of one of its, the system cannot work. The figure 5 below explains the different missions of these three department in a company.



**Figure 5.** Logistic, purchasing and marketing: some strong interactions. (Merminod & Paché, 2016)

As it can be seen on the figure above, adapted in English, the purchasing, marketing and logistics department have strong interactions. In this part the focus will not be on the logistic department because it is not relevant with the subject of this thesis. According to Smirnova and al. the “*marketing and purchasing function are two majors functions in firms engaged in business-to-business activities*” (Smirnova, Henneberg, Ashnai, Naudé, & Mouzas, 2010 ; Ford, 2002) and this is the reason why the both departments have a lot to learn and to share from each other in order to enhance the effectiveness of the entire company (Williams, Giunipero, & Henthorne, 2006 ; Jüttner, Christopher, & Baker, 2007). The nature of this internal collaboration is based on the fact that the two departments have to develop trust on each other, mutual respect and to share responsibilities for all the decisions making concerning the products or the final customers. (Griffin & Hauser, 1996). There is also a central role of what can be called “*marketing-sense*” (or “*market-sensing*”) for every department of a firm because the fact of understanding the market is primordial mainly for the

purchasing department in order to create the highest value for the final customer (Smirnova et al., 2010) as you can see in the model represented in Figure 6 below:



**Figure 6.** Model of the interaction of marketing and purchasing (Smirnova, Henneberg, Ashnai, Naudé, & Mouzas, 2010)

From the model above, it can be concluded that the marketing and purchasing department have to interact and collaborate with a strong customer orientation in order to enhance the business performance of the company.

The more customer and market oriented a firm is, the more value it can provide to the final customer because it will understand and fulfil all of the customer's needs, and therefore the business performance will increase. It explains why the two departments are working in cooperation and with a customer orientation. Some others authors such as Narver and Slater in 1990 or Ruekert in 1992 have highlight the causal link between the market orientation of a firm and its business performance.

The buying function is a transversal function in a company which needs to take more importance in order to raise the performance of decisions (Portier et al., 2010), and according to Toon, Morgan, Lindgreen, Vanhamme & Hingley (2015) the "*effective integration of both purchasing and marketing functions is central to effective value*

*creation and alignment of an organization with its business environment*". Indeed the buyers have an increased logic of construction of the need to the final customer within the function of "*demand management*" (Trehan, 2014). The contribution of the purchasing department to the creation of value of a company is going through the integration of marketing aspects in the purchasing function (Trehan, 2014). This integration is also in a reciprocal way, indeed the marketing also needs information from the purchasing department in order to be aware of new product development or evolution of existing products (Wind, 1981) due to its interaction with the different suppliers of the company. The purchasing department can also provide some important information about the market or the competitors that can be useful to the marketers (Calvi, 2000; Barreyre, 2010). So according to the different academic works and articles on the subject we can conclude that there is a reciprocal need from the two departments to collaborate and to share information.

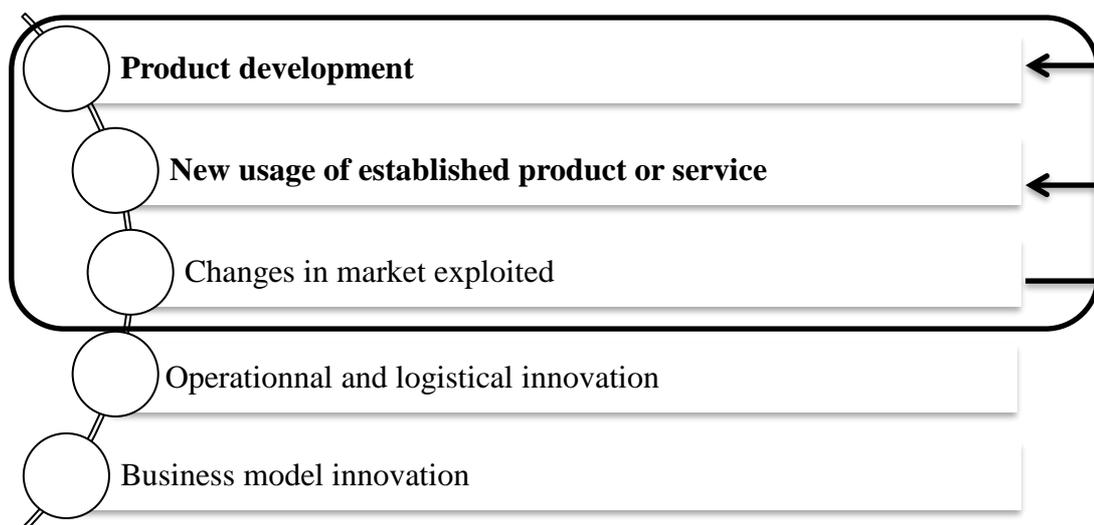
### **2.3.An understanding of what product innovation is**

#### 2.3.1. Global definition of innovation

Innovation is nowadays a relevant topic in the research field, but also in business because it is the key for business success and companies survival (Castaño et al., 2015), as suggested by Zahra and Covin (1994): "*Innovation is widely considered as the life blood of corporate survival and growth*". If in the 50s innovation for a company was more a synonym of growth, since the 80s a lot of researchers have underlined the fact that innovation has now a survival mean for a company to resist against the intense competition and the uncertainty of the market (Gronhaug & Kaufmann, 1988). Many researches have studied for already almost 30 years the fact that innovation was very important inside a company because it is linked to the business performance of the firm in a positive and direct way (Damanpour, Szabat, & Evan, 1989; Khan & Manopichetwattana, 1989; Zahra, de Belardino, & Boxx, 1988). There is many definition of innovation in the existing literature but it can defined this way: "*the generation, acceptance, and implementation of new ideas, processes,*

*products, or services. It can thus occur in any part of a corporation and it can involve creative as well as original invention. It involves the capacity to change and adapt*” (Kanter, 1984). The main outcome from this definition is that innovation brings change, and that the concept of innovation is linked to the concept of novelties. Innovation is in the same time a result but also the followed process in order to achieve this result (Fernez-Walch & Romon, 2013).

There is different kind on innovation, which can be classified in four groups: innovation product, innovation process, innovation paradigm and innovation position (Francis & Bessant, 2005). According to the Oslo Manual (2005) innovation product corresponds to the introduction of a new goods or services, or to an improvement in the use of an existing one. Innovation process is referring to a change or a new method of production or distribution. Innovation paradigm, is also often called “*organizational innovation*” (Oslo Manual, 2005) and relates to new organizational methods inside or outside the firms, or in business practices. And finally innovation position, also called “*marketing innovation*” (Oslo Manual, 2005) is the implementation of new way to commercialize a product wich can include a change in the pricing, design, and packaging. (Baregheh, Rowley, Sambrook, & Davies, 2012)



**Figure 7.** Different forms of innovation. Adapted from (Johnson D. , 2001)

According to Johnson (2001), innovation can have five different forms listed in the figure above. In this definition of the different kind on innovation provided by Johnson (2001) the product development and new usage of established products or services corresponds to the product innovation, operational and logistical innovation refers to process innovation and business model innovation corresponds to organizational innovation, as defined before. The part “*changes in market exploited*” refers to “*any change in the market to which a product or a service is applied away from the originally identified market*” and can also be linked to the product innovation, but more because it has a causal relation with it. Indeed the main reason for product’s innovation is the constantly changing and evolving market.

For the purpose of the thesis the focus will only be hold on the three first definitions of the figure, meaning that we are using the notion of “product innovation” as defined by Francis & Bessant in 2005 by refereeing to this two forms of innovation without making any differences because they are still linked to the product’s use.

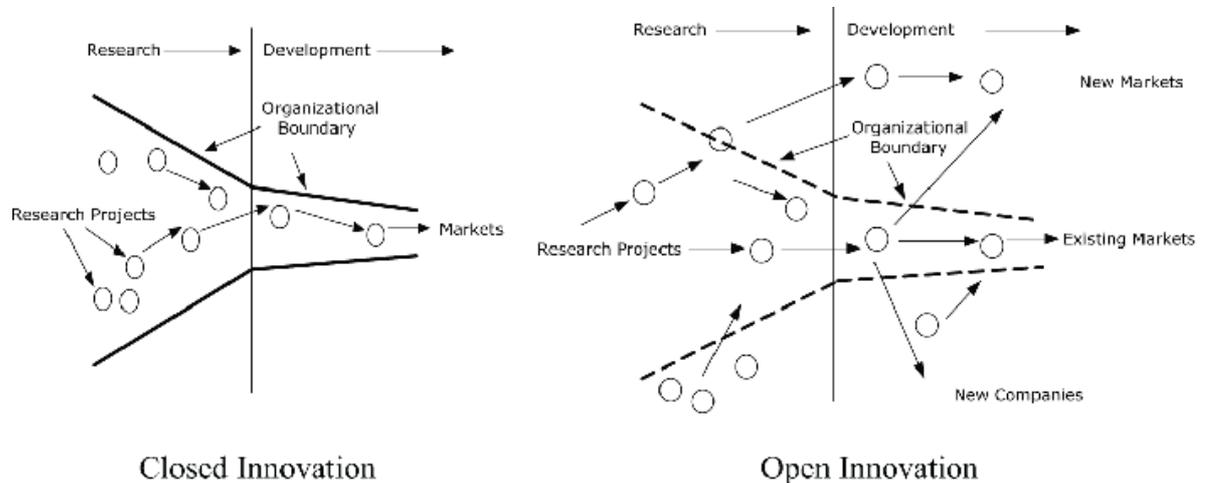
So as previously stated this paper will focus only on innovation product (everything that is related to the change or improvement in goods or services).

### 2.3.2. What is open innovation?

*“Not all the smart people work for us. We need to work with smart people inside and outside our company”* (Chesbrough, 2003)

Open innovation is defined by Henry Chesbrough in 2003 as: “*The use of purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for external use of innovation, respectively. Open innovation is a paradigm that assumes that firms can and should use external ideas as well as internal ideas, and internal and external paths to market, as they look to advance their technology*”. This concept is in opposition with the concept of closed innovation, where only the

internal resources of the company are used to develop new product on the existing markets. The representation of this two concept is explained in the figure 8 below:



**Figure 8.** Representation of the concept of closed and open innovation according to Chesbrough (2003).

Open innovation is a recent concept in the academic literature, and it means that companies have to be open to accept innovation coming from outside in order to create more value and to survive. It also means that in exchange companies have to be ready to share also their innovations, as open innovation is a dual meaning concept. So in order to stay competitive in the current market environment every company has to be open to outside innovation, more especially in the FMCG sector, where innovation is the most important (Rigby & Zook, 2002; Christensen, Olesen, & Kjaer, 2005). For instance P&G, leader in the consumer goods distribution, has announced that they increased their product success rate by 50% and the efficiency of their R&D department by 60% over the last years just by introducing the concept of open innovation in the company. (Enkel, Gassmann, & Chesbrough, 2009).

However it's important to nuance this concept of open innovation. Even if it's now mandatory for every FMCG companies to have access to this kind of knowledge, it

should not be the only source of innovation. Closed innovation is also important in order to keep long-term advantages. Indeed too much open innovation can lead to a loss of control of the core competencies of the company. On the other hand closed innovation is not enough to fulfil the shorter innovation cycles and the reduce time to market needed by the customers. Every company needs to find its own balance (Enkel et al., 2009).

In open innovation the process of “*outside-in*” is the one where the purchasing department is playing a role. Indeed the company’s knowledge is learned from the integration of suppliers/customer. Many studies have proved that this process leads to increase the innovativeness of a company (Laursen & Salter, 2006; Piller & Walcher, 2006). Open innovation regarding the purchasing department is principally linked to the relationship that buyers have with suppliers, as discussed before in the literature review (2.2.2). Indeed this relationship when it is based on partnership and sharing is the first entering door for open innovation (and in a same way the first exit door). The stake for firms and more especially for purchasing department is to know how to deal with this new sources of information and innovation, indeed “*firms that manage to create a synergy between their own processes and externally available ideas may be able to benefit from the creative ideas if outsiders to generate profitable new products and service*” (Dahlander & Gann, 2010).

### 2.3.3. Product innovation

Product has been defined by Kotler (1980) as “*A product is anything that can be offered to a market for attention, acquisition, use or consumption: it includes physical objects, services, personalities, organization and ideas*”. There is lots of other definitions of product in the existing academic literature, but one more modern is that product is “*a bundle of physical, service, and symbolic attributes designed to enhance buyer’s want satisfaction*”. (Boone & Kurtz, 1998). New Product Development (NPD) is the key factor for the success of a company mainly because of the competitive environment (Brown & Eisenhardt, 1995), and because a company always has to propose some news products for its customers otherwise a competitor will do it.

*“Traditionally NPD was driven by R&D”* department of a company because there was the belief that only science can bring new products (Gonzalez-Zapatero, Conzalez-Benito, & Lannelongue, 2015), but this statement is not really meaningful anymore nowadays. Indeed as it has been already discussed before (2.3.2) the economy has switched from a closed innovation model to an open innovation model (Schiele, 2000) as defined above, and the internal resources of a company are often not enough to satisfy the demand of the final customer.

Developing and producing a new successful product is nowadays increasingly difficult and has become for every company a real challenge over the last 60 years. The rapid changes in technology, the emergence of a global market of consumers, the increasing market fragmentation and the need for product differentiation added more pressure on companies to develop their product range (Ginnis & Vallopra, 1999) in faster cycles. Indeed, especially in FMCG companies, the need to develop new product is the most important factor to brand loyalty and by consequence to the financial performance of the company. If a competitor releases a product on the market before your company an innovation then it is likely that it will always have the market share for this product. Product innovation is a way to compete with the company's competitors. It also means that one has to develop a strong customers' orientation sensibility (Jaworski & Kholi, 1993). For FMCG companies the fact that a company cannot reply to the customers' needs is a real loss first for the sales revenues but also sometimes of the loss of the customers (going to buy a product from a competitor), and come also with a degradation of the brand image (Merminod & Paché, 2016)

In product innovation and innovation processes it is very important to be market-oriented (Atuahene-Gima, 1995; Kohli & Jaworski, 1990) in order to be able to gather information about the customers/the competitors, and to respond quickly to the market preferences.

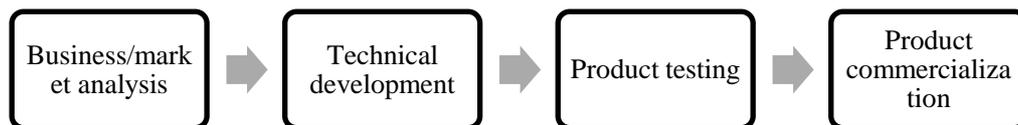
And even if the development of new successful product is never guaranteed, (Gonzalez-Zapatero et al., 2015), the market analysis has become a crucial step in NPD (Souder & Sherman, 1993) and a good way to avoid product failures, and this is

the reason why in this thesis the link between a marketing-oriented purchasing department and the NPD is studied.

As stated by Ragatz and al. “*faster, better, cheaper*” is the new motto and the new challenge faced by all the FMCG companies in the NPD (Ragatz, Handfield, & Scannell, 1997). The main challenge is to improve the “time to market” speed and in the same time to always find a way to reduce costs and to improve quality.

One of the main determinants of NPD success is the integration of all the functions involved in the process (Brown & Eisenhardt, 1995; Gonzalez-Zapatero, et al., 2015). The functions that need to be involved are the purchasing department, the marketing department, and the logistics department (see in Figure 5). NPD is a mixture between communication networks, problem solving and decisions making (Brown & Eisenhardt, 1995) between the different departments of a company and with the suppliers.

