

# “The impact of logistical criteria in the selection of SMEs by large food retailers – a case study in an emerging country”

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## The impact of logistical criteria in the selection of SMEs by large food retailers – a case study in an emerging country

### Abstract

This article investigates the current importance of logistical performance criteria in the supplier selection process used by large food retailers. It particularly focuses on the influence of such criteria in the choice of SMEs compared to other marketing and financial criteria in the context of an emerging country. After a review of the literature on supplier selection processes, the qualitative data from a case study carried out on the Moroccan leader of the food retailing industry provide a discussion on implications in research. The results of the empirical analysis show that resorting to a strategy of diversification of supplying sources allows large food retailers to reduce their dependence on the supplier market.

**Keywords:** food retailing industry, logistical criteria, Marjane holding, Morocco, SME, supplier selection.

**JEL Classification:** L21, L81, M31, O55.

### Introduction

The globalization of markets and exchanges, the reorganization of production means and the changes in consumption behavior have forced firms to thoroughly transform their structures and strategies; firms are faced with the necessity for a dynamic flow management of raw materials, components, finished products and information (Christopher, 2011). In this context of radical change that the economic crisis has intensified, we are forced to admit that purchasing management is at the core of large food retailers' preoccupations, as it has a direct effect on their economic and financial performance (Carter and Roger, 2008), and generally on their long-term development in a complex and troubled environment. Purchases represent a major part of the turnover of large food retailers (Fédération des Entreprises du Commerce et de la Distribution, 2008). To improve results, particular attention must be given to the purchase of products and their associated services (Mathieu, 1994, 2004; Cebi and Bayraktar, 2003).

The large food retailers' retail buyers, frequently working in national, or even world-size purchasing centers, are responsible for negotiating the procurement of products while adhering to the best quality/price/delivery ratio in optimum conditions of supply safety. Confronted with powerful and increasingly monopolistic manufacturers, like Coca-Cola or Nestlé, the first priority of retail buyers is to diversify their supply sources and to make them compete (Paché, 1995). Their purpose is to reduce the dependence of large food retailers on an increasingly smaller number of suppliers, now able to implement collusion practices, such as maintaining the sales price of products at a high level. Large food retailers have two solutions at their disposal: either resorting to small-size manu-

facturers (SME selection), or multiplying importation circuits (global sourcing) (Trent and Monczka, 2005; Nollet and Beaulieu, 2006). In each case, logistics plays a leading part in guaranteeing reliable supplies at an acceptable cost.

The importance of logistics in the agri-food chain is widely acknowledged today (Bourlakis and Weightman, 2004; van der Vorst et al., 2005; Fearné and Duffy, 2006; van der Donk et al., 2008). Logistical performance is perceived as the essential element for reducing product shipment costs from manufactories to store shelves, while guaranteeing enough reactivity to satisfy the increasingly unforeseeable demands of consumers. When large food retailers resort to alternative supply sources, they have to strengthen their supply chains, including providing logistical support to new suppliers, such as SMEs, should they prove to be unable to deliver stores or warehouses. Consequently, if the suppliers' strategy of diversification is above all a purchasing strategy, it puts logistics at the core of the theoretical and managerial analysis. The integration of SME products into the product assortment of large food retailers means assessing and weighing up logistical criteria in the strategy of diversification of supply sources.

The paper does not analyze the political and economic reasons which have led the large food retailers' managerial teams to adopt a strategy of diversification of supply sources. There is a double purpose to this research. One is to assess the weight of logistical criteria in the process of SME selection, and the other to check whether the model of logistical performance observed in emerging countries such as Morocco resembles the model developed in Western countries. The paper is consequently divided into four parts. As a first step, we present a review of the literature on supplier selection strategies and the part played by logistics

