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INTERNATIONAL BUYING: AN EXPERIENTIAL EXERCISE

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ABSTRACT

An experiential exercise designed to teach retailing students international buying skills is described. Increased foreign buying activities make it important for educators to integrate international buying strategies into the curriculum.

Student teams represented one of four retail firms and bought merchandise from other students posing as foreign manufacturers. Each team completed market research to determine the economic, political, and cultural climate of a foreign country as well as business customs that might affect negotiation. A situation analysis of the retail firm was also conducted. Buying decisions were made regarding open-to-buy, pricing, shipping, delivery, method of payment, and stock assortment. Teams negotiated with representatives of foreign manufacturing firms to achieve predetermined buying goals.

INTRODUCTION

An experiential exercise designed to teach retailing students buying on an international scale was developed. The objectives of the exercise were to 1) sensitize students to foreign buying customs, 2) familiarize students with import buying, and 3) develop decision-making skills relative to international buying.

Apparel was chosen as the product since imports of textiles and apparel have doubled between 1980 and 1984. Imports have consumed 50 percent of the \$100 billion American textile and apparel market [1]. If the present trend continues, industry analysts predict that by 1990 almost all of the apparel market will have disappeared to overseas suppliers [2]. Other products are faced with growing imports as well. Given these facts, it is especially important that international buying skills be incorporated into the retailing curriculum.

METHODOLOGY

The exercise was used with undergraduate students enrolled in merchandise buying courses at two major universities. Class size averaged 50 students. Students were assigned to either a buying team or a manufacturing team. The composition of each team, team responsibilities, and the buying activity will be described.

Buying Teams

Each buying team consisted of three members, a Divisional Merchandise Manager, a Buyer, and an Assistant Buyer. Team members determined who would assume each role. Job descriptions were made available to assist the students in delegating team responsibilities.

Each team was assigned one of four scenarios. The scenarios were as follows: 1) a department store seeking to purchase

Oriental carpets in India, 2) a mass merchandiser seeking to purchase sweaters in the Philippines, 3) a specialty chain store seeking to purchase men's oxford cloth shirts in Japan, and 4) a discount store seeking to purchase children's wear in Hong Kong. Detailed information regarding each store, its target customer, and its past sales history was provided.

Descriptions of the manufacturing firms were also provided. The descriptions included, product information, a price list, purchase quantity requirements, payment plans, delivery policies, customer loyalty, product standards, special services, and in some cases a resident buying office analysis.

Teams were required to conduct a thorough country analysis, assess the economic and political environment and study business customs. Buying decisions were made regarding open-to-buy, dollar allocations to sizes, fabrics and colors, method of payment, shipping, delivery, and export prices.

Manufacturing Teams

Six manufacturing teams were formed, one each from India and the Philippines and two each from Japan and Hong Kong. Teams consisted of two students who assumed the role of manufacturers' representatives.

The manufacturing teams developed procedures for working with retail clients and developed policies on negotiable factors. The teams also conducted market research on the country they were representing to aid in more realistic role playing.

The manufacturing firms were as follows:

- 1) Carosel Wear - Manila, Philippines, manufacturer of sweaters
- 2) Ghuman Export, Ltd. - Amritsar, Punjab, India, manufacturer of oriental carpet
- 3) Far East Traders - Japan, manufacturer of children's clothing
- 4) Hong Kong Trading Co. - manufacturer of children's clothing
- 5) Eastern Isle - Tokyo, Japan, manufacturer of men's dress shirts
- 6) Oriental Traders - Hong Kong, manufacturer of men's dress shirts

Buying Activity

Appointments were arranged between buying teams and manufacturing teams. Each team prepared for the appointment by establishing goals and objectives. For example, a buying team might have established pricing and delivery objectives with plans to negotiate on shipping. A manufacturing team on the other hand, might have set pricing and quantity targets with intentions to negotiate on delivery. Other negotiable factors were minimum order quantities, prices, colors, method of payment, delivery, shipment, product standards, and private labeling. At

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the conclusion of the negotiation session, a contract was signed between each buying and manufacturing team specifying the terms of the contract.

ADMINISTRATION OF THE EXERCISE

Preparation for this exercise began one week before it took place. Introductory material on foreign buying was presented in class prior to the assignment. Students were familiarized with the open-to-buy calculation procedure and with the negotiation process in general.

A librarian was contacted for help in locating the best available sources of international market data. Materials found to be extremely helpful included: Business International Reports, and the Department of Commerce Publications, Overseas Business Reports and Foreign Economic Trends.

Three class sessions (50 minutes each) were required for completion of the exercise: one to organize teams; one to negotiate contracts; and one to discuss outcomes. Time outside of class was necessary for team meetings and for market research.

During the negotiations manufacturers were separated to allow for privacy and better role playing. Two rooms were needed to accommodate the teams.

Following the negotiations, each team prepared a defense of their decisions and evaluated the outcomes of the negotiation process. Each team submitted for a grade market research findings, a situation analysis, and a statement summarizing their success in meeting predetermined objectives.

EVALUATION AND DISCUSSION

The exercise created much enthusiasm on both campuses. For example, buyers from the stores were surprised at how closely the manufacturers followed the business customs of their respective countries. Several manufacturing teams also prepared company logos.

An unexpected sense of competitiveness emerged between the manufacturers from Japan and Hong Kong as they competed for dollars from the same retailers. An additional manufacturer might be added in India and the Philippines to provide this same sense of competitiveness.

Several other suggestions are offered to enhance the exercise. Prior to the exercise, a telelecture with a buyer who frequently buys foreign merchandise might be scheduled. This would pique student interest and provide additional momentum. During the exercise, it might be stressed that the manufacturers have the option of changing their advertised policies. It should also be stressed that the cost of shipping be considered when spending open-to-buy dollars. One team allocated all dollars to merchandise and then realized they would also be required to pay shipping fees and insurance. Finally, buying teams might be ranked by their ability to achieve pre-set goals. For example, which department store team received the best "deal" from the manufacturer of Oriental carpets?

In summary, the exercise was successful in sensitizing students to foreign buying customs and familiarizing them with import buying. Equally important, they developed better decision making skills, gained a flavor for international trade, and had lots of fun in the process.

REFERENCES

- [1] Klapper, Marvin. "To Survive Move Fast on Fashion." Women's Wear Daily, Vol. 150, No. 53, Sept. 16, 1985, p. 1.
- [2] "Textile and Apparel Imports A National Concern." Washington, D.C.: American Textile Manufacturers Institute, Inc., August, 1985, p. 2.