Urban and Hauser (1993) have defined four main steps for the development of new products as you can see in Figure 9 below:



**Figure 9.** Steps for New Product Development. (Urban & Hauser, 1993)

So the first step is to produce a good business/market analysis, in order to understand customers, competitors and the market where the product is going to be positioned. As discussed before, this step is primordial for NPD. Once the market analysis is done, the technical development of the product can start by taking into account every

relevant detail from the market analysis. This technical development is enhanced taking place inside the supplier company. The product-testing step includes all the tests necessary to be sure that the product is efficient, of a good quality and respond to the external demand. Finally the last step is the commercialization of the product. All this steps have to be made with the logic of improving the time to market speed in order to be the first launching the product and to keep the competitive advantage given by the novelty.

In order to keep this competitive advantage it is important to capture and develop the good (or right) innovation. Barclay (1992) has defined five attributes a company should have in order to capture successful innovation. The first one is to be open-minded, supportive and to have a professional management in order to be open to hear new ideas or new concepts. The second attribute is to have a good knowledge of the market and of the strategy that the firm has established. We have already analysed before why is it important to have a very good knowledge of the environment where the firm is positioned. The third attribute is to have a superior product, in terms of costs, quality and use comparison to competitors in order to have the preference of the customers. The fourth one is to establish a good communication and coordination first within the firm, but also towards the final customers. They have to understand which product the company is selling, for which price, and communications have to be as clear as possible. The last attribute is the technological proficiency of the company (Barclay, 1992), which refers to the application of technical knowledge in order to achieve the outputs expected.

#### **2.4. Linking product innovation to the purchasing function.**

Started from 1981, some authors have started to discuss the potential involvement of purchasing in new product development. Farmer (1981) proposed that the purchasing department of a firm should be included and should contribute to each stage of the product development from the idea generation through the whole development process.

This part will discuss the different ways to capture innovation with the purchasing department.

#### 2.4.1. Managing innovation inside the purchasing department

The literature has in a general focused less on the role and the need that can be caused by the integration of purchasing with other functional areas during the development of a new product (Di Benedetto, Calantone, Van Allen, & Montoya-Weiss, 2003).

For some researchers the evolution of the purchasing function happens through more collaboration between the purchasing function and the suppliers (as it will be discussed further), with the R&D of product, and with the marketing/sales department (Slaight, 2009) (as discussed in the previous part of the paper). The integration of purchasing in the primary function, and not as a support function as defined by Porter (1985) (cf. Figure 1), is very important and improves organizational performance through cost efficiencies and guarantees better alignment with the market (Sharma & LaPlace, 2005; Bregman, 1995). This integration is also fostering new product development and innovation (Khan & Mentzer, 1998).

Many authors have proved that the internal integration of different department influence the innovation capacity of the firm (Johnson & Filippini, 2009). Marketing, purchasing and logistics have a lot of interactions, particularly in the process of creating value to the final customer, with the development of new product/service. Indeed traditionally the purchasing is referring to the suppliers, the marketing to the customers, and the logistics to the supply issues with the different elements of the supply chain (Merminod & Paché, 2016). As already discussed before the cooperation of purchasing and marketing can act as a real way to create value (Pardo, Portier, & Salle, 2016). In some companies this rapprochement between the purchasing and marketing function is called “category management”. (Merminod & Paché, 2016)

As stated by Gonzalez-Zapatero et al. (2015) the integration of marketing in the purchasing department during new product development is first used in the business market analysis phase. This phase is more customer oriented in order to find the specification for the new product (Gonzalez-Zapatero et al., 2015). The information

can come from the marketing department itself, from a business benchmark of the competitors, or from talking with the suppliers on the latest trend on the market. This “*marketing’s customer-consulting role*” (Sheth et al., 2009) has become more than crucial in order to understand the preferences of customers and to apply this preferences to the NPD (Souder & Sherman, 1993).

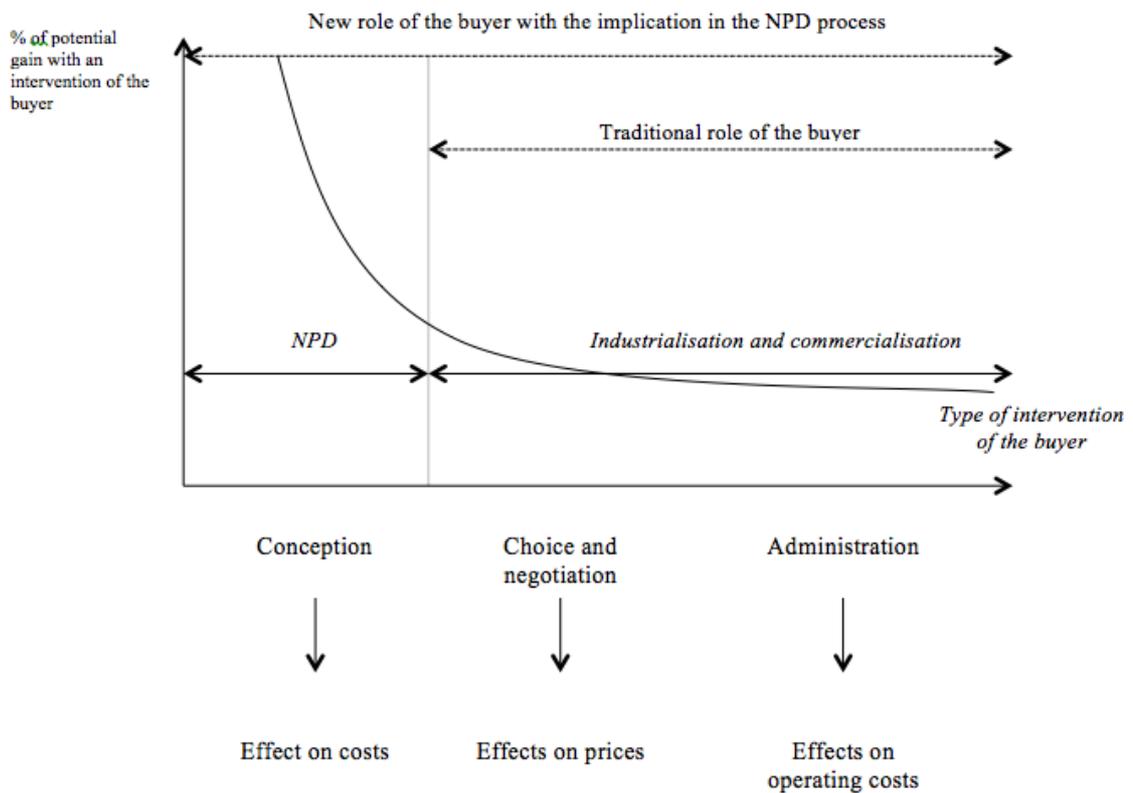
The second phase where the purchasing is interacted with marketing is during the technical development phase; the purchasing department is in charge to find the better “*fit*” between the preferences of the customers and the capabilities of the supplier (Gonzalez-Zapatero et al., 2015) and therefore to make decision on the product development.

The third phase is the manufacturing one. During this phase the buyer is in charge to have a better understanding of the total volume of the demand for the new product that the supplier will have to produce in order to be able to make better decision on the production processes (Swink & Song, 2007). And finally the last stage is the commercialization of the product, in this phase the purchasing department is the intermediary between the supplier and the marketing in order to coordinate the marketing promises (in term of promotion, delivery dates) with the suppliers’ capabilities (Gonzalez-Zapatero et al., 2015). The purchasing and marketing department need to share all the information continuously in order to ensure an optimal and successful NPD (Souder & Sherman, 1993).

Calvi (2000) has also worked on the potential role of buyer in the new product development. The buyer needs to be “*an initiator, facilitator and a leader*” in the same time (Calvi, 2000). According to him the performance evaluation of the purchasing department’s performance needs to be focused not on the cost savings anymore but on the new value creation (Calvi, 2000). The study case conducted by Merminod and Paché in 2016 with a big FMCG company of cosmetic brings a very supportive opinion to this theory. The director of marketing of this company stated: “*The buyers came up with a certain numbers of proposition, switch of suppliers, or with esthetical implications and so one. We gather around the table with the marketing team and purchasing team, we have a look at everything and then I will say what is practicable*

and what seems impossible” (Merminod & Paché, 2016). This statement underlines the fact that the purchasing department is now playing an important role in the NPD.

The figure 10 below tends to summarize the impact of the purchasing department in the new product development process.



**Figure 10.** Impact of the purchasing role in the cost of new product development. (Calvi, 2000) adapted from (Lorino, 1989).

The traditional role of the buyer in the new product development is now extended from the conception phase to the administration phase. The percentage of potential gain that a company can win due to the intervention of the buyer is higher in the

conception phase because the buyer can have a direct effect on the cost by managing his panel of suppliers (it will be discussed further down in the thesis). The conception phase is also the one where the integration of marketing and purchasing is the most important (Calvi, 2000). This new extended role of the buyer in the new product development is in a direct relation with the success of the introduction of a product in a market (Barczac & Wilemon, 1991; Ginnis & Vallopra, 1999).

#### 2.4.2. Capturing product innovation by managing a panel of supplier

According to Burt and Soukup (1985) “*the most vulnerable aspect of product development in many companies is the failure to use the creative potential of suppliers*”. Indeed as discussed before in the part 2.2.2 the integration of the marketing inside the purchasing function has the aim to succeed a better management of the suppliers’ panel and therefore resources. Instead of speaking about supplier involvement in NPD, it can also be named purchasing integration in NPD because the buyer is the one dealing with the management of suppliers (Wynstra, Weggeman, & van Weele, 2003). The creation value inside a company is shifting towards open innovation (Chesbrough, 2003) based on sharing, dialogue and serendipity in particular with the suppliers as explained before. In order to develop successful product innovation a company needs to have a “*creative*” and “*adaptive*” purchasing department who can be able to manage and capture product innovation through its suppliers. (Trehan, 2014)

The purchasing department of a company can play a part in the new product development by first managing a catalogue of suppliers according to their technical and design expertise. Then the management of a strong relationship with the suppliers, helps to create and develop an environment where the suppliers can exercise their creativity and are willing to take risks (Birou & Fawcett, 1994). Indeed the suppliers because of their positions on the market (they are most of the time working with many companies of the same sector) know in advance the future trends of the market by analysing the buying comportment of its customers. They can also have some strategic

information about competitors that can help the purchasing department of a company to anticipate what will be the new product of their competitors. In order to create the favourable and creative environment it is mandatory that the communication between the buyer and the supplier stays clear and constant for every aspect of the NPD (Birou & Fawcett, 1994).

Speckman, Kamauff and Myrh (1998) establish that there is three type of relationship with the suppliers. There are: (1) cooperation, (2) coordination and (3) collaboration (trust and engagement).

Cooperation is based on the fact that only basic and primary information indispensable for business are exchanged between the purchasing department of a firm and a supplier. Coordination refers to more communication between the two stakeholders with exchange of information on daily basis and with the instauration of a common information system in order to facilitate the communication. And finally collaboration is based on trust and engagement of the both sides the information are all shared but are not always waiting for approval, and the communication are made in a real spirit of partnership (Speckman et al., 1998). According to these authors collaboration is the only way to proceed to successful product innovation.

The collaborative relationship between the buyer and his supplier is therefore considered as a source of competitive advantage (Calvi, 2000; Dyer, 2000; Singh & Power, 2009)

In order to capture the innovation from the panel of suppliers it is important to manage this panel in a good and efficient way. For Bonaccorsi (1992) there is three main processes in order to manage a good supplier relationship in new product development and to be the more efficient in the purchasing integration: (1) incentive, (2) search and (3) coordination. The previous work from Hankansson and Erikson (1989) refers to the same processes but more detailed and adds a forth one: (1) prioritizing, (2) mobilizing, (3) coordinating, (4) timing. Prioritizing (or incentive) is about knowing where to invest the company's resources and supplier's resources in the NPD process. To settle good and efficient priorities, the relationship between the two protagonists has to be collaborative (see the definition above). Mobilizing (or search) refers to how

to motivate your supplier in order that they get interested in working and developing product for the company in the best way possible. Coordinating is the adaptation and adjustment of the development of activities between suppliers and manufacturer of the in order that the NPD process is the fastest. Finally the last process is timing, and it is referring to a good coordination in the timing of NPD to avoid bottlenecks and delays in the NPD. (Hakansson & Eriksson, 1989)

The figure 10 below is a summary of all the different steps needed for successful supplier integration into new product development.

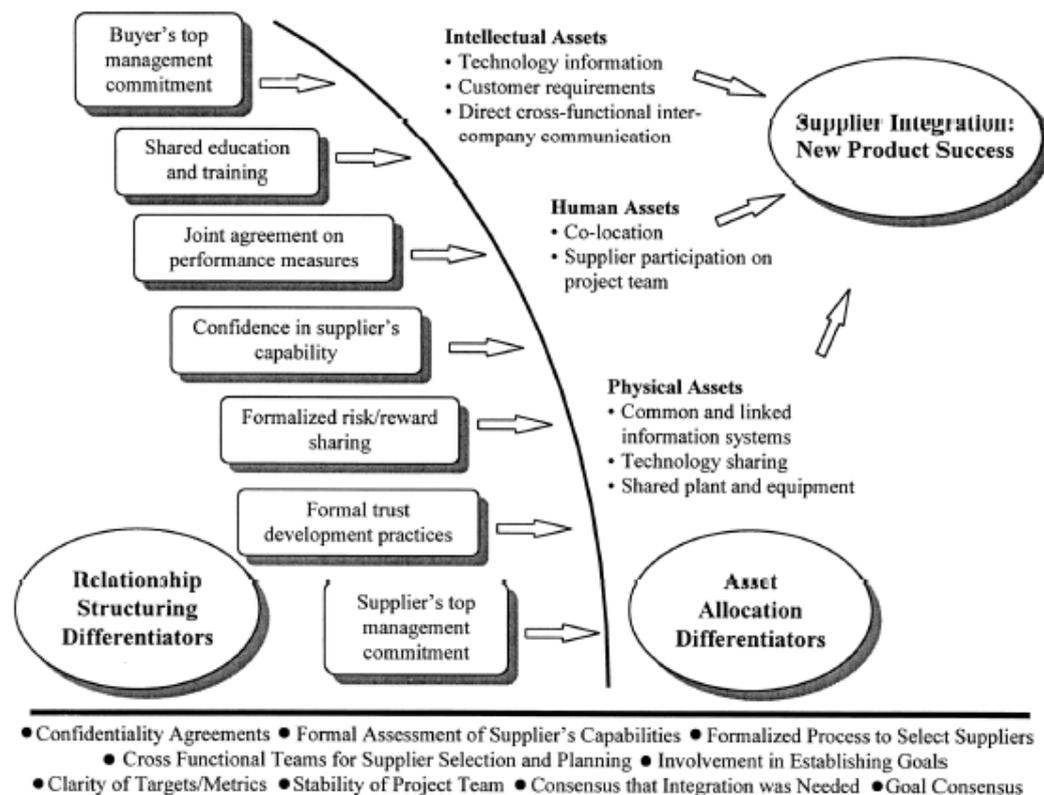


Figure 4. Explanatory model: Successful supplier integration into new product development.

**Figure 11.** Explanatory model: Successful supplier integration into new product development (Ragatz, Handfield, & Scannell, 1997).

This explanatory model developed by Ragatz et al. (1997) is brought up to show the different components required to access to a successful supplier integration. The relationship structuring factors on the left are what is necessary in order to obtain a good relationship between the buying and the supplying company, meaning to have open communication channel, to build trust, and to define the expectations of both parties. These factors help to facilitate the integration and to share some assets but do not affect directly the NPD. The asset location factors (on the right side) are what are going to affect the NPD process, and this asset factors can exist only if the relationship structuring factors exist. (Ragatz et al., 1997)

To conclude, “*the supplier involvement in a new product development is a strategically critical issue*” (Ragatz et al., 1997)

So, the management of this panel of suppliers has to be made in a way that suppliers can be involved in the early stage of NPD starting from the conception of the product in order to allow the company and the buyer to make considerable savings (Briel, 2007).