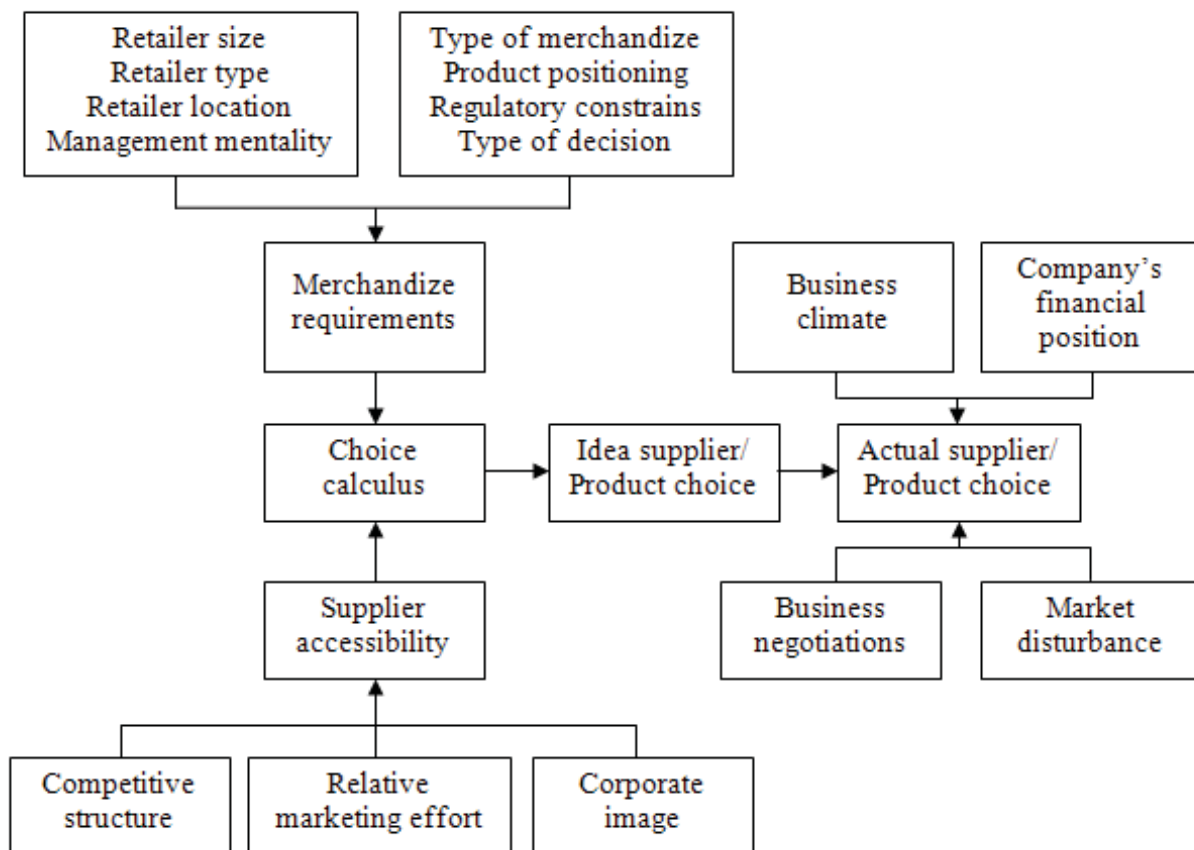
in them. As the second and third step, we present the methodology and the major findings of a field study conducted in Morocco with the major large food retailer in the market; identifies and classifies the logistical checks to the development of SMEs specialized in convenience goods and who wish to work with large food retailers. Finally, the paper concludes with managerial recommendations to the significant Moroccan public and private players, but whose contents can be generalized to a large number of emerging countries.

### 1. Logistics in the choice of suppliers

When the historical evolution of marketing is studied, it can be seen that the analysis of distribution channels first focused on manufacturers and/or wholesalers as key elements in the organization of transactions and the availability of products for consumers (Rosenbloom, 2003). It emerged with time that the distribution process, including the supplier selection process and operations management, is essentially a *customer service driven process*, where retailers play a major part (Daly and Towers, 2004). Early research on supplier selection processes by retailers dates from the beginning of the 1980s. The most significant contribution still remains Sheth's (1981), even though Heeler et al. (1973) were

the precursors in the modeling of supermarket product selection. Sheth's (1981) contribution led to a number of conceptual developments, with at first a general impact on the management of supplier portfolios, then more specifically on the taking into account of logistical criteria by retailers when building a supplier portfolio.

Sheth (1981) developed the first behavioral model formalizing the process used by retailers to build a supplier portfolio in function of different variables (see Figure 1). He stressed that the purchasing behavior of retailers is specific in the sense that this behavior does not resemble manufacturers or final consumers. In other words, the decision taking model is not a patchwork borrowing from other existing models; it has its own founding dynamics. The decision of retailers to select or discard suppliers is based on two factors: (1) merchandize requirements, largely depending on the retailers' organizational structures, product assortment policy and more generally marketing strategy; and (2) supplier accessibility that can facilitate access to the retailer as far as this accessibility will guarantee supplier capacities (corporate reputation, marketing competences, financial solidity, etc.).



Source: Sheth (1981, p. 182)

Fig. 1. Supplier selection by retailers: a behavioral model

The building of a supplier portfolio will finally depend on the way retailers judge the different assessment criteria, then assess suppliers in function of their respective results. At this level, two trends vie with each other within firms. The first trend establishes the existence of a decision rule based on a trade-off choice calculation (a poor grade in one criterion is compensated by an excellent one in another). The second trend assumes the choice of a said lexicographic rule, based on a sequential or dominant choice calculation, in which a poor grade in a criterion deemed essential is disqualifying. For Sheth (1981), whatever the option selected, the ideal choice must be compared to the satisfactory choice taking into account the following situation factors: retailer financial profitability, the business environment at the time of supplier selection, unforeseeable disturbances and the nature of trade negotiations.

Sheth's (1981) model inspired the majority of studies later conducted on the supplier selection process and which completed it on a few points. A large part of these works carried out in the 1980s dealt with a specific aspect of Sheth's (1981) model, the methods for assessing suppliers and their products. Grounding their argument in a summary of literature, Cravens and Finn (1983) developed a conceptual model highlighting the major phases of the supplier selection process by retailers: preliminary definition of a number of assessment criteria, resort to information sources on suppliers, survey of alternatives and finally decision making. But one of the major problems remains the lack of consensus on the criteria to use and their relative weighting; discussions on these criteria remain very disparate and much debated (McGoldrick and Douglas, 1983; Rao et al., 1995; Skytte and Blunch, 2001; Da Silva et al., 2002; Cheraghi et al., 2004; Ageron and Spalanzani, 2008; Skallerud and Grønhaug, 2010). The issue specifically focuses on the relative weight of logistical criteria.

In the early 1990s, a survey led by Dröge et al. (1991) stated that logistical criteria are at the top of supplier selection criteria, just after product selling price criteria. This result is in agreement with the results of earlier works, particularly Dickson's (1966), Perreault and Russ's (1976), and Banting and Blenkhorn's (1988). But a meta-analysis performed by Nilsson and Höst (1987) on 34 earlier works suggested that among the 394 criteria selected by retailers to assess and choose their suppliers, only 15 criteria belong to the logistical field (4 criteria relate to transport and 11 criteria relate to adaptation to the supply needs of stores). Paché (1995) established the same facts from a field study carried out with the

major French food retailers. He found that logistical criteria play a minor part in the supplier selection process. But once a relationship is established between a supplier and a large food retailer, adherence to a minimum service quality, negotiated by agreement, is indispensable for the relationship to endure. The inability of a supplier to be in line with the logistical performance level expected by a large food retailer results in financial penalties and in extreme cases, following a series of serious incidents, an elimination from the supplier portfolio. Skytte and Blunch's (2001) research on 16 European countries confirmed a blatant absence of logistical performance criteria as a prerequisite to supplier selection.

All these works describe the situation in Western countries, with rare exceptions (Hansen, 2001; Skallerud and Grønhaug, 2010), and it seems interesting to examine whether their findings can be applied to an emerging country that has witnessed a rapid development of the modern retailing industry in the last few years (Fort, 2012). The question is to determine whether the importance attached to logistical criteria is more or less the same in emerging countries as in Western countries when large food retailers implement identical selling techniques, based on a wide and varied product assortment, and the generalized adoption of self-service. Such a situation of managerial convergence would mean a potential universal logistical performance model, independent from national cultures, and also from the level of maturity reached by large food retailers in the retail life cycle.