According to the AFNOR, the responsibility of the buyer is “*to create amongst the supplier a competitive and creative spirit, to promote the proposal of the suppliers and their suggestions to reduce the cost and/or improvement of the performance and to inform the others functions of the company about the evolutions of the environment*” (AFNOR, 1990). So as undertone in this definition, there are traditionally two economical reasons why the purchasing department should be involved in the new product development process. First the purchasing department can have a better control of the cost and the quality of the product because of the relationship with the supplier (Calvi, 2000). It can also have an impact on the time-to-market speed (Calvi, 2000), which is nowadays a very important factor of differentiation in the success of new product (Calvi, Pache , & Jarniat, 2010). The fact to involve suppliers in the new product development process at an early stage can also improve the quality of the product (Takeishi, 1998) and the economic value of the product, by bringing new functionalities, or novelties (Calvi, 2000). Secondly, the purchasing department has an informative role towards all the other departments of the company, because of its proximity to the environment. Therefore the capture of innovation by the supplier can

bring many advantages to the company in terms of cost, quality, time-to-market, competitors' advantages, and market's knowledge.

This statement has been verified in the academic work by many case studies, as for instance by Merminod and Paché (2016). They conducted a study case with a big FMCG company in the cosmetic distribution. By interviewing many of the employees in the purchasing and marketing department they came up with the conclusion that the integration of the purchasing department in the NPD and by consequence the early involvement of supplier have a positive and direct effect on NPD success.

#### 2.4.3. The challenges that the purchasing department can face towards innovation

However if a lot of literature works discussed the positive effects of open innovation and of the involvement of the purchasing function in the new product development, it is also important in the context of this thesis to talk about the limitations and the challenges that are also present in this early involvement.

Indeed one has to be careful about early involvement of a supplier in the new product development; a lot of researches have proved that involving a supplier in the NPD is not always beneficial (Wynstra, Van Weele, & Weggemann, 2001). The involvement of the purchasing department to a NPD can cause some difficulties with the integration of the suppliers in the early stage of NPD. Some external and internal barriers can appear (Ragatz, Handfield, & Scannell, 1997) such as a lack of communication and trust between the two parts, inefficient suppliers abilities or unwillingness and internal resistance from the purchasing companies can lead to unbeneficial work. (Wynstra et al., 2001). For Ragatz et al. (1997), these external and internal barriers have to be seen more as challenges, that a company can face or not.

The first challenge is a certain kind of resistance from the buyer's side to share some information with his suppliers ("*proprietary information*"). Indeed the supplier might reveal the information to some other competitors (Ragatz et al., 1997). The second challenge is inside the organization of the buyer; the fact that an idea coming from

outside the company is “*not invented here*” can sometimes lead to some resistance from the management. But there can also be some resistance from the supplier’s company because they can be bringing to reveal some “*proprietary*” information or technologies from their sides as well. They are also afraid of inequitable treatment (Ragatz et al.,1997).

#### 2.4.4. Summary of the discussion

From the theoretical discussion conducted before, it has been proved that marketing is stronger integrated in the purchasing function by many sides and is a driver of product innovation and value creation for the company. The purchasing function has evolved quickly over the last decade in order to support the company’s primary activities and to develop the business. The basic role of a buyer (meaning cost killing and organizing the delivery) is not the most important part of the function anymore; the purchasing department is playing an important role in the global strategy of the firm.

The purchasing function is given more responsibilities inside the company and the scopes of actions of buyers are increasing. The purchasing function is now in a lot of companies responsible for seeking and introducing new product innovation to the market, as it has been proved by many literature researches.

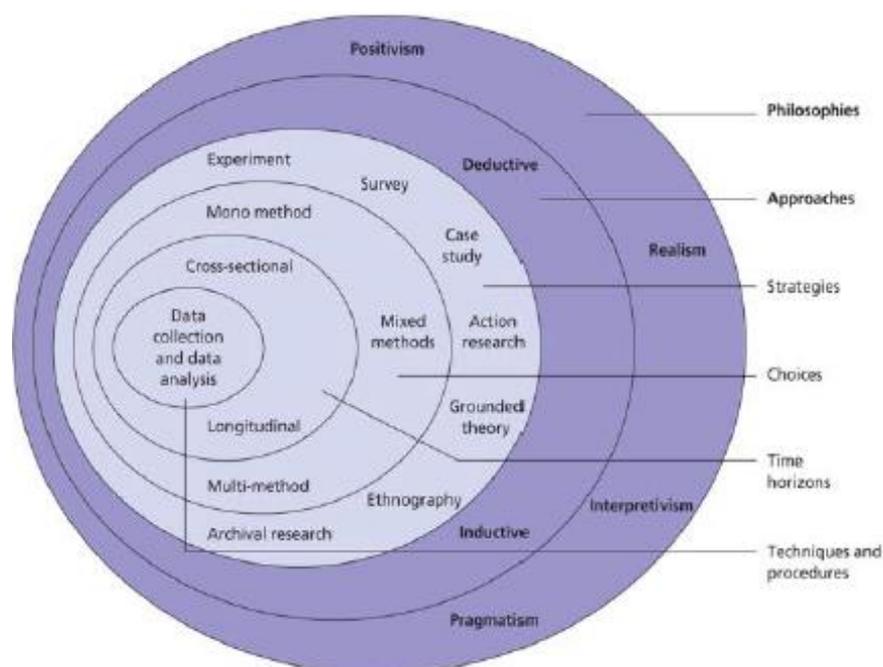
Product innovation is the key element for a company who want to survive in a very competitive and aggressive environment, and nowadays the innovation is not anymore only appearing from inside the company. The concept of “open innovation” is one of the reasons explaining why the purchasing department has to be the driver of new product innovation. Innovation can come from outside the company, and the suppliers are a very important source of innovation. The management of the supplier’s relationship is the role of the buyer and that in this way the buyer is now involved in NPD.

The aim of this study is to understand how the marketing side of the purchasing department is a driver of product innovation.

### 3. RESEARCH METHODOLOGY

This chapter is now going to introduce the methodological structure meaning how the study has been conducted.

In order to conduct this research methodology in a scientific and logic way, the organization of the part will follow the methodology of Saunders, Lewis & Thornhill (2009) by peeling the different layers of the research onion (see figure 12 below).



**Figure 12.** The Research Methodology Onion. (Saunders, Lewis, & Thornhill, Research Methods for Business Students, 2009)

The methodology is to peel first the outer layer of the onion and then to go more close to the center of the onion.

Therefore a first part will focus on the research philosophy and approach, then the second part will discuss the research design of the thesis. And finally, the data collection, analysis and the different criteria for the validity and reliability will be explained as well as the ethics of the research.

### 3.1. Research philosophy and approach

The research philosophy is a global term relating to the development of knowledge and the nature of the knowledge (Saunders, Lewis, & Thornhill, 2009). It is also assumptions about the way the world works, about the reality (ontology) and about what is knowledge and what are the sources and limits of knowledge (epistemology). The research philosophy set the directions for the research on how to proceed from the research question to the conclusions.

In the onion presented in the figure 12, there are four different philosophies: positivism, realism, interpretivism and pragmatism.

For the purpose of this research the philosophy adopted is the interpretivism philosophy. It means that the ontology of this research is that the reality is formed by the social phenomenon, which is created from the perceptions and actions of social actor. The social actors are producing the reality through their interactions. Therefore there is not only one version of the reality, but there is multiple others versions according to each person. The aims of the interpretivism epistemology are to understand the different interpretation processes of construction of meanings, communication and engagement in the social situations. It is a pragmatic conception of knowledge (Sandberg, 2005 ; Yanow & Schwartz-Shea, 2006). The researcher will constitute and interpret the knowledge in order to understand the insights of a phenomenon. One can understands the reality relatively to the conception that he has from it. This philosophy is most of the time linked to a qualitative research, with small samples and in-depth investigations (Saunders et al., 2009).

The research (or methodological) approach of the study is the second layer of the onion (figure 12). It can be in two ways: inductive or deductive. The deductive approach means that a theory and hypotheses are formulated and then testing by designing a research strategy, in other words “*deductive reasoning is a theory – testing process which commences with an established theory or generalization, and seeks to see if the theory applies to specific instances*” as defined by Hyde (2010). Therefore theory is the first source of knowledge in the deductive approach. The opposite of the deductive approach is the inductive approach, because the theory is derived from the collected and analysed data.

The empirical data collected are the first source of knowledge in the inductive approach, and can be defined as: “*a theory – building process, starting with observations of specific instances, and seeking to establish generalizations about the phenomenon under investigation*” (Hyde, 2010). It is also very common in Master business thesis to use a combination of these two methodological approaches named: the “abductive” approach. In this approach both primary (theory) and secondary (empirical data) are gather in order to facilitate a theory generalization. In the abductive process the research issues and the theoretical framework are “*successively reoriented when they are confronted with the empirical world*” (Dubois & Gadde, 2002). The abductive methods also relates to interpretativism, because is it usually linked to qualitative and small samples data.

In this paper the research approach uses is the abductive approach, because as explained before there is already a lot of literature existing about the new purchasing/marketing function and some literature about purchasing strategy and innovation. However all this theoretical contributions have not been examined in the casual relationship they have to each other. By consequence the aim of this research is to conduct to new empirically based assumptions based on the qualitative study case.

### **3.2. Research design**

The research design of a study has been defined by Saunder et al (2007) as “*the general plan of how you will go about answering your research question(s)*” and it’s also necessary to specify the “*techniques you will use to gather, analyse and interpret data*” (Maylor & Blackmon, 2005). The research design is constituted by the research strategy, the research choices, and time horizon (see figure 12) and is chosen according to the research question formulated at the beginning of the paper (Saunders, Lewis, & Thornhill, 2009). The research question for this paper is: “How does the integration of marketing in the purchasing function of a Fast Moving Consumer Goods company enhance product innovation?”

In order to build the strategy and the design of the research, the researcher has to consider the purpose of his study. The research purpose can be exploratory, descriptive, or explanatory. An exploratory research is looking for new insights; usually there are no or few studies about the topic in the literature review. A descriptive research aims to find an accurate description of the topic by using question such as “Who? What? Where? How many? How much?”. Usually a descriptive research is the starting point of an explanatory study. An explanatory study examines a problem in order to explain a relationship between variables through question with “Why” and “How”. Usually this type of research leads to a study case (Yin, 2003).

The research question of this thesis includes a “how”-question who is by nature explanatory (Yin, 2003) and therefore foster the utilization of a study case as a research strategy.

But on the other hand the present research is also an exploratory study. Indeed it aims to explore “what” are the links and the relationships between the purchasing and marketing department inside FMCG companies.

The type of data used in the research is also important in order to build and to choose the good research strategy. Data can be separated between qualitative data and quantitative data (Punch, 2013). Usually qualitative data is referring to non-numeric data (interview, observation, questionnaire, document, text) data while quantitative data is referring to numeric data (mathematical model, survey, statistical analysis, econometric) (Myers, 2013).

Myers (2013) argues that a qualitative research is the most suitable research approach of the researcher want to study a small sample amongst few organizations. The aim of this thesis is to study the topic of the relationship between the purchasing/marketing departments with the product innovation within four FMCG companies, that is the reason why the qualitative approach has been adopted.

Therefore the research strategy chose for this paper is a study case strategy. A study case can be defined as: *“a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context*

*using multiple sources of evidence*” (Robson, 1993). Study case is often used when a topic is still under-studied in the literature review (Vissak, 2010). The phenomenon being studied in this paper is the causal relationship between the purchasing department of a FMCG company and the product innovation, and the causality of this relationship has attracted less focus when the marketing is involved in the process.

There is different kind of case study strategy as defined by Yin (2003), the single case, multiple case, holistic case and embedded case. For this study the multiple case study strategy will be adopted. Indeed the purpose is to form empirically based-assumptions on the role of the integration of marketing in the purchasing department to enhance product innovation. With this perspective, some leaders and managers from different companies but all working inside the purchasing department will take part of this research, so the multiple case study will provide a broader view of the phenomenon. The aim of this case study is to answer to the empirical questions, ERQ1: *“To explore the relationship between the purchasing department and the marketing department in FMCG companies in France”* and ERQ2: *“To explain how the purchasing department is responsible for seeking new product innovation in FMCG companies in France”*.

The last layer of the onion (figure 12) is the time horizon on the research. This study examines a sample of data (interviews and questionnaires) at a particular moment and only once; therefore a cross-sectional design is selected.

### **3.3.Data collection**

As discussed previously data can be either quantitative or qualitative. For the aim of this study qualitative data will be gather from interviews and questionnaires (Eisenhardt, 1989). The method adopts for this case is a multi-method qualitative approach, indeed the primary data are extracted from semi-structured phone interviews and from written questionnaires.

There is three main types of interviews (1) structured and standardized interview, (2) semi-structured interview, or (3) unstructured, informal and open interview (Eriksson

& Kovalainen, 2008). The structured interview the guideline is carefully planned and every question is structured. The all set of interviews is the same; this method is useful in order to compare data, to conduct a lot of interview or to help the interviewer if the person is not really experienced. However as we stated this type of interview is relevant to compare data and therefore they are sometimes refers such as “quantitative research interviews”. For the purpose on this thesis this method will not be used. The unstructured interview (3) on the other hand are the opposite, there is no prepared set of questions for the interviewee, but some guiding questions or core concept, the conversation is more freely to move to any topic. This method is interesting by the fact that it sometimes produces insights and problematic that the researcher has not thought about before. But this method requires very good interpersonal skills for the interviewer and that is the reason why it will not be use for this study (Eriksson & Kovalainen, 2008). The last type of interviews is the semi-structured interview (2). This type on interview is focused both on “what” and “how” questions. The researcher has to prepared outline of topics and theme, but is then free during the interview to vary the order or wording of the questions. This type of interview is fairly conversational and more informal than the structured one. The researcher also has the possibility to ask additional in-depth questions to react to some interviewee’s answers (Eriksson & Kovalainen, 2008).

For this study, five semi-structured interviews, and three written questionnaires were conducted with workers from the purchasing functions in four different companies in order to gain a better understanding on how the purchasing function can enhance product innovation. The study is conducted with four major FMCG companies in France because the internal organization structure of the kind of companies (MNC) is more likely to be interesting and to give good understanding of the purchasing missions. The interviews are positivist and emotionalist meaning that it’s based on facts and on the participant’s authentic experiences (Eriksson & Kovalainen, 2008).

### 3.3.1. Selection of the sample

The selection of a sample is a critical part of the process in order to gather empirical data and to answer to the research question of the paper. For this case study the sample was selected following the non-random sampling method, meaning that the selection of the sample is made with the subjective judgement of the researcher (Saunders, Lewis, & Thornhill, 2009). The technic adopted for the selection is first the purposive sampling meaning that researcher is free to select the participant that he thinks would be the most relevant for the research objectives and question, and so to select the “most productive sample” (Marshall, 1996). This method of sampling has been chose by the researcher in order to concentrate on people having a certain function in a certain kind of company. The criteria to be part of the sample were: to occupy a job inside the purchasing department of a FMCG company in France. All the panel of respondent work in four different companies with different positions and therefore with different perspectives, responsibilities, organization and business line. This first set of individual has been contacted by personal contact and then by phone to inform them about the research topic and to settle a date for the interviews. During this first phone contact, the researcher asked for more individuals in the company that could be willing to answer a phone interview, but unfortunately this snowball effect had not work because none of the person contacted afterwards by email were willing to give a phone interview. It is for this purpose that the written questionnaire was elaborate in order to still gather some outputs coming from these people. By consequence the snowball sampling technic have been used only to have access to people for the written questionnaire.