## 2. Research design and methodology

The chosen emerging country is Morocco, one of the three North African countries that were under French influence for many years. Morocco has been experiencing a rapid transformation of its commercial infrastructures during the last ten years in the major cities of the Kingdom (Abbad, 2008). At present, five firms share the modern retailing industry: Marjane, Carrefour, Aswak Assalam, Carrefour Market-Label' Vie and Acima (see Table 1). However, the firms' market segments are distinct. Metro occupies the area of selling to small retailers (cash & carry), in contrast to the other firms, specialized in selling to consumers in large supermarkets (Aswak Assalam and Marjane) or medium-sized ones (Carrefour Market-Label' Vie and Acima). Let us mention here that Label' Vie, in partnership with the French group Carrefour, intends extending its activities to other types of stores and should open hypermarkets in some large Moroccan cities in the near future.

Table 1. Some data on the modern retailing industry in Morocco (September 2012)

	Owner	Opening of first store	Number of stores	Locations
Acima	SNI	2002	33	Aït Melloul (1), Beni Mellal (1), Berrechid (1), Casablanca (12), El Jadida (1), Fez (2), Khouribga (1), Marrakech (3), Meknès (1), Mohammedia (1), Rabat (2), Safi (1), Salé (1), Tangiers (3), Témara (1), Tétouan (1)
Aswak Assalam	YNNA Holding (in partnership with Casino)	1998	12	Agadir (2), Casablanca (1), Essaouira (1), Kénitra (1), Marrakech (2), Mohammedia (1), Oujda (1), Rabat (1), Tangiers (1), Témara (1)
Carrefour	Best Financière (in partnership with Carrefour)	2009	10	Agadir (1), Casablanca (2), Fez (1), Marrakech (2), Oujda (1), Rabat (1), Salé (1), Tangiers (1)
Carrefour Market – Label' Vie	Best Financière (in partnership with Carrefour)	1986	34	Agadir (2), Casablanca (12), El Jadida (1), Fez (1), Kénitra (2), Khemisset (1), Marrakech (1), Meknès (2), Mohammedia (2), Rabat (6), Salé (1), Settat (1), Sidi Slimane (1), Témara (1)
Marjane	SNI	1991	29	Agadir (1), Beni Mellal (1), Casablanca (5), El Hoceima (1), Fez (2), Fkih Bensalah (1), Kelâat Es-Sraghna (1), Kénitra (1), Khouribga (1), Marrakech (2), Meknès (1), Mohammedi (1), Nador (1), Oujda (1), Rabat (2), Safi (1), Saïdia (1), Salé (1), Tangiers (2), Taza (1), Tétouan (1)

Marjane, the first Moroccan hypermarket firm with more than 125.000 m<sup>2</sup> of sales area, is the subject of the case study. The firm was created in 1990 by the Moroccan industrial and financial group ONA (Omnium Nord Africain), now SNI (Société Nationale d'Investissement), which then benefited from the technological support of the French group Auchan. Marjane now develops mentoring strategies ("*projet filière*") to help small producers to introduce their products in their product assortment (Sabri, 2012). The retailing company has a very positive image associated with modernity: "*Its strategy values things that are synonymous with modernity, sophistication and refinement such as offer theatricalization, assortment attractiveness, merchandising dynamism or shelves display that reflect a Western lifestyle*" (Amine and Lazzaoui, 2011, p. 575). Among the missions of Marjane Holding, an internal document states that the firm must "*generate progress for local suppliers and particularly SMEs*"; this makes our case study particularly suited to our investigation on the relationships between large food retailers and SMEs.

According to Yin (2008), a case study is an investigation, empirical in nature, whose purpose is to describe a phenomenon in its context, knowing that the borders between the phenomenon and its context are not clearly identified. This type of methodology seems the most appropriate for analyzing the supplier selection process by large food retailers in Morocco, taking into account the emergent and non-stabilized nature of modern distribution channels in a country where conventional trade still occupies a significant place. The chosen case is unique as it involves a firm which benefited from the Auchan group's know-how in marketing, purchasing and logistics for

several years. Parts of the managerial techniques were imported from France. So the Marjane case presents some interesting particularities making it not a "special" case, but an "exemplary" one, which will provide precious information on the large food retailers in Morocco.

The paper is part of a research program which aim is to assess the current importance of logistical performance in inter-organizational relationships, in function of various cultural contexts. It tries to describe and explain distribution channel governance through the interpretations given by its members. The survey was carried out among firms belonging to the manufacturing, retailing, and logistics industry. The research program gives special emphasis to understanding the strategies involved; the foreseeable nature of the knowledge is subjective and contextual (Thiéart, 2001). The investigation is based on a qualitative approach, creating case studies that allow rich empirical data to be collected.