Due to the geographical position of the respondents, the phone interviews were all conducted by phone during March and April 2017. The interviews were also conducted in French, the native language of the respondents, in order to have deeper answers and outputs because all the respondents didn't speak English very well.

### 3.3.1.1. Context of the data collection: Fast Moving Consumers Goods companies.

The data for this case study have been all collected in FMCG companies as we stated before. The aim of this sub chapter is to provide a better understanding of what is really a Fast Moving Consumer Good company and what are their main characteristics in order to have a better understanding of the sample, and of the working environment where the case study takes place.

FMCG is the acronym for Fast Moving Consumer Goods, so when this paper is talking about FMCG company, we are referring to companies selling this kind of goods. Fast Moving Consumer Good are also known as Consumer Packaged Goods (CPG) are all the products that can be found in retail stores that are sold quickly and at a relative low cost. The absolute profit made by the company selling FMCG goods is relatively small, but is compensate by the facts that the product is sell in large quantities, so the cumulative profit is large (Deliya). In the FMCG we can include a wide range of daily products such as food, drinks, cosmetics, toiletries, cleaning product, toys, clothes...

There is a lot of beliefs that once an organization has reached a certain size, it has to loose its capability of to develop and foster innovation (Johnson D. , 2001). FMCG companies are often big MNCs and this assumption is valid for them, but in reality theses kind of organizations has to adopt a proactive behaviour and attitude towards innovation in order to survive in a competitive, dynamic and evolving market. (Johnson D. , 2001)

This attitude towards innovation from the FMCG companies is similar to the attitude of entrepreneurship as defined by Johnson (2001), meaning that the buyer has to assume responsibility for his choices, to be open and to create novelty and to manage the risks that are linked to this changes. The entrepreneurial attitudes that are indispensables for a buyer in FMCG company are first the motivation to achieve goals and to compete with others. Then it is important to make independent and self-directed decision, to be autonomous. As we said before being open to new information/people/practice in order to take advantage from opportunities, and also to

have a creative and flexible thinking. Another attitude, which is essential, is the problem solving and decision making skills. Then the buyer from FMCG company should also be able to see and to capture opportunity coming from outside or inside the firm, but also to be aware of the different risks and to reduce it. In a nutshell they have to have the capacity to make an impact. (Johnson D. , 2001)

### 3.3.2. Overview of the sample

As previously discussed the empirical part of this study will focus on exploring how the integration of some aspects of marketing in the purchasing function is enhancing product innovation. The sample for the empirical part has been chosen in order to give answers and outputs to the two empirical objectives of this paper. The first empirical objective is to “to explore the relationship between the purchasing department and the marketing department in FMCG companies in France” and the second objective aims to “explain how the purchasing department is responsible for seeking new product innovation in FMCG companies in France”. The interview respondents were selected according the criteria stated before.

The sample is composed by eight respondents, five interviews were conducted by phone and three respondents answered to the written questionnaire because they didn't have any time to grant a phone interview. These eight respondents are coming from four different FMCG companies named for privacy matters: Company 1, Company 2, Company 3 and Company 4. The sample is located in France because all the companies are French except for one, which is an American company. However the functioning of the French division is very independent and different of the American one, and there is no real link in the business organization. For these reason the empirical study is focused on FMCG companies in France. This diversity in the companies allow the researcher to confront several organizations. And the diversity of respondents working in the same company allows the researcher to confront different point of views and to see if the vision of the purchasing function in the capture of product innovation is the same within the same company.

The four companies answer to the criteria of FMCG companies as defined above. Indeed they are all selling products in the mass distribution or specialized distribution, and the specificity is that the seasonality of products is high meaning that product innovation is a very important criterion for these companies (the description of the different companies activities can be find in the **Appendix 1**).

The interviewees are all occupying a position in the purchasing department of their firms, however some are senior buyers, some others junior buyers, one is a category manager, one is a purchasing assistant, the other one is a product/category manager, and another one is a manager of a purchasing department. This diversity of profile is interesting for the study because as indicated before the purchasing function is always evolving and having the point of views of people with different years of experiences and different jobs position can only be beneficial and critical for the purpose of the empirical part.

The table 1 below presents the profile of the different interviewees. For a question of privacy the respondents asked to hide their names, and the name of their company. In a same way, all the companies names quoted during the interview are replaced in the empirical part by the substitutions names.

**Table 1:** Profile of the respondents for the empirical study.

<b>Name/Title</b>	<b>Company</b>	<b>Job position</b>	<b>Years in company</b>	<b>Years in business</b>
Respondent A	Company 1	Senior buyer sport and outdoor activities	13 years	20 years
Respondent B	Company 1	France private label coordinator/ Product manager sport	6 years	8 years
Respondent D	Company 1	Senior buyer childcare	4 years	10 years
Respondent E	Company 2	Manager of the purchasing	15 years	30 years

		department for fresh products		
Respondent F	Company 2	Category manager fresh products	5 years	8 years
Respondent G	Company 3	Junior buyer and developer for private label accessories	1,5 years	2 years
Respondent H	Company 4	Junior buyer multiproduct	1 year	3 years
Respondent I	Company 4	Buyer assistant multiproduct	20 years	25 years

As previously mentioned all the interviews could not have been conducted by phone, because of the time availability and willingness to answer of some respondents, therefore three interviews have been conducted via a written questionnaire. However for the purpose of the study their outputs are still interesting and valuable.

The table 2 presents the different respondents to the phone interviews and written questionnaire.

**Table 2.** Distribution of the data collection

PHONE INTERVIEW	WRITTEN QUESTIONNAIRE
Respondent A	Respondent D
Respondent B	Respondent F
Respondent E	Respondent I
Respondent G	
Respondent H	

### 3.3.3. Structure of the interviews and questionnaire

#### 3.3.3.1. Semi-structured interviews

As stated before, all the respondents to the study case are French and located in France. For this reason, the interviews were conducted by phone, and recorded after having the authorizations of the respondents. The privacy of the first and last name has been asked by all the respondents therefore they have been named for this study with letters (see table 1).

Phone interviews is becoming amongst the researchers a very common way to conduct interviews and to have access to people in a different geographic area in order to broader researches (Neelankavil, 2007). Nevertheless this type of interview has its drawbacks, indeed the hidden information from body language and facial reaction that the researcher can analyse in physical interviews are missing. But on the other hands, it has also its advantages, because the respondents can feel freer to share their thoughts and their ideas, as they can't really see their interlocutor (Neelankavil, 2007). Therefore the phone interview was not a real limitation for the empirical part of this research.

Prior to the interviews, a first contact by email was made with all the respondents during the month of March 2017, in order to give them an overlook of the aims of the study, and to explain to them shortly which kind of contribution was expecting from them, then a date and a time for the interviews was settled. No outline of the question of the interviews was sent before, in order to have more sincere and spontaneous responds from the respondents the day of the interviews. However they were all aware of the aims of the study and of the different topics that would be discussed during the interview.

The interviews followed the semi-structure guideline (**Appendix 2**), but were also flexible depending on the answer of the respondents, and their willingness to answer the questions. All the interviews lasted from 20 to 40 minutes, with an average of 27 minutes. The main topics of the interview are sum up in the table 3 below:

**Table 3.** Main topic of the semi-structured interviews.

<b>Topic</b>	<b>Information obtained</b>	<b>Theoretical references</b>
Introduction	Background Job position Number of years of experiences Company's sector Organization of the purchasing department	Van Weele (2010); Bellizzi (1982)
Purchasing	Description of the job/missions/role Relationship with suppliers Changes in the purchasing function	Van Weele (2010); Portier et al. (2010); Bruel (2007); Monczka et al. (2005); Trehan (2014)
Marketing	Role of the marketing department Interaction between the purchasing and marketing Marketing part of the buyer	Kotler & Levy (1973); Kotler (1980); Portier et al. (2010); Fenneteau (1992); Leenders and Blenkhorn (1988); Trehan (2014)
Innovation	Own definition of innovation and product innovation Importance for the job Implication/involvement in NPD Biggest challenges in NPD	Kanter (1984); Francis & Bessant (2005); Johnson (2001); Chesbrough (2003); Barclay (1992)
Conclusion	Futures challenges of the purchasing function Final thoughts or suggestions	//

The interviews were all started the same way, first the researcher briefly introduced herself, and re-explained the aims of the study and the different topics that will be discussed during the interview, before thanking the respondent for his or her time and his or her contribution to the study. Also the confidentiality of all the data were reassured to the participants and that the data would be used only on the purpose of this academic study. Once this short introduction was done, the researcher moved on to the questions following the guideline. Additional questions were sometimes asked in order to have more in-depth answers or if the interviewee missed a point or an explanation that was valuable for the thesis. Depending on the direction of the conversation some questions were sometimes changed in the phrasing or in the order to be and feel more natural. At the end of the interviews the participants were thanked again for the contribution.

As explained before all the interviews were conducted in French, the mother tongue of the respondents, in order to encourage active participation and conversation and to make people feel more comfortable.

One day after the interview an email of gratitude was sent again to the contributors.

#### 3.3.3.2. Written questionnaire

As explained in the sampling part, some respondents were contacted by email in order to organize a phone interview but declined because of their lack of time to conduct a phone interview. Nevertheless their contributions to the study were seen as important for the researcher and therefore a written questionnaire has been settled in order to still collect extra outputs. The researcher is aware that the written questionnaire is less scientific, that the outputs given are less reliable than an interview, and that some responses to open questions can be very elusive and unclear. However some outputs can still be exploitable and valuable for the empirical part and that is the reason why this written questionnaire was sent to the respondents willing to answer to it.

The contact with these participants has been made only by email. The email with the written questionnaire was sent the week of the 3<sup>rd</sup> of April 2017, and in the frame of the email, the researcher explained clearly the purpose of the study and the contribution that the respondents could have. The participants were kindly asked to respond within a week and to give the more elaborate answers possible to every open

question in order to help the researcher for the study. They were also thanks at the end of the email for their time and their contribution. Some respondents did not submit the questionnaire within the week, and the researcher had to send a reminder, in order to have all the feedbacks in time. Once all the answers had been provided an email thanking the participants for their answers has been send.

The written questionnaire follows the same structure as the phone interview (see table 3) and the same topic were discussed. The structure of the questionnaire can be found in **Appendix 3**. The questionnaire was made with close (yes or no), multiple choices and open questions, in order to give a rhythm to the questionnaire and to not loose the attention of the respondents. The final outputs of the questionnaire were globally the same than the phone interviews, even if the answers were globally less developed.

### **3.4.Data analysis**

As described by Weick (1995), data analysis can be seen as the process of sense making by “*constructing meaning after event*”. Therefore for this thesis it is the process of constructing the meaning of all the data gather.

In order to introduce and to explain the results of the study, the “data collected need to be condensed (summarized), grouped (categorized) or restructured as a narrative to support meaningful analysis” (Saunders et al., 2007).

So the first step of the data analysis was to summarize the data in order to have a good overview of all the information available. Therefore the first stage is to transcribe verbatim the phone interviews. Then the researcher had to read all the different transcripts and the answers of the written questionnaire multiple times. After this several listening, notes were made, in order to highlight the topics that occur more than others, and to recognize the main themes.

The second step is to categorize the data by proceeding to a systematic analysis of the reoccurring themes, to have different categories of data of the same conceptual level and supporting (or contradicting) the theoretical findings. The main themes are defined by the researcher, and are answering to the two empirical objectives. Direct

quotations from the transcribed interviews are used in order to give the exact phrasing of the respondents and to keep the ideas cleared.

The last step is to restructure the data. In other words the researcher has to analyse the different findings inside each themes and to draw global conclusions on the study case.

### **3.5.Credibility**

In order to rate the quality of a research paper and to give it credibility there are two criteria that need to be taken into account: validity and reliability (Saunders, Lewis, & Thornhill, 2009). This part is going to analyse first the validity of this paper, secondly its reliability, and finally the ethics of the research.

#### 3.5.1. Validity

The validity of a research paper is about knowing if the findings are really about what they appear to be about. It concerns the extent to which a study measures and explains what is it supposed to (Saunders et al., 2009). For Yin (2003), the validity consists to three main aspects that need to be check especially for case study research, theses three aspects are: *construct validity (1)*, *internal validity (2)* and *external validity (3)*.

Construct validity (1) is defined by “*the extent to which a measurement method accurately represents a construct and produces an observation distinct from that produced by a measure of another construct*” (Baškarada, 2014), meaning that the researcher needs to establish correct operational measures for the phenomenon that he is studying. In case study, this can be hard to prove this aspect of validity, because as explained by Yin (2003), subjective judgements are used in this kind of research approach. However in this thesis the case study is focused on hard fact (the organization of the purchasing department, the interaction with the marketing, and the research of innovation) and also on the subjective feelings of the interviewees (to explain what is innovation for them). The construct validity of the thesis has been proved in the research design part (3.2).

Internal validity (2) concerns only explanatory and causal case studies, and is defined by the establishment of a causal link in order to explain that certain elements are linked to each other. There must be a correlation between the elements. In this study a correlation is made between the purchasing department and the product innovation in an enhancing way, and also between the link of the purchasing and marketing department. However these links are based on existing literature research (literature review, chapter 2) and on exact quotations coming from the respondents of the case study (see the empirical part, chapter 4).

External validity (3) is the extent on which the research can be generalizable, meaning to know if the output and the findings can be generalized to other researches. The study case conducted here is a multiple case study, and therefore cannot be generalized to a “larger universe” than the one under study (FMCG company in France) (Yin, 2003). But the aim of this research is not to generalize beyond the studies sector, but just to add some findings in the existing research about this particular field (FMCG companies) and to identify correlation with previous theoretical works (Saunders et al., 2009). By consequence, this study will not claim that the results can be generalized. The literature review and theory that have been studied before is also an important point to prove the external validity of this thesis.

### 3.5.2. Reliability

The reliability of a research paper is about knowing “*the extent to which your data collection techniques or analysis procedures will yield consistent findings*” (Saunders et al., 2009). The goal of reliability is to minimize errors and bias in the empirical part (Yin, 2003). But in other words the results of the empirical part should always be the same if the conditions are the same, and should differ if the conditions are different.

However in the situation of case study, the qualitative approach cannot be completely and fully repeated as it depends of a certain context in terms of companies, people, time, questions, focused and so on (Yin, 2003). Therefore for case study, it is very important that the researcher explains every step and procedures of the construction of

the empirical data from the research approach to the data collection, and elaboration of the sample (Saunders et al., 2009). In this study the research techniques and data collection have been detailed before in order to provide the reliability of the case. Moreover in the empirical part, direct quotes from the participants are used in order to justify the results of the research. The structure of the interviews (as explained in 3.3.3) allowed the respondents to share trustworthy and honest discussions and all of the replies of the participant are reliable because they knew in advance that their statements and contribution would stay confidential. As the interviews were based on a semi-structured guideline, the researcher was able to ask some more questions in order to elucidate a topic if a reply was not clear, in order to not touch to the reliability of the statement. Moreover the sample has been chose by the researcher because of their knowledge on the subject; indeed they all work in the purchasing department of a FMCG companies, so the credibility of the sample on the field of research cannot be call into questions.

### 3.5.3. Ethics

During every research study, the ethic of the researcher is a very important question and must be taken into account. This ethical issues concern the planning of the research, how to get access to information, people and data and also on the way the researcher is collecting, organizing and reporting the data (Saunders et al., 2009). The research design of the study must be *“both methodologically sound and morally defensible to all those who are involved”* (Saunders et al., 2009). In other words, the researcher needs to be sure that the research design of his study is not harming or embarrassing any of the participants to the case study.

The questions for the interviews have been elaborated in a neutral way, in order to not force one of the participants to say something that he did not want to say, and to not influence a certain type of answer. Moreover as stated many times from the beginning all the information about the participants (companies and name) are kept confidential, and will never be disclosed under any circumstances. All the participants were aware

of the non-disclosure term before answering to the interview or to the written questionnaire.

The collection and analysis of the data have also been made in an ethical way. All the data have been gathered and reported as the participants originally gave them. No data have been modified or taken away of its initial context in order to give it another meaning. The researcher has checked the veracity of all the data.

Finally all the paper applies ethical measures because the researcher is quoted every previous study that it used in the theoretical part to build the study.

## **4.EMPIRICAL FINDINGS AND DATA ANALYSIS**

This chapter presents the different findings extracted from the case study; it also provides an analysis of these findings. The aim of this part is to answer to the research question presented in the introduction based on the research method explained in the previous chapter. The research question has been defined as follows: **“How does the integration of marketing in the purchasing function enhance product innovation in FMCG companies in France?”**

This chapter is divided into three main subchapters. The first section will present the global framework of the purchasing department in the companies interviewed in order to have a better understanding of the environment of the study.

The second part is studying the different findings about how the marketing and purchasing department of a company are interacting together and about the integration of marketing perspectives and aspects in the purchasing department. This part is covering the first empirical research objective which is to explore the relationship between the purchasing department and marketing in FMCG companies in France.

The third part is focusing on how the purchasing department is a driver of product innovation in the retail sector, notably with the importance of being customer-oriented. This third part is covering the second empirical research objective, which is to explain how the purchasing department is responsible for seeking new product innovation in FMCG companies in France.

And at the end a global summary will be drawn with the aim to answer to the research question of the study by presenting a scheme summarizing all the different findings and analyses described before.

### **4.1.Global framework of the purchasing department**

According to the literature review conducted before, and in order to respond to the first empirical objective, it is important to understand how the purchasing department is organised and how it is seen from a point of view of people directly involved and working in this department.

First of all and in order to have a better understanding of the different works of the respondents, a focus will be made on the vision of the purchasing function extracted from the empirical data, following by a deeper look on the organizational structure of the companies. And then, the relationship with suppliers and the respondent's vision about this relationship will take centre stage. Finally a summary will be made of the different findings for this part.

#### 4.1.1. Missions of the purchasing department

As discussed previously in the literature review, the purchasing function has known a lot of evolutions and has slowly moved from a very administrative function to a strategic and cross-departmental function. Thus, the first question asks the respondents for highlights about the main missions of their buyer's role in order to have a better understanding and supporting of the literature review.

The respondent A and F as follow have defined the global role of a buyer in a purchasing department:

*“As a buyer my main role is to assure that all the products are in stores in the right time and in the right place to assure the business”*

(Respondent A, Company 1)

*“To reference the best product at the best prices, and to broaden the offer to new market segment”.*

(Respondent F, Company 2)

This global definition can afterwards be interpreted in many ways. By interviewing the panel of respondents, it highlights the fact that the purchasing function is now having a lot of responsibilities inside the internal organization of the company. First the administrative and historical part of the purchasing function has been mentioned by all the respondents who hold the position of a buyer:

*“I am also the one in charge of the writing and the launching of the bid solicitations, the negotiations following the bid, and finally the attribution of the contract and the contractualization”.*

(Respondent G, Company 3)

*“I am in charge (...) to negotiate the prices according to the quantities over the years with my suppliers (...) to place and do the follow-up of the orders, to guarantee the delivery time (...)”.*

(Respondent D, Company 1)

From these answers it can clearly be stated that the purchasing function still has a real and concrete purchasing role, with the notions of costs, margins, negotiation, contractualization and following up of the orders. However in every case, this aspect of the buyer’s role was only one of the many missions of the respondents. The main topics analysed from the different interviews are that buyers have in the same time a suppliers’ management side, a logistic side, and a product management side. There is also a marketing side of the purchasing function, but it will be discussed further down in the empirical part. The word marketing is not used as such in the missions’ description but more with expression such as *“keep the attractiveness of the brand”* (Respondent A, Company 1), or being in charge of the *“media margin”* (Respondent E, Company 2).

As stated above the suppliers’ management side is a recurring aspect in the mission’s description of the respondents:

*“I am doing the follow-up of all my suppliers by updating a file with KPI<sup>1</sup> so I can have a very clear vision of my suppliers panel”.*

(Respondent H, Company 4)

*“My role is to do all the sourcing in order to find the different suppliers that have the capabilities to work with us, to animate and manage the panel of suppliers according to the purchasing strategy in place.*

(Respondent G, Company 3)

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<sup>1</sup> Key Performance Indicators

This part of the buyer's mission in a company will also be discussed more in details further down in the discussion. As described in the literature review (see figure 5) purchasing, marketing and logistics have a very close relationship and the study case confirms these bounds between the departments. Indeed respondents agree that it was also part of their tasks to have an overview on the logistic part of the company.

*“I also work in very straight cooperation with the logistic department too in order to check the details of every orders I have made”.*

(Respondent H, Company 4)

Another relevant aspect and role of the purchasing function raised by the interviewees was the product management side. Indeed the role of the buyers is not only about buying the product anymore; they are also in charge of the product lifecycle management, as explained for example by the two respondents below:

*“My everyday missions are to manage my range of product, to analyse the sells, to report to the European board the different results (...)”.*

(Respondent A, Company 1)

*“I am also in charge of the following of the sell in stores in order to be able to reorder for the products re-assortment, I am updating the table of the business unit with the product's stocks, the product collection plan, benchmarking and so on.”*

(Respondent H, Company 4)

According to the different interviews conducted, the traditional definition of the purchasing department is thus extended. Indeed all the respondents mentioned their multitasks function, and this diversity of missions has not been very deep studied in the previous literature.

#### 4.1.2. Organizational structure and vision of the purchasing department

In order to have a better global picture on how the purchasing department is organized inside the company and to analyse if there is a correlation between the organizational structure and the role of the purchasing department, the respondents have been asked to describe the purchasing structure of their organization. They have also been asked to give their own vision of the strategic place of the purchasing department.

As developed in the theoretical framework, the three main structures existing are centralized, decentralized and the mix of the two as defined by van Weele (2010) (see figure 2, 3 and 4). Overall, the respondents are all depending on a business unit, which is always linked to the products range they are in charge of. They also have to refer to a global purchasing direction or “corporate purchasing”. The table 4 below gives a sum-up of the different internal structure according to the companies:

**Table 4.** Organizational structure of the companies

<b>Organizational structure</b>	<b>Centralized</b>	<b>Decentralized</b>	<b>Mix of the two</b>
Company 1			<b>X</b>
Company 2			<b>X</b>
Company 3		<b>X</b>	
Company 4		<b>X</b>	

The main finding from this question is that in the sample of FMCG companies questioned, none has a centralized purchasing function. The reason is that a centralized organization is enhancing massive purchases by globalizing the purchasing of all the different BU, in order to work on the costs of the products. Respondent E explains how the centralized organization is used in his company:

*“There is a small little part of the products that are totally centralized; it is what we call products of “big massification” and where we think that the purchasing power is a very important lever of competitiveness”.*

(Respondent E, Company 2)

After analysing the different answers it can be concluded that a decentralized department enables a greater focus on product than a centralized one, which enables more costs reduction by massive purchases. The more centralized a company is, the less responsibilities would be held by the purchasing department in terms of product management.

However respondents A, H, C and I stated that it was slightly more complicated than just the theory drawn by van Weele (2010). In their companies the purchasing department is the most important department in term of strategy, and therefore what is called “divisions” in the figure 2, 3 and 4 are actually the purchasing function itself divided by product range.

*“I would say it is a mix of the two structure centralized and decentralized. But actually it is a little bit more complex than that because there is not real business unit inside the company (...) each buyer is responsible for his own product range, and therefore business unit, but in the same time there is a global purchasing department for my products at the European level which is supervising my work and I have to respond to them”*

(Respondent A, Company 1)

It can be concluded from the different that in FMCG companies the most common organizational structure is a decentralized or a centralized/decentralized. These kinds of structure allow the purchasing department to hold more responsibilities in term of product management, and therefore are influencing the role of the purchasing function.

Another very interesting finding is that purchasing is no longer perceived as being a support activity as defined by Porter (1985), but more as a primary activity that is supported by others functions such as marketing or communication or logistic. Indeed, the respondents were asked about the added value of the purchasing department for their company. According to them the “*transversal*” (Respondent A, Company 1) and

“*cross-functional*” (Respondent G, Company 3) visions are the reasons why the purchasing function is a real added value to the company.

*“This is were the added value of the department is, every others activities is helping the purchasing department to gather all the necessaries outcomes in order to be able to have to final product available for the final customer”.*

(Respondent G, Company 3)

Respondent H provides a vision from a new angle, stating the following:

*“I would not say that there is an added value of the purchasing department to the company, because to my mind the purchasing department is already the value of the company (...) it is a global department with a global vision of all the company, we are working with the logistic, the designers, the finance, every department. We have a part to play in the internal resources of the company and one with the external resources, the suppliers, that what make this department the central department of the strategy”.*

(Respondent H, Company 4)

In a nutshell, all the findings extracted from the interviews provide support that in the sample of companies the value chain of Porter is actually reversed, and the purchasing function is no longer seen as an activity supporting the primary activities of a company, but as a primary activity that is supported by the others departments.

#### 4.1.3. The strategic place of the supplier’s relationship

As established by the previous theoretical framework and by the previous subchapter of the empirical part, the management of the panel of suppliers is an important mission for the buyer in a company. The aim of this part is to have a better understanding of the kind of relationship that the respondents are having with their suppliers in order to have a real understanding of how strategic the relationship with suppliers is for innovation later on in the discussion. As described by Spekman (1988) there are two

main types of relationship either a long-term relationship or a short-term relationship. Long-term relationship is more comparable to partnership, while short-term relation is more defined as a one shot order, but one does not exclude the other necessarily. It is very common within big companies to have different kind of relationship according to the suppliers, as stated by the Respondent E:

*“I will give you a mixt answer. There are some suppliers who are occasional suppliers and we really are in a short-term perspective. We use them as opportunities, to control a market, and we don’t really have big ambition with them. We work with them in a short-term optic (...). And then there is some suppliers with who there is a lot of policies, sector policies, quality policies that are settled and with these one we are working in a long term approach”.*

(Respondent E, Company 2)

According to this point of view, a short-term relationship is about taking opportunities. These opportunities can be in terms of cost, quality, quantity or project but are a one-time order or project. Traditionally this kind of relationship is not time-consuming for the buyer because it is often a turnkey product that does not need real implications from the buyer’s side in terms of products’ management and suppliers’ management. From the interviews it appears that only one company out of four is using more short-term relationship that long-term relationship, the Company 4:

*“As I said before, it is no really partnership, so we have more short-term relationship, or as we called it one shot. Meaning that we are developing a product with them, ordering for the season and then also ordering the re-assort but then there is no promise that we will work again with him for the next collection. We are just taking what is best for us”.*

(Respondent H, Company 4)

Even though the buyer’s implication with its suppliers is less important and thus less time consuming, it is also important to highlight the fact that there is some drawback to this kind of relationship. The respondent H was clearly aware of the disadvantages that are linked to this “one-shot” strategy:

*“But personally I think it might be better if we could settle some long term relationship with some suppliers in order to avoid surprises, because choosing a new supplier every time is very time consuming and highly risky”.*

(Respondent H, Company 4)

The others companies questioned are all using both types of relationships with a strategic emphasis on long-term relationship. The table 5 below draws a summary of the different strategies used by the panel of companies. The “**X**” sign is the actual situation of the company and the “**O**” is the strategic relationship objective wanted by the company in order to follow the strategy of the group.

**Table 5.** Types of supplier’s relationship according to the companies

<b>Suppliers’ relationship</b>	Short-term	Long-term	Mix of the two
Company 1		<b>O</b>	<b>X</b>
Company 2			<b>X - O</b>
Company 3		<b>X - O</b>	
Company 4	<b>X - O</b>		

As previously discussed concerning company 2 they have and want to keep a mix of the two relationships with their suppliers because they want to be free to catch opportunities in one shot and in the same time to build long-lasting relationship with some suppliers in order to build long-term projects.

For Companies 1 and 3 the target is to have only long-term relationship in order to be able to rationalize the panel of suppliers, for the following reasons:

*“We are trying to rationalize our panel of suppliers worldwide in Europe but also in the USA. The goal is to have only one supplier in a range of product who would be able to offer to us some competitive prices, because it is easier for the production, the relationships and so on”.*

(Respondent B, Company 1)

*“Globally it is more long-term relationship because of the size of the group and it allows us to have preferential rates from our suppliers (...).”*

(Respondent G, Company 3)

Thus the reason for trying to have only long-term relationship is that it allows the company to realize considerable savings by ordering in large quantities. This savings are also possible because the panel of companies is composed by MNCs and therefore with a big portfolio's orders. From the different interviews, it appears clearly that even if the targeting goal of company is to have only long-term relationship, the reality is different, even for the company 3 which stated that they were only working with long-term suppliers. Indeed Respondent G nuanced his words by adding:

*“(...) but it also happens that we are opening the bidding offers to new suppliers in order to maintain our supplier panel competitive, by comparing their bidding offer to some competitors”.*

(Respondent G, Company 3)

From this statement it seems that having only suppliers' long-term relationships is not a competitive strategy for a company. Respondent A explains why it is not possible to have only long-term relationship with suppliers:

*“With the “big” suppliers it is definitely a long-term relationship we are working with them for years and they are historical suppliers. They have some people in their companies that are in charge especially of our customer account, and we can't survive without them.*

*With the others suppliers the goal is of course to create long term relationship and to clear our panel of suppliers in order to have only trustful suppliers and to develop more cooperation, but the reality is that we still have a lot of short term relationship, or one shot relationship, for some kinds of products or for some specific products. Because sometimes one product is a “must-have” in store so you really need to have and then you will work with the suppliers, but it is not always that you want to have more product with him.”*

(Respondent A, Company 1)

The strategy adopted in terms of supplier's relationship is therefore strategic for the company because it will determine the way the buyer is acting with his suppliers. Both relations have their drawbacks and advantages but from this study case it can be concluded that for the majority of the companies the goal is to settle long-term relationships even if the short-term are unavoidable in order to maintain the competitiveness of products range.

#### 4.1.4. Summary

This chapter provided a better understanding of the empirical framework of the study case. Indeed it allows the readers to understand first what are the most common roles and missions of the buyers in a FMCG company. For this topic the panel is homogeneous, all the respondents discussed about several missions and roles that are all linked to others functions of the company and which broaden the historical role of the purchasing function to a more strategic and transversal one.

The second understanding is that the structures of the companies are also quite similar between a decentralized and a centralized/decentralized structure. It can therefore be concluded that the fact that a company has this kind of structure, has a direct impact on the role and missions on the buyer, which have more responsibilities and tasks in their work.

The third understanding is that one of the most important functions pointed out by the respondents are the management of the panel of suppliers, this role has been studied in the literature review of this thesis, and will also be linked further down in the discussion to the concept of capturing product innovation. That is the reason why it was important to discuss it now in the first part, and to highlight the fact that most of the companies is encouraging long-term relationship with the suppliers at the expense of shorter relationships.

## **4.2.The marketing integration and interaction with the purchasing department**

The aim of this chapter is to study in an empirical and practical way how the purchasing and marketing department are interacting with each other. This part has also been conducted from a theoretical point of view before. The first subchapter will focus on the marketing aspects that can be found in the purchasing function and how this marketing aspect are now fully integrated and intrinsic to the buyer's role. On the second subchapter an analysis will be made on the physical interaction between the purchasing department and the marketing department. A summary will finally be conducted and will draw a conclusion to know if there is a causality link between the marketing integration in the purchasing function and the interaction of the marketing department the purchasing department.