**2.1. The qualitative approach.** Three reasons justify this choice. First, the research program is exploratory. It does not try to identify economic laws but tries instead to render a phenomenon intelligible. Second, the central question refers to the "how" more specifically how network members cooperate on a day-to-day basis once they have decided to do so and have implemented coordination mechanisms to obtain a result. Third, in epistemological terms, the objective is to have a better understanding of the studied phenomenon; hence, it is essential to conduct fieldwork (Pettigrew, 1997).

**2.2. Data collection and analysis.** Data collection can be divided into two phases: first, to identify the

distribution channel members and second, to meet many key informants (top managers from marketing, sales and logistics departments). Two primary methods of data collection were used: individual semi-directive interviews, lasting between 45 and 90 minutes, were the main source, followed by studies of internal documents as complementary sources. Content analysis was then applied to the empirical data collected, following the recommendations of Miles and Huberman (1994). Data were collected from 9 managers from Marjane Holding, 4 experts in trade relationships and 8 managers and marketing executives of Moroccan SMEs working with Marjane (see Table 2).

Table 2. Composition of the field study sample

<b>Marjane holding</b>	
◆	President of the Board of directors
◆	Logistics manager
◆	Purchasing manager
◆	Top manager for the purchasing of convenience goods
◆	Retail buyer of fresh products (category A)
◆	Retail buyer of fresh products (category B)
◆	Retail buyer of convenience goods (cakes, cookies, etc.)
◆	Retail buyer of convenience goods (groceries)
◆	Hypermarket manager
<b>Manufacturers</b>	
◆	Manufacturers in the agri-food chain (4 SME general managers and 4 SME marketing managers)
<b>Experts</b>	
◆	University expert in trade relationships
◆	Communication officer of the Moroccan Federation of the agri-food sector (FENAGRI)
◆	President of the Moroccan Federation of SMEs (FPME)
◆	Expert in the French business mission in Casablanca

The research was carried out following the basic rules used traditionally in interview preparation and result assessment. First, concerning *interview preparation*, we made the necessary checks to make sure of the way the main concepts were perceived by the key informants interviewed so as to obtain their “critical feedback” on the conceptual analysis. The aim was to avoid any mix-up during the formulation and explanation of the logistical strategies currently implemented by their firm. As a basic requirement, we checked the exactness of the phenomenon studied – the impact of logistical criteria in the selection of SMEs by the large food retailer – with the concepts used to define it in the interview guide, in order to reach appropriate external validity.

Second, concerning *result assessment*, the points reported by Ellram (1996) were used. Reliability is more specifically based on systematically reviewing the internal documents mentioned above and on several on-site visits organized by the key informants. Construct validity relies on the multiplicity of data sources (a large number of key

informants hold several positions in several locations) and on a review of a draft of the research results, carried out by these key informants. Finally, external validity relies partly on the fact that the large food retailer studied is involved in a wide range of exchange relationships with SMEs. All the precautions taken during the case studies lead to results of a scientific nature, that is, results that can be repeated, generalized and are cumulative.

### 3. Major findings and discussion

The case study conducted on Marjane Holding tries to assess the place occupied by logistical criteria in the SME selection process, in the context of an emerging country experiencing a rapid development of its modern retailing industry. The analysis of the semi-directive interviews highlights that there is no standard list of supplier selection criteria, but an important diversity of criteria depending on the nature of the products bought by the large food retailer. The research pays special attention to convenience goods, for which manufacturers are particularly concentrated in Morocco. The selection of SMEs fits in with a strategic policy of Marjane Holding to diversify its supply sources and reduce its dependence on multinational firms, which dominate the market. In this case there is no desire shown by certain UK grocery retailers to participate in the development of the local industry by selecting SMEs (Wagner et al., 2005). The chosen criteria are, in a decreasing order of importance, as follows.

*Price.* The interviewed managers insisted on the importance of this criterion and stated that they could not afford to buy more expensive products than their competitors. In addition, the price levels must correspond with the customers’ purchasing power and the current disparity in income.

*Product quality.* This criterion often goes with price. The importation of foreign products, particularly premium quality food products from Europe or the Near East, leads large food retailers to become increasingly demanding toward local SMEs.