### 4.2.1. Marketing aspects within the purchasing function

*"I am also in charge of the marketing of my product range"*  
(Respondent F, Company 2)

During the interview one focus was on the marketing part that is integrated to the purchasing department, in order to understand in which way and how a buyer in a company is doing a part of marketing in his daily workload. Indeed, as studied in the literature review there is now a very important and central role of what is called "*marketing-sense*" in every department of the company in order to create the highest added value for the final customer (Smirnova, Henneberg, Ashnai, Naudé, & Mouzas, 2010). Throughout the different interviews, and as pointed out in the answers of the questionnaire two main findings can be highlighted. The first the marketing aspect of the purchasing department is linked to the product range management and the second is about the media margin, or media marketing. All the respondents defined their position as a buyer and as a product manager in the same time. In FMCG companies it appears that the buyer's job is now merged with the product manager job and this is

the reason why the marketing aspects of the product is the responsibility of the buyer, as stated by the Respondent B:

*“We are actually thinking that the buyers/product manager, because they have the both role, are the one who know their products better than anyone else, so they are the most suitable person to be able to market them in a correct way (...) In a nutshell it is really in our company the purchasing/product manager department which is creating the marketing of the product itself”.*

(Respondent B, Company 1)

This statement underlines the reason why the purchasing department is in charge of the marketing linked to the product. The buyers have access to all the product information from their suppliers and are working in cooperation with them to develop the marketing of the product, in terms of packaging, shelf linear position, and in terms of media margins. However it is important to know that all the respondents did not undertake the same marketing tasks. Gradually Respondent H is the one with the most marketing aspects in the daily work because the Company 4 does not have a marketing department at all.

*“I spend a lot of time in the stylist department in order to help them on the product development for the design part. So yes I guess this is a bit a marketing job because you have to think about the trends that customers like, or what will work or not work. I’m also doing a marketing job with the suppliers itself because I am the one doing the packaging of the product, so I have to think of all the important information for the customer that need to be present on the pack, the shades of colour, the implementation of the product picture or not and stuff like that. This is the most important marketing part of my job. (...)*

*I am also in charge of settling all the promotions in my product range according to the required margin asked by the board of direction of course. And then the communication department is in charge of the catalogue that we can have in store. So yes definitely I am doing a marketing/purchasing job. I would even say that the most important part of my job is marketing”.*

(Respondent H, Company 4)

As explained before, the cooperation with the suppliers on the marketing part of the product is very important. It can also be observed in Company 1:

*“Definitely, maybe not the whole marketing as we used to know it, but the marketing about the product is taking care by me. I give my opinion about the product to my suppliers, and I am also the one in charge of the promotion in store of my products. I am working with the store planning department in order to provide to our client the best shopping experiences and to have the best presentation of the products in the store”.*

(Respondent A, Company 1)

The same question about the part of marketing responsibilities was asked to the respondent of the Company 3 who stated about the marketing aspects of his job:

*“As the manager of the product’s development team for my product’s range, my opinion about new product is very important and yes I have a part of marketing in my work because I have to give my advice of the product and therefore seeing it from a marketing eyes/point of view”.*

(Respondent G, Company 3)

Finally the Company 2 is the company where the buyer’s job is having the less marketing aspects, it is also the bigger company in terms of sale revenues and implementation. However the manager of one of the purchasing department stated that there is always marketing aspects linked to the function, because of the proximity the buyer has to the different products he/she can buy. For their company the marketing aspect is only to negotiate the media margin of the product.

*“Where I am working personally is on the media margin, meaning everything that is linked to the media prospectus/television/radio and so on. I have the direct responsibility of this. We also have catalogues margins, that we also call media, and for all this media promotion we have some target of margins, and then the stores are the last one in charge of guaranteeing theses margins”.*

(Respondent E, Company 2)

To conclude this chapter the marketing part is very important for a buyer nowadays in the FMCG industry because they are required to have a strong sensibility to the product, and the level of competitiveness in this industry is very high. So the need to seduce the customer is even higher and this is now the responsibility of the purchasing department with more or less intensity according to the company.

Furthermore in the discussion of the empirical results, the link between the marketing aspects of the purchasing department and the research of new product innovation will be made, in order to understand better how this new role of the purchasing department enhances product innovation.

#### 4.2.2. Physical interaction between the purchasing and marketing department

As studied before the purchasing department is nowadays very close to the marketing in many ways and especially for tasks concerning the marketing of the products or the media. However an interesting point of the different interviews was the real interaction with the marketing department. As stated before the Company 4 does not have any marketing department as the direction board considers that the purchasing and the communication department are working together and doing all the marketing required.

*“No we don’t have a marketing department. The marketing part of the product is done by the purchasing department, the marketing in store is done by the purchasing and the store planning department, and the catalogue is done by the communication department. Therefore there is no need to have a marketing department”.*

(Respondent H, Company 4)

This kind of organizational structure is still quite exceptional in particular in FMCG companies. All the others companies of the panel have a distinct marketing department. Indeed, as studied in the theoretical framework before there are a lot of companies now where the internal collaboration between the two departments is high because the marketing and purchasing departments are the two departments directly engaged in a business-to-business activity (Smirnova et al., 2010). The nature of this internal collaboration is based on the fact that the two departments have to develop trust on each other, mutual respect and to share responsibilities for all the decisions making concerning the products or the final customers (Griffin & Hauser, 1996). This integration is a two-way path between the departments, because if the purchasing department needs the information coming from the market and the customers, the marketing department also needs information coming from the suppliers and the

competitors that are transiting through the purchasing department (Wind, 1981). Therefore the question has been asked to the respondents in order to know if they have some interaction with the marketing department in their daily job in addition of the marketing integration that have been discussed before. The respondent E of the Company 2 gave a very interesting answer:

*“As I said before, there is already a part of the marketing which is done by my purchasing department with the negotiation of the media margin, the products, the packaging and the promotion. However we have a global department marketing, and everything that we do have to fit into the directives of this department, for instance the label “quality [Company 2]” is a framework that is imposed by the marketing department and we have to follow the marketing strategy of the group (...) For instance we have a lot of products labelled “Reflets de France”, which is a very marketed brand, and we have to fit into all brief of the RDF’s marketing for theses products (...) the marketers from RDF tell us their expectations and then we adapt it to our products.”*

(Respondent E, Company 2)

From this statement, the standing point of this company is that the marketing department is in charge of all the projects and of the marketing framework and the purchasing department has to apply the requests. The collaboration between the two departments is therefore primordial in order to develop new project and to create value for the final customer.

However it can be observed amongst the companies interviewed that Company 2 is the only one having this kind of very formalized relationship with the marketing department. Indeed the two others companies have a “weakest” marketing department meaning that they did not have as much interaction with it as Company 2. Respondent G from the Company 3 stated that the interaction with the marketing is taking place on the development part of the purchasing job because the respondent has to manage a cross-departmental team with the marketing department. However the scheme was similar than in the Company 2. The global marketing department gives directive that has to be followed by the purchasing department even if overall the purchasing department is freer to move in this framework. Another interesting finding is that the

marketing department is asking to the purchasing department to be creative in order to complete the marketing team and ideas.

Compared to this scheme, the Company 1 has less interaction with its marketing department:

*“We are interacting with them only for the construction of the catalogue, they are the one doing the final layout and colours, but we are the one in the purchasing department working on the selection of the product and on the establishment of promotional offer because we are dealing directly with our suppliers to know the budget allowed for each product to go into a catalogue, and how much are they willing to pay to have their product marketed. But basically this is the only intervention that we have with the marketing department, because otherwise they are working on some marketing problematic or project but which is not linked directly to the purchasing department. We are doing the marketing part of our product”.*

(Respondent A, Company 1)

In a nutshell the relationship between the purchasing and the marketing department of this company is more limited than the others companies.

As seen from all the statement quoted above all the companies (except for the third one) have at least some interaction with the marketing department of their firm but at a different level and for different purpose. The Companies 2 and 3 have a rather structured relationship with the global marketing department, which is giving guidelines to the purchasing department that they have to follow, whereas the Company 1 has a more superficial relationship with the marketing department only for designing the promotional catalogues.

#### 4.2.3. Summary

This last part presents a short summary of the different points discussed in the previous part about the marketing and purchasing interaction and integration.

The first finding is that a lot of marketing aspects are presents in the daily work of a buyer in a purchasing department, and this finding applies to all respondents of the

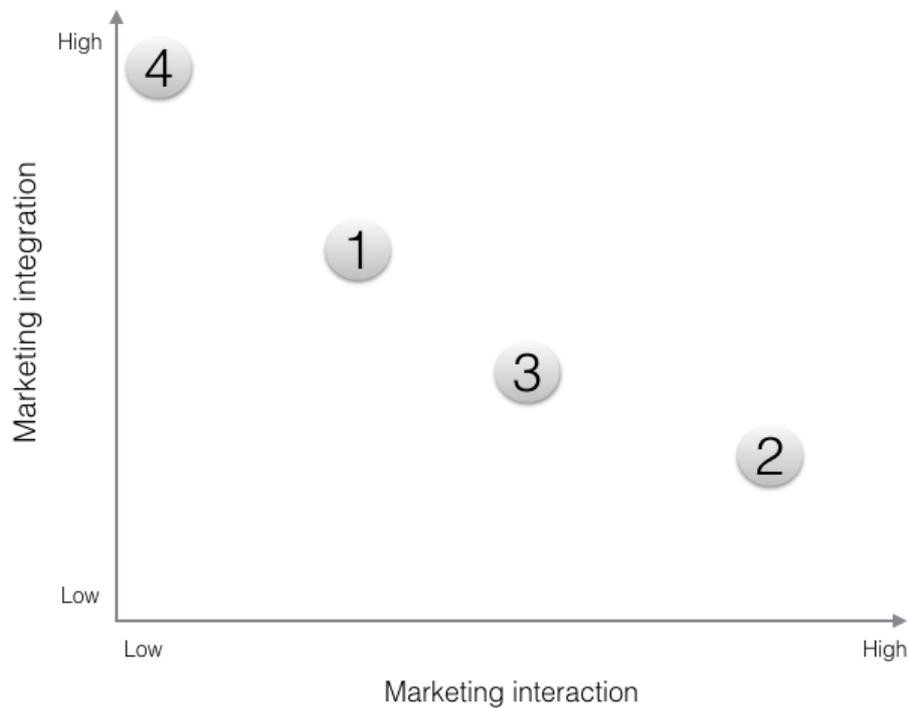
case study. Surprisingly this subject has not been very deep studied in the academic literature and the findings are very interesting. Indeed the marketing integration in the purchasing job is now entirely part of the buyer's role in particular for the product's marketing and the media's part.

The second findings of this part has been studied a lot in the academic literature and also in the theoretical framework of this thesis. This finding is that the physical interaction between the purchasing and marketing department is present as soon as there is actually a marketing department. The interaction differs in the degree of involvement from company to company.

This part has answered to the first empirical objective, which was to understand and explore the relationship between purchasing and marketing. This is a two-way relationship, first it is an integration of marketing aspects in the purchasing function and second it is also a physical interaction between the both departments.

A causal link can be made between the marketing integration and the marketing interaction from the different data gathered, as Figure 13 below shows.

The higher the degree of integration of marketing specific aspects in the purchasing department is, the lower is the physical interaction between the purchasing and the marketing department.



**Figure 13.** Causal link between the marketing interaction and the marketing integration.

On this table the companies of the study case are represented with their given companies numbers (see Appendix 1). The Company 4 is the one with no marketing department. Therefore the degree of marketing integration in the purchasing role is at its maximum, because the purchaser is doing all the marketing on his own. The Company 1 is interacted with the purchasing department only to construct the promotional catalogue, and the three respondents of this company stated that they were in charge of all the product's marketing, media negotiation, they don't receive any guidelines from the marketing about the product range and therefore the marketing integration is also high.

The Companies 3 and 4 have more interaction with the marketing department as they have to fit into the directives given by this last one in order to take decision about their product. Moreover they are also the companies with the less marketing integration in their daily job.

### 4.3. The purchasing department as a driver of innovation

The following part will focus on the second empirical objective in order to understand how the purchasing department is a driver of innovation nowadays in FMCG companies. The first subchapter will focus on the meaning of product innovation according to the respondents. The second subchapter will study the impact of being customer oriented on innovation. To achieve this, the role of the supplier in the open innovation process will be explained and then linked to the purchasing department by explaining the importance of being customer-oriented in order to develop new product with the suppliers. A focus will also be made on internal product development, and on the importance of being customer-oriented. Finally the global summary chapter will present a final scheme to sum-up the main findings of this study and the new role and definition of the purchasing role in a company. According to the data gathered the two most important features in order to launch a successful product on the market are the “innovation of the product” and the “marketing” that is why this part will study more in detail how the purchasing department is a combination of marketing, product innovation, and purchasing.

#### 4.3.1. Meaning of innovation

In order to have a better understanding on how the purchasing department can be a driver of innovation, it is relevant to know what innovation exactly is for a FMCG company and more precisely product innovation. As such all the respondents were asked to explain with their meaning of product innovation, and how important it is. As studied before in the theoretical part of this study, product innovation refers to novelty and change (Kanter, 1984). However different point of views have been given by the respondents. Respondent A from the Company 1 stated that innovation is:

*“It is a hard question, because innovation and more particularly product innovation can be seen in such different ways. The first definition that came in mind is of course big product innovation as we all know it, meaning a new product coming in the market which is totally innovative with new use, and*

*something that has never be done before. In my business it happens not all the time but maybe 2 or 3 times per years, and this kind of product you should not miss it, because it will be a “must have”(…) then you also have the smallest product innovation. Usually consumers don’t really notice the innovation, before they buy it, it can be a change in the features that make the product more interesting, or a change in the colour, or in the fabrics. It is something that changes in something already existing. And you should not underestimate the value of this kind of innovation because they happened every day, every time that a supplier introduce a product to you there is always a part of innovation, but then it is your responsibility to know if it is a worthy innovation for the customers or not”.*

(Respondent 1, Company A)

This definition of product innovation is the closest to the one given by Francis & Bessant (2005) meaning that innovation product corresponds to the introduction of new goods or services, or to an improvement in the use of an existing one. Therefore two categories emerge: the first one is a novelty, totally ground breaking product that has the purpose to create the need with the customers, to attract them and to raise their curiosity. The second one is maybe less noticeable but nevertheless the most common type of innovation, it is the improvement in the use of an existing product.

The respondent F gives a broader definition saying that an innovation is actually anything that can enhance satisfaction as defined by Boone & Kurtz (1998). Respondent F and I define product innovation as followed:

*“It is a new product offer, which is responding to some customer’s need that until now where not fulfil. For instance: vegetables sold on microwavable packaging, honey squeezer easier to use for children, a new variety of apples more crunchy and with a flashy colour etc.”*

(Respondent F, Company 2)

*“To answer to an already existing customer’s need but in a different way in order to create a new need to the consumer”.*

(Respondent I, Company 4)

This last statement is very interesting because it means that there is no real need for innovation from the customer’s point of view until it is created and it is brought to the

market. Product innovation is therefore also a process that needs to be created in order to fulfil a need actually created at first. Following this definition the vision of the respondent B gives a more creative and risky approach and vision of innovation:

*“For me innovation is also to try, to test, aim something on a product in order to create a new trend (...) to innovate is to take risks, it is trying to create a tendency”.*

(Respondent B, Company 1)

Innovation is therefore about creating a need that does not exist in the first place. But this risky vision of innovation is not shared by all respondents, some companies are more describing themselves as observer, and acting in a pro-active manner by watching over the different market and consumer’s trends in order to be able to anticipate the future needs of the customer.