*Trading cooperation agreements.* As occurs in France for example, suppliers have to offer trade cooperation discounts in counterpart for a service offered to customers (for example, including a product in an advertising leaflet, a display at gondola, etc.).

*Participation in product promotion.* In Morocco as in other Western countries, product promotion appears essential, particularly to seduce young customers fascinated by international brands. Retail buyers in Marjane Holding require a contribution to the advertising budget (leaflets, events, etc.) from SMEs.

*Discounts granted by suppliers.* The fact that Marjane Holding represents a significant part of an SME’s turnover leads the retail buyers to demand discounts on purchased volumes during trade negotiations, according to a price list specific to each supplier.

*Admission fees.* Marjane Holding asks potential suppliers to pay a more or less high “admission fee”. This practice did not exist during the early years when the modern retailing industry appeared in Morocco. It was established because of the high number of

references in stores, forcing the large food retailer to become increasingly selective.

*Logistical service.* This is an element of supplier selection, but with a relatively low impact. The availability of products, the compliance with delivery deadlines and the use of standardized pallets were listed by informants as indicators of logistical performance monitoring, but as a complement to very dominant marketing dimensions (see Table 3).

Table 3. The relative importance of the logistical and marketing factors

Logistical dimensions	Marketing dimensions
<ul style="list-style-type: none"> <li>◆ Presence or absence of EDI-type information systems in the supplier’s premises.</li> <li>◆ Regular monitoring of stock-outs by reference and by supplier.</li> <li>◆ Supplier’s capacity to deal with periods of high product demand.</li> <li>◆ Supplier’s competences in logistics: use of standardized pallets, creation of bar codes to identify products, availability of products at ordering, compliance with delivery times, flexibility of the production system.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Adequate level of discounts accepted by suppliers during annual and centralized negotiations to guarantee the lowest prices to consumers.</li> <li>◆ Acceptation by suppliers of price conditions defined in trade cooperation agreements.</li> <li>◆ Participation of suppliers in the organization of trade marketing operations in function of stores’ selling plans and marketing management plans.</li> <li>◆ Capacity of suppliers to become partners with the large food retailer in a collaborative management of promotions.</li> </ul>

*Production capacity.* The suppliers’ industrial capacity to manufacture products in the desired quantity and quality must be known. Retail buyers consequently obtain information on existing equipment and its condition, on planned future investments and on the operators’ level of qualification, in a country where illiteracy remains a not inconsiderable issue.

What is the conclusion of the influence and weight of logistical service quality criteria in the preliminary assessment of a SME by a large food retailer in an emerging country? The semi-directive interviews show that this criterion is not neglected by retail buyers during the selection process, but that its impact remains rather low, which confirms the meta-analysis conducted by Nilsson and Höst (1987), Paché’s (1995) field study on the French situation and Hansen’s (2001) on that of China. Criteria of logistical service quality are certainly discussed by retail buyers during the negotiation process with SMEs but with a minimal objective: ensure that the SME is able to implement a delivery system reducing stock-outs to a level deemed “acceptable”. Marjane Holding’s strategy, on the model of the large food retailers in Europe, is to implement regional distribution centres (3) in charge of supplying stores; for an SME, the logistical interface will be increasingly systematically made of 3 delivery points (the regional distribution centres), even if direct store supplying still occurs as confirmed in Arning et al.’s (2009) study.

If one compares the quality of the logistical service to other selection criteria, its weighting in terms of importance appears to be greatly lower than others. The logistical criterion is ranked much lower than

marketing and financial criteria such as product selling price, product quality, advertising campaigns for new products, organization of promotional operations, etc. In fact, the marketing and financial criteria, together with the logistical criterion, make up a unit, a coherent whole that it is difficult to break up, according to our interviewees. In fact, before any negotiation, the suppliers who wish their products to be referenced by retail buyers must provide proof that they are able to ensure a minimum level of logistical performance. We are here in a trade-off choice calculation configuration, to go back to Sheth’s (1981) analysis, knowing that the expected logistical performance threshold is relatively low.