*“However what we can call innovation is more the consuming trend of the market. For instance 5 years ago, we almost didn’t sell any pumpkins or squashes and nowadays it’s a very important product and we are selling tons of it. For us this is innovation, it is to accompany the customer in their needs and for that we are following closely all the new trends, the recipes, and we will push strongly these products (...) To innovate, and more particularly in product innovation, it is important to take into account that the market is evolving, and that we have to fit to this evolution”.*

(Respondent E, Company 2)

Innovation has to be aligned with the customer’s market. From this discussion it can be concluded that product innovation is playing an essential and primordial role for the respondents and that the common point of every definition given by the eight respondents is the word “customer”, indeed all the respondents have emphasized the fact that product innovation has to be customer-oriented and has to bring value for the final customer. That is the reason why the followed part will be focused on the importance of being market or customer oriented and how this orientation has a direct impact on the capture of innovation through the suppliers.

#### 4.3.2. Importance of being customer-oriented on innovation

As stated before one of the most important roles of the purchasing department in FMCG companies is the product's management, and a large part of the marketing aspects of the purchasing function is linked to the marketing of the product. Therefore it can be stated that it is the role of the purchasing function to find new product innovation as part of the product manager role. Indeed Respondent D explains that he is in charge of “*constructing the product range from the beginning (new product development) until the death of the product (obsolescence)*”. Respondent I is also referring to his part in NPD by stating that his role is to “*develop a product from the creation to the development*”.

From the empirical data gathered it can be concluded that the role of the buyer in NPD is enhancing by the market-orientation that he has. Indeed this marketing role of the buyer is very important for the research of innovation because that is how the buyer can make the good decision with his suppliers (or in intern depending of the structure of the company), by knowing the market and knowing which product can or cannot succeed. All the respondents agreed on the fact that being customer oriented is one of the most valuable assets of a buyer nowadays, as explained by Respondent A:

*“Being customer or market oriented is the most valuable asset of a buyer. Yes our job is to be a buyer and a good one, with all the numerical objectives given by the board of direction, but this is only one small little part of the job and it definitely should not be the most important. Because you can fulfil these numerical objectives and yet not be a good buyer, because if you provide and buy something that is not interesting for the customers then no matter how much you paid it internally you will never sell it on the market. So being customer or market oriented is the most important asset for a buyer in order to understand the customer better”.*

(Respondent A, Company 1)

This customer orientation allows the buyer to be more aware of the needs of the customers and to have a better judgement and vision on what can work and what can fail. New product innovation is also a risk to take, because customer-orientation is a very subjective concept and there is not one and only truth about customer orientation.

This is the responsibility of the buyer to take the decision to trust a product. Being customer oriented is not only to know what the customers like or what are the actual trends, it is also to anticipate the future need and to take a chance on what will work and what will fail. All the respondents were also questioned on how to be (more) customer oriented.

*“How are we doing as a buyer to be customer oriented? Well you just have to be yourself. Indeed before being a buyer you are above all a customer, and so you are your first source of information, you have to trust yourself and to see the product as a customer and not as a buyer, you have to forget in a first part all the prices/cost/internal details of the product, and just wonder to yourself ‘Would I be interesting by this product?’”.*

(Respondent H, Company 4)

*“First it is very important to do some market analysis, to know the feedback of the customers about your products, and to have a very good customer service, and more than everything else to go out and meet the different customers (...) Above all, we should not forget that we are all customers before everything else, and so we can all know inside of ourselves what the customers really want, we just need to listen to this part of us and not the “working part”. For instance in the childcare department some of the buyers are parents and some are not, there is some people inside the company that are in favour of that, and others that are against it. Personally I think we need both, because if you’re already a parent then yes you might know the market better, because you know what a child need, but in the same time buyers who are not parents have an outside look of all this market and a no skewed look, and they are more able to find new product innovation, because usually parents are always buying the same things because they are doing just like all the others parents”.*

(Respondent B, Company 1)

From this statement we can clearly see that being customer oriented is a process that is asking to the buyer a very marketing and strategic mind, and that is the reason why marketing is now an integral part of the purchasing function.

But this customer-orientation is not that simple to implement in the purchasing department. Indeed the respondent E emphasizes the fact that it can be hard to be customer-oriented and to reason for the final customer because some years ago the focus was not on this point, but more on numerical targets in terms of costs, margins

and quality. Talking about the fact of being customer oriented, Respondent E stated that:

*“And it is a big difficulty for us, because we often reason from a buyer point of view, but we also have to reason from a customer point of view. It is complicated because it is a human relationship. We have to put ourselves into question, we have to reason as a customer et we are having some difficulties to do so, because we are first buyers and this is often the marketing department who force us to reason in this way”.*

(Respondent E, Company 2)

After analysing the different data extracted from the study case, in the panel of companies, two different innovation strategies appear clearly.

The first strategy is based on open innovation, and on the fact that the purchasing department of the Companies 1 and 2 are working in real cooperation with their suppliers in order to develop new product. The second strategy is intern to the company and the purchasing department is involved in cross-departmental teams for the new product development, the suppliers are only here to provide support and manufacturing means. The purpose of this research is not to define which strategy is the best and the most conclusive, but to understand how being customer oriented is in the two case enhancing product innovation. The two next subchapters will therefore focus on the impact of being customer oriented first on open innovation, and second on internal innovation development.

#### 4.3.2.1. On open innovation

In the literature review we discussed the definition of open innovation as defined by Chesbrough (2003) and how the suppliers can actually be one of the first source of innovation for a company. All the respondents were asked the role of their suppliers in the NPD and the answers of the Companies 1 and 2 are homogeneous.

*“Sometimes the initial idea is coming from me, or sometimes directly from the suppliers on new product idea. Then we work in cooperation, the suppliers work*

*on the development and then he is coming back to me at every step of the process to know my opinion and ask for my advices”.*

(Respondent D, Company 1)

*“Sometimes we are in the initiative of some projects, and sometimes we are just giving our opinions”.*

(Respondent F, Company 2)

The first aspect with open-innovation is that it is a dual relationship, both parties have to be involved in the process, the supplier and the buyer. The supplier is the one who knows what he is able to develop with his manufacturing means, and he also has a more global vision of the market with the competitors. In the meanwhile the buyer has a better knowledge of the actual sell and trends from the final customers, achieved through marketing aspects of the job meaning and his customer orientation. The importance of the issue to be customer oriented has already been presented before in the conversation. The work with the supplier on NPD should be a real cooperation, and a personal investment and commitment from both sides:

*“(...) we are also invited to some seminar, or fair, like for instance the toys fair in Nuremberg, or the fair for childcare, where we can have a first look of the new product of all the suppliers, we can compare them, and you will already have an idea of what could work and what we will not work. And then you can starting from a raw, or trial product, work with the suppliers in order to give it new features to make it even more innovative”.*

(Respondent B, Company 1)

As explained before being customer oriented is to be able to think as a customer and to take a risk on one product. The product's selection is the only responsibility of the buyer and relies on his judgement about the success of a product. Therefore, the better the buyer knows his customers and his markets the better he will be able to choose the right product and to develop and to do the marketing in the right and convincing way.

*“We are choosing our products directly from our suppliers, and that is the reason why it is important to put ourselves in the place of the customers, and to think the same way so that you try to avoid at the maximum to make a mistake on the product selection”.*

(Respondent C, Company 1)

Nevertheless mistakes can happen, and the reliability of the buyer can be called into question because being customer-oriented is a very subjective notion. Further new product development is a decision that the purchasing department has to take if the product is worth it for the final customer. Respondent A gives us a very good example of this NPD decision and how is it to be customer-oriented and to take a risk:

*“ (...) two years ago exactly one of my historical suppliers asked for a meeting with me because he told me “I have the new must have toys for the next Christmas you have to be the first one to position on it”. I was curious so we settled a meeting and he introduced to me an “overboard”. At the time it was something new, it was a skateboard but totally electronic which was moving with the body balance of the users. I tried the product, I asked advice to some of my colleagues, but I was really not convinced on the potential of this one, first because the cost was very high, so meaning a very high selling price too and I was quite sure that it would not work. So I said no. In November last years, all my competitors had the products in store and it was a hit, on Amazon it was the best seller of the month. I missed this innovation because I didn’t have an enough open-minded mind and I didn’t understand that the customer would be willing to pay more than 300euros for this product. But it is ok, mistakes can happens, the most important is just that you know how to face it and to fix it as much as you can, and to recognize your mistake”.*

(Respondent A, Company 1)

Respondent A points out an interesting finding, on the fact that the more close the buyer is to the suppliers the more likely they will call the buyer first to ask to develop new products with them. That is the reason why, as mentioned before, most of the companies in the FMCG industry are trying to promote long-term relationship with suppliers instead of short term relationship, because long term are more in accordance with the cooperation that new product development is requiring.

*“We are always working with our suppliers in a very partnership way, or at least we are trying to. Sometimes they are the one who send us a email or a phone call asking if this kind of product could interests us, or to know if they are developing this product if we will order some quantities of it, and sometimes it is coming from me or I mean from the buyer. (...) For instance last year I was in contact with Disney about a new TV show that would be launch in May or June,*

*and they were already giving licence to some suppliers to develop product about it. I called one of my suppliers of wheel scooters and asked him to go into contact with Disney in order to obtain the right for this licence. Once we got it we worked together on the scooter, I gave him my opinion about the colors/functionality/ design and packaging of the product, and then I negotiated with him to have this product in exclusivity for our company for 3 months”.*

(Respondent A, Company 1)

In a nutshell for the Companies 1 and 2 the capture of product innovation is possible because of open innovation and due to strategic long-term supplier relation. Being customer oriented and having marketing skills is the most valuable asset of the buyer in order to take the good decision in the NPD, and to know how to launch the product in the market.

#### 4.3.2.2. On internal product development

The Companies 3 and 4 of the panel have a slightly different business model and innovation strategy. Indeed as explained by the different respondents the suppliers are not that involved for now in the new product development of the company, and are still just seen only as manufacturing means and not as business partner. This explains why the Company 4, as stated in the first part of the empirical, only has short-term relationship with the suppliers because the strategy of the company is not to give autonomy to the suppliers in terms of new product development.

*“As a buyer my first mission is to develop new project in collaboration with the stylist and design team”*

(Respondent H, Company 4)

*“Then on the development part of my job I am managing a team composed by people from the marketing, the creation, the quality, and regulation departments. With this team we have the missions to develop new product for the private label”*

(Respondent G, Company 3)

The statements before infer that the buyer is still involved in the new product development, but this activity and development is intern to the company. The

Company 4 for instance has a design department where designers are in charge to create and develop the new products, nevertheless this strategy is not totally a close-innovation strategy as the suppliers are still involved in the process but with less intensity, and less responsibilities:

*“I am the direct interlocutor between the suppliers and our designers, meaning that I first have a first contact with the suppliers in order to see what he has for this years as new product, then I forward the ideas and products that I like to our design team, and we are working together in order to have a good final product, then I go back to the supplier and send him the product’s project so he can make some comments and see if he can do it or not. That’s how it works with my suppliers”.*

(Respondent H, Company 4)

*“(…) I am working in intern with a cross-department team, and then I submit the final prototype and plans of the product to my suppliers with a NDA in order to see who can produce and manufacture this product for us”.*

(Respondent G, Company 3)

*“Finally the supplier doesn’t really have his words to say about the design of the product, he can just tell us some useful recommendation and if it is doable”.*

(Respondent H, Company 4)

In the organization of the Company 3 the purchasing department is in charge to manage a cross-departmental team inside the company composed with people from all departments in order to move in the same time in all the different sides of the product. Nevertheless the buyer is still involved in the strategy, as explained by the respondent G and H:

*“For me the added value of the purchasing department is that it is the interface between the suppliers and the company and therefore it is a very cross-functional, or transversal function. With my position I am the only one who have knowledge of every phases of a new product development therefore I am the one knowing the best all the characteristics of each product”.*

(Respondent G, Company 3)

*“During the conception phase of the product my opinion is also very important for the new product. Indeed during this phase I spend a lot of time in the stylist*

*department in order to help them on the product development for the design part. So yes I guess this is a bit a marketing job because you have to think about the trends that customers like, to be customer-oriented, to understand what will work or not work. I'm also doing a marketing job with the suppliers itself because I am the one doing the packaging of the product, so I have to think of all the important information for the customer that need to be present on the pack, the shades of colour, the implementation of the product picture or not and stuff like that. This is the most important marketing part of my job”.*

(Respondent H, Company 4)

This last statement underlines also the marketing part of the purchasing function and how important it is for a buyer to be customer oriented even in a more close innovation strategy, because of the same reasons. The proximity with the customers and with the consuming market will allow the buyer to make better choices in product development.

By consequence the fact of being customer-oriented is the key factor of successful product innovation regardless the innovation strategy of the company; the purchasing department is driver of this innovation because of the central and strategic place that it is now holding in every FMCG companies. The buyer has a global vision of the product and the more “marketing-sense” he can develop the more customer oriented he will be and therefore the most reliable he will be with the product selection and also the product’s management. The vision of the purchasing department is nowadays much more global than it was before.

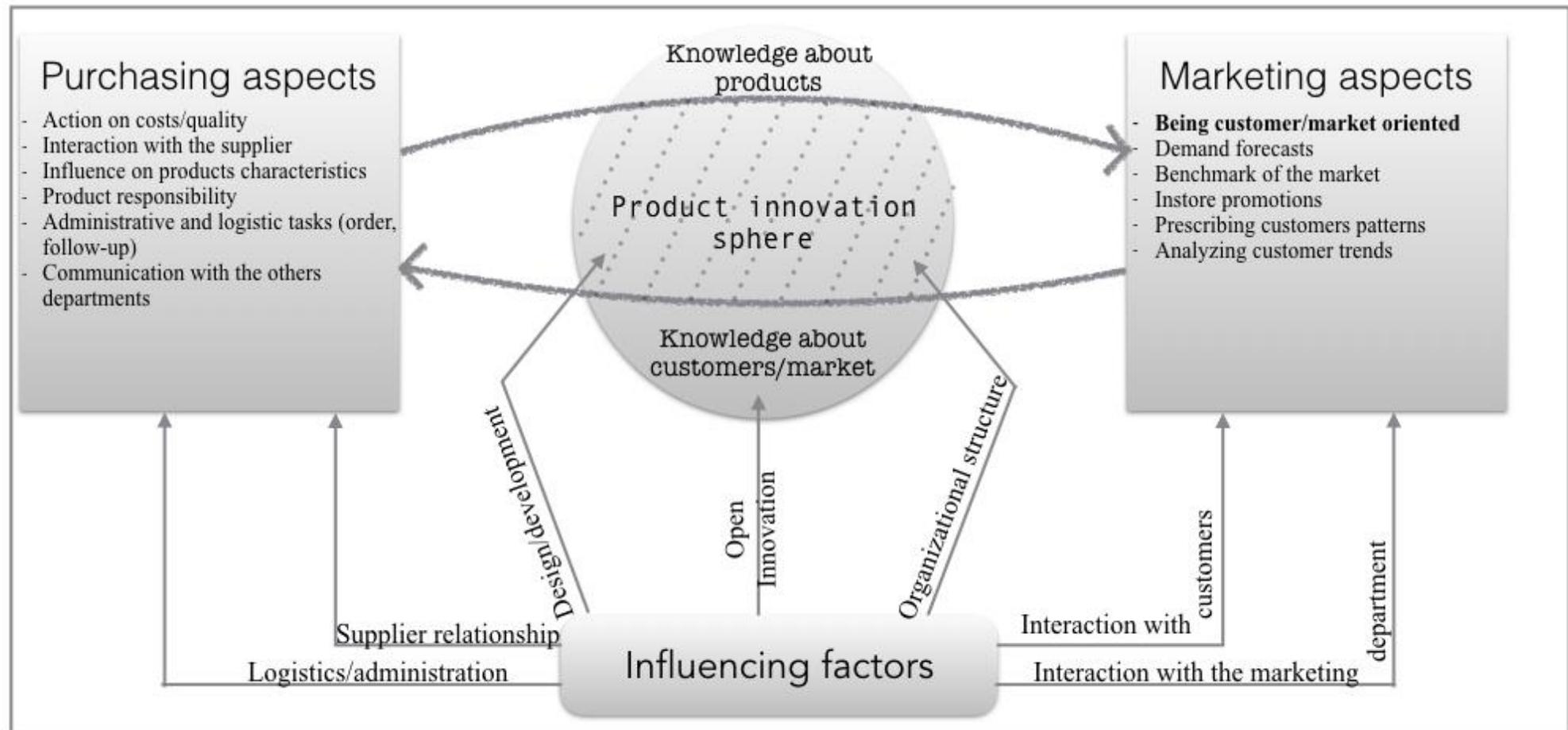
#### 4.3.3. Overall summary

This part will provide a summary of all the empirical part already conducted before and draw a general scheme and model defining the new role of the purchasing department and explaining how this new role of the purchasing is enhancing product innovation. This scheme has also the purpose to reply to the research question of the study, **“How does the integration of marketing in the purchasing function enhance product innovation?”**

The figure 14 below is the new model which can defined the purchasing function from the empirical study conducted in this thesis. All the main findings deducted from the study case of this thesis are all presented and linked together, in order to have a better understanding of what is the purchasing function in a FMCG company today. All the different findings were already discussed in the existing academic literature, but it has never been linked together. The scheme is the main contribution of the thesis, to present a new definition of the purchasing function with all the new aspects and roles that are under the scope, and particularly the product innovation.