On the SME’s side, content analysis shows that managers perceived retail buyers as particularly interested in product selling prices, the payment of an “admission fee” and the organization of promotional operations, rather than by the suppliers’ logistical competences. Their unanimous opinion is that the quality of the logistical service is not seen as a key factor of success in obtaining access to stores and maintaining a relationship with a large food retailer. The payment of the “admission fee” and the organization of promotional operations required by the retail buyers are the major checks to the inclusion of new SMEs in the modern retailing industry; it is also an opinion systematically found in works on the French context of large food retailer-SME relationships (Filser et al., 2012).

The apparently minor part played by logistics in the SME selection process could have two main reasons: (1) once selection has been completed, the SMEs that failed the logistical requirement are

confronted with a set of financial penalties; the penalty system does not necessarily result in an elimination from stores, but rather leads to the payment of a compensation calculated as a percentage of the value of the goods not delivered in time (Abbad, 2008); (2) the purpose of SME selection is to block the influence of powerful manufacturers and to avoid depending on them; large food retailers have consequently a vital need of SMEs to ensure their countervailing strategy, and accept logistical dysfunctions that they would not willingly accept from other suppliers.

#### 4. Managerial implications

Academic literature often stresses that logistical failures have dramatic effects on large food retailers, threatened with losing customers and market shares when stock-outs become recurrent (Fernie and Sparks, 2009); without forgetting the lasting degradation of the image of a large food retailer when stock-outs generate a high discontinuity in the management of the product assortment (Filser and Paché, 2006). The paradox revealed in the findings of our field study is all the more outstanding: the studied large food retailer does not grant a significant weight to logistical performance when selecting SMEs. The context of an emerging country discovering the modern retailing industry, and consumers used up to now to a low level of service, could explain the reasons of such findings. But our results confirm a number of works conducted in other national contexts (Hansen, 2001), including where the maturity of large food retailers cannot be denied. The impact of logistical criteria has consequently to be revised downwards, in comparison to other criteria. What are the managerial implications for SMEs, public authorities, large food retailers and foreign entrepreneurs?

**4.1. Implications for SMEs.** Content analysis of the semi-directive interviews shows that supplier selection is based both on explicit criteria (objective and rational) and implicit criteria (subjective and emotional). On a model close to the model of Western countries, an SME wishing to penetrate the modern retailing industry in an emerging country, after a long period of interaction with conventional informal marketers (Jamison, 2003), must satisfy a set of criteria: product selling price, product quality, participation in promotional operations, adequate production capacity, and also a logistical service deemed “acceptable”. Among these criteria, the case study shows that retail buyers emphasize rational criteria (financial, marketing and logistical criteria) that have a direct impact on the large food retailer’s financial results. From this point of view, it is probably possible to suggest a universal model of

management, based on performance measurement invariants. The major lesson for SMEs in emerging countries is that they must absolutely identify the criteria that are the bases of retail buyers’ decision making, without giving too much importance to criteria that are sometimes thought to be significant (such as the logistical performance criterion). This converges with McLaughlin and Fredericks’s (1994) advice at the end of their research on the adoption of new products by the US supermarket chains.

In Morocco, the various opportunities presented by the modern retailing industry could finally prove a powerful development tool for SMEs (Abbad and Bonet-Fernandez, 2008). The project launched in 2005 by Marjane Holding for the wide-scale production of generic products is a good illustration of this tool. It is a potential source of income for the SMEs which were already working with Marjane Holding under their own brand, and opens new markets all the more so as experience shows that retail buyers will prefer to contact suppliers with whom they already are in a close relationship firstly, and that they appreciate (Amine et al., 1997). *“SMEs, and particularly food-processing SMEs, are going to allow us to implement the strategy we wish to develop, which is simply to lower prices and to recruit the largest possible numbers of Moroccans in terms of customers. I know that today, with multinational companies or large industrial firms, this would not be possible”*, explains one of our interviewees. We must point out the importance of inter-personal relationships between the large retailers’ retail buyers and the manufacturers’ sales staff as facilitating the selection of the manufacturers’ products by large retailers, in addition to simple product attractiveness (Kaufman et al., 2006).

**4.2. Implications for public authorities.** Public authorities cannot remain indifferent to the findings of our field study. They can find in them useful information to more efficiently develop support policies for the agri-food chain entrepreneurs and SMEs. These policies could include a number of areas to develop and/or reorganize in the near future: (1) financing SME growth; (2) developing the SMEs’ logistical and marketing skills; and (3) revising the regulatory framework.