**Figure 14:** The new definition of the purchasing function and how it interferes with product innovation.

## The new role of the purchasing function



On the Figure 14 the both aspects of the purchasing role as described in the first part of the empirical part are represented on the left and right. The left square is representing the purchasing aspects also known as the more “traditional” tasks of the buyer as they can be found in part 4.1.1. The marketing aspects are corresponding to the marketing integration that have been discussed in the part 4.2.1 as the main new role of the purchasing function. On the one hand marketing aspects are bringing a deeper knowledge about the customers and the business environment to the purchasing. On the other hand purchasing aspects are bringing knowledge about the products characteristics to the marketing. One of the most important marketing aspects is to be customer oriented (4.3.2). These two sides are essential in order to create the product innovation sphere drawn on the middle. Product innovation has been defined in the theoretical literature and also in the empirical part in the chapter 4.2.1.

It is also important to highlight the fact that there are influencing factors playing a part in the new product development, such as for instance the existence in the company of a design/ product development department (see 4.3.2.2). The organizational structure of the company (4.1.1) is also influencing product development. Indeed from the empirical data it can be stated that a decentralized structure allows more flexibility of the purchasing department and therefore enhances innovation by giving more responsibilities to the buyer. The openness to innovation of the company is also a very important influencing factor (4.3.2.1). The interaction with the customers and interaction with the marketing department (4.2.2) is influencing directly the marketing aspects of the function, while the suppliers relationship policy (4.1.2) and the organization of the logistic department and of the administrative tasks is influencing directly the purchasing aspects of the function.

This new definition of the role of the purchasing is sometimes called “category management” even if the concept is still understudied and the definition very vague. If this new definition of the purchasing function is seen as a category management then it can be stated that:

*“The category management (purchasing + marketing) is avoiding the “traditional” conflicts between the purchasing and marketing department, and to turn this energy towards our final customers”.*

(Respondent F, Company 2)

The aim of the purchasing department is not anymore to only work on prices, or quality, but it is above all to be a driver of product innovation in order to satisfy the final customer, and this role can only be achieved if the marketing aspects are directly integrated in the purchasing function.

## **5. CONCLUSIONS**

This section presents the conclusions of this study from a theoretical and managerial point of view. The research limitations will also be discussed as well as suggestions for future research.

### **5.1. Theoretical contributions**

This study contributes to the existing literature in the field of international business in four ways.

First, it broadens the definition of the purchasing function inside FMCG companies. Indeed it provides a full understanding of the different role and missions, which are the responsibility of the buyer.

The second contribution is about the interaction between the purchasing and marketing departments as it has already been studied in the previous literature. Most of the work in the literature focuses on the real and physical interaction between the two departments, and this study sheds more light on how this interaction takes place.

However the study case here focuses more on the integration of marketing aspects inside the purchasing function. The third contribution is that marketing aspects are from now on totally part of the buyer's job in many ways that have been described earlier in the empirical part. This finding is one of the most important theoretical contributions of this thesis, because it has not been studied before.

Furthermore the study makes a fourth contribution to literature by highlighting the importance of product innovation, in particular in FMCG companies, and how this product innovation can be enhanced. The findings show that product innovation can be enhanced by a strong marketing sense, and that it is now the responsibility of the purchasing department of a company to seek and capture this innovation. Indeed the purchasing department is more likely to be product-sensitive because of its global vision of the company, of the product, of the market and of the customers. There is no one only successful strategy for developing product innovation, some companies use

their suppliers while some are using the internal resources of the company, but in both case the study has proved that the purchasing function was the driving force of the capture of innovation.

## **5.2. Managerial implications and future challenges of the purchasing function**

The different researches findings discussed in this paper present several managerial implications, which can bring important contributions to the current international business practice.

First and foremost it has been suggested for a while that the purchasing department of a company is only a support function for all the primary activities in the company. This research calls into question this point of view and suggests that FMCG companies should rethink their internal organization in order to place the purchasing department in the middle of the companies' strategy. The strategic importance placed on the purchasing function will allow the buyer to take more responsibilities and to have a full vision of the product range he is buying.

The second managerial implications of this study is that this full vision can only be efficient if the purchasing department integrates some marketing aspects in the function and gives the responsibility to the buyer to simultaneously be the product manager. This role as a product manager enables the buyer to have better sensibility to product innovation. Indeed the market (or customer) orientation from the marketing aspects is a real asset to understand the market and to make successful choices in term of product innovation.

Therefore the third managerial implication is that in order to be competitive, a company has to be very customer oriented, and especially its purchasing department. This customer-oriented vision has to be shared by everyone in the company, and more FMCG companies (2 out of the 4 in this case) are setting up some trainee/graduate programs for young managers with a very important focus on the final customer.

These kind of trainee program pass by an in-store period to be as close as possible to the clients before going to the purchasing function or any other managerial and strategic function of the company.

And finally the last managerial implication for companies is to gain better alignment between all the primary functions, in this case primarily between the purchasing, logistics, and marketing departments. Indeed product innovation can only be enhanced if all the different department of the companies have the same vision of the strategy and of the goals. This vision has been shared by all the respondents of the study case, and the next managerial challenge from this study case is to be able to stimulate innovation by challenging the suppliers and outside partners of the company even more that it is already now.

### **5.3.Limitations**

Several limitations have to be taken into account if the current thesis wants to be used for further researches. Indeed the literature review and the case study focus only on product innovation, and as we discussed in in the chapter 2.3.1 this is only a part of what innovation really is.

Another limitation is the context where the study case has been conducted. Indeed this study has focused only on FMCG companies, and is not generalizable to other type of companies, like industrial one. The participants are also all French and working in France, therefore there might be some cultural bias or interpretation in the empirical part due to the nationality of the respondents.

The size of the sample is not representative of all the FMCG companies, and the conclusions drawn from the empirical part should not be used to extent the conclusions to every FMCG companies. As stated by Myers (2013), when the research approach chosen is a study case, the general findings can very hardly be generalized because the sample is always very specific and the external validity of the empirical part is very limited. Indeed the generalization of the results is not possible because,

due to the context of the study case, all the participants share similar characteristics. The aims of the empirical part is only to provide the point of view of professional expert from the selected sample in order to have a better understanding of how the purchasing department is nowadays a driver of innovation.

Another limitation of the study is the size of the sample. Some would argue that five phone interviews might not be enough in order to draw scientific and academic conclusions. That is the reason why a written questionnaire has been sent to other participants in order to bring more credibility and reliability to the paper. Nevertheless some questions in the written interviews were not very developed or relevant for the study, therefore the written interviews has been in general less exploited that the phone interviews.

The researcher encountered also some limitations due to the field of research of the study. Indeed as stated the thesis focuses on FMCG companies, which are all MNCs, therefore it was very complicated to obtain a contact in this companies, and even more complicated to find someone willing to spend time for a phone interview. In France, master theses are not very recognized and are not as important as it can be in Finland. The company doesn't see any advantages to help a master student to realize the case study. Many others companies, and respondents have been contacted during the preparation phase but most of them declined or did not answer to the mail asking them for an interview. The questionnaire have been send to the ones who did respond saying that they didn't have time for a phone interview but were willing to respond to a written questionnaire.

#### **5.4.Suggestions for future research**

According to the different limitations discussed just above, the suggestion for future research would be first to conduct the study case with a sample of a bigger size, or to focus on one industry more precise than just FMCG companies, because some differences might appears according to the type of business line, or the type of

companies. This research has focused only on MNC companies in the FMCG industry, but it could also be possible to focus on start up or small and medium companies.

Furthermore, in order to foster the topic discussed in this thesis, about how the purchasing department is enhancing product innovation through marketing aspects of the function, some further researches could be made about the global definition of the function called “Category Manager”. Indeed in the existing literature, the definition of what is a category manager inside a company is still vague and imprecise, and no consensus have been made about the real role of a category manager. From this study, one of the respondents holds a position of category manager that he has defined has the mix of the purchasing and marketing function within the product management. Further researches can therefore be made about the definition of this category manager function, and about the different strategic stakes link to it.

More over future researches can also be made about the differences between the two innovation’s strategies discussed in this thesis. Indeed from the empirical part and amongst the panel of respondent two main innovation’s strategies has been find out, first a strategy based on open innovation, and second a more closed strategy based on internal development. Theses two strategies can be opposed to each other in order to draw conclusion about the most efficient on product innovation.

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**APPENDIX 1.** Companies' Profiles

COMPANY	COUNTRY OF ORIGIN	YEAR FOUNDED	NUMBERS OF EMPLOYEE	NUMBER OF STORES IN FRANCE	BUSINESS LINE	DESCRIPTION
Company 1	United-States	1948	62 000 (17 000 in France)	48	Toys and juvenile products retailer	<p>The company is a leading global retailer of toys and baby products. The company sells a variety of products in the baby, core toy, entertainment, learning and seasonal categories through its retail locations</p> <p>The company has presence across various countries in North America, Europe and Asia. It is headquartered in Wayne, New Jersey.</p> <p>As of January 30, 2016, the company operated 1,622 stores and licensed an additional 252 stores across 39 countries worldwide.</p>
Company 2	France	1959	380 920	5670	Goods (food and non-food) retailer	<p>The company is one of the world's largest consumer goods retail company (3<sup>rd</sup>). The company is a multi-format, multi-channel and multi-local retailer. It operates through a network of hypermarkets, supermarkets, convenience stores, and cash and carry</p>

						stores across the world. The company also retails its merchandise through various e-commerce.fr. The company provides an extensive portfolio of food and non-food products, fresh and local products. As of December, 2016, the company group operates over 11,900 stores in more than 30 countries
Company 3	France	1969	NA	320	Perfumes and beauty products retailer	The company is the leading retailer of perfume and cosmetics stores in France. It operates approximately 2,300 stores in 33 countries, which include 360 stores across North America.
Company 4	France	1990	55000	193	Furniture and accessories retailer.	The company operates through its retails stores located across Europe. The company is headquartered in Vertou, France. It operates in more than 250 stores across Europe (Italy, Spain, Germany, Luxembourg, and Switzerland)

*(Sources: MarketLine, companies report & official websites of companies)*

## **APPENDIX 2.** Semi-structured phone interviews guide.

### **PART 1 – General information**

1. Presentation of yourself
  - *Background*
  - *Numbers of years of experience*
  - *Company/sector of activities.*
2. How is the purchasing department organized inside yours company?
  - *Organizational structure of the company*

### **PART 2 - Purchasing**

3. How can you describe your role/missions as a buyer?
  - *Where does the role of a buyer start, where does it end?*
  - *Do you think you are doing is only purchasing or do you have more missions than that ?*
  - *To your mind, where does the purchasing department add value?*
4. How would you describe the relationship that you have with yours suppliers?
  - *What is affecting the relationship?*
  - *Is the relationship with suppliers long-term or short-term?*
5. Did you recognize any changes in the/your purchasing function over time?

### **PART 3 - Marketing orientated**

6. What is the mission/role of the marketing department in your company?
  - *Are you interacted with the marketing department? For which purpose? Regularly meetings?*
  - *How are the purchasing and the marketing department aligned with each other?*
7. Would you say that you have a marketing side in your daily workload? Why ?
  - *Is the marketing part necessary to fullfill the role as buyer properly?*
  - *Having the role of a buyer, how important is it to be market/customer oriented?*

### **PART 4 – Innovation oriented**

8. How would you define innovation?
  - *More particularly product innovation?*
  - *How is it important in your job?*

- *Is the innovation orientation affected by the sector of the company or by the company itself?*
9. Would you say that it is part of your job to find new product innovation? Why?
- *Is the purchasing department a driver of product innovation? Or other departments?*
10. What are the biggest challenges that you are facing when it comes to introduce a new product?
- *And how did you overcome these challenges?*
11. In your opinion, what are the futures challenges of the purchasing function for tomorrow?
- *How will the purchasing function change in the future?*

**APPENDIX 3.** Written questionnaire.

1. Title of the work function and business unit (area):
2. Numbers of years of activity:
3. How is the purchasing department organized?
  - Centralized (one purchasing department for every business unit)
  - Decentralized (every business unit as his own buyer)
  - Mix of the two (a global corporate purchasing + buyer in every business unit)
4. Can you describe your role/missions as a buyer inside the company?
5. Is there a marketing department in your company?
  - Yes
  - No
  - 5.1 If yes, how are you interacted with the marketing department? For which purpose?
  - 5.2 If no, who is doing the marketing part?
6. According to you, why is it important in your job to be customer/market oriented?
7. How would you describe the relationship that you have with yours suppliers?
  - 7.1 Are you sharing information with yours suppliers? Which information? To which extend? For which purpose?
  - 7.2 Is it a :
    - Long term relationship
    - Short term relationship (one shot)
8. Are you developing product in cooperation with yours suppliers?
  - Yes
  - No
  - 8.1 If yes, can you describe briefly the part that you are playing in the development?

- 8.2 If no, do you think there would be benefits from developing products in cooperation with suppliers?
- 8.3 Regardless the answer of question 9, do you think the cooperation with yours suppliers could be improved? In which way, explain?

9. What is (product) innovation according to you ?

10. Is it part of your job to be able to capture new product innovation and to be able to launch it to the market? Why/ Why not ?

11. According to you, what are the three main characteristics to ensure the success of a new product? (please select three)

- Selling price
- Internal costs
- Novelty/innovation
- Speed to market
- Quality
- Technology
- Design
- Packaging
- Promotion/marketing
- Advertisement

12. What are the two main challenges that you are facing when you are launching a new product?

13. Would you say that the purchasing department in your company is a driver of product innovation?

- Yes
- No

14.1 If yes, do you think it is a key role of the purchasing department to be driver of product innovation? Which other departments are supporting in the product innovation process? In which way, to which extend, explain.

14.2 If no, who is the driver of product innovation in your company

14.3. Regardless the answer of 14, do you think the purchasing department could (further) improve its role for the product innovation process in your company?