*4.2.1. Access to financing means.* The interviewees declare that the payment of the “entrance fee”, the signing of trade cooperation agreements and the granting of frequent discounts are the major obstacles to the arrival of new SMEs in the modern retailing industry. This is explained by the SMEs’ low financial resources: *“Whether the financing is through conventional channels or provided by the*



public authorities, as part of the upgrading policy led by the Kingdom, the agri-food firms experience major difficulties in having access to the available credit and this is a sizeable obstacle to their upgrading”, states a study carried out by International Tax and Legal Consulting (*Alimentarius*, No. 12, July 2004, p. 18). According to the study, the difficulties encountered by the SMEs in having access to financial means are explained by three major elements: (1) the lack of information on such funding; (2) the lack of expertise of the Moroccan banks in the diversification of risks and in risk management tools dedicated to SMEs; and (3) the lack of clear, transparent and advertised procedures for credit granting. Faced with the problems experienced by SMEs in financing the maintenance and development of their activities, public authorities should facilitate access to financing means by implementing a number of measures (implementation of reorganization and operation funds with deferred reimbursement, incitement of financial agencies to design products adapted to SMEs and the structure of the agri-food chain, etc.).

**4.2.2. Development of physical and technological infrastructures.** Many SMEs, accustomed for a long time to working in a regional market, have recently been contacted by large food retailers to supply stores located in several Moroccan cities. To facilitate physical flows and traffic, the public authorities have been forced to invest massively in the development of physical infrastructure (roads, business nurseries, warehouses and platforms, etc.) and technological infrastructure (telecommunications) required to optimize physical flows and to allow the circulation of information flows. Policy makers in Morocco should also pay attention to the development of the SMEs’ marketing and logistical skills. They could for example organize training sessions and give real moral and financial support and assistance to the organizations representing the small and medium entrepreneurs, such as the Moroccan Federation of SMEs. The recommendations thus presented could improve marketing and logistical relationships between large food retailers and SMEs.

**4.2.3. Control of abusive or restrictive practices.** Adopting the low price policy necessary to enlist Moroccan consumers with a low purchasing power, the large food retailers impose price reductions on their suppliers under the form of volume discounts. Suppliers are also invited by the retail buyers to grant promotional discounts during the year: “Unlike France where price practices are regulated, Moroccan retail buyers do not feel the need to disguise discounts as trade cooperation agreements.

When I was a retail buyer, I always had an event or a reason to ask my suppliers for discounts”, states a former retail buyer who became the marketing manager of a manufacturer working with Marjane Holding. Due to the absence of laws regulating trade relationships between large food retailers and manufacturers, and to ensure the survival of SMEs, the public authorities should intervene to suppress abusive or restrictive practices (false discounts without compensation, discriminatory practices, abuse of dominant positions, etc.) and take part in the fairness of negotiations between parties.

**4.3. Implications for large food retailers and foreign entrepreneurs.** From the findings of the field study, it is possible to propose a framework which could serve as a benchmark for large food retailers and any foreign entrepreneur wishing to work with Moroccan entrepreneurs and/or have the local staff adopt their management model. As works inspired by the “culturalist” trend have demonstrated (Ferraro, 1993; Trompenaars and Hampden-Turner, 1998; Leung et al., 2005), it would be a mistake to consider that business can be conducted in the same way and that partners have the same view of affairs in any place in the world. A minimal adaptation to local realities is necessary since each country has a unique context due to its cultural, social, economic, industrial and political environment, but also due to the influence of its dominant religion, history and language (D’Iribarne, 2002; Hofstede, 2004).

Content analysis clearly shows that certain relational aspects in distribution channels are specific to the Moroccan cultural context: predominance of verbal communication and direct discussions, distrust of an excessive formalization of agreements, importance of inter-personal, family and “clientelism” relationships (relationships between relatives, friends and/or members of the same community), and finally the amicable settlement of conflicts to avoid going to the courts. Kamman and Bakker (2004) stressed that corporate strategies largely depend on the profile of decision makers in purchasing matters. The purchaser’s personal past history, and also his/her vision of the business world, directly condition his/her choices in a “socially negotiated order”. Foreign entrepreneurs considering an installation in Morocco must take into account the specificity of the Moroccan economic world to be able to create, then maintain stable relationships with local partners. This specificity should also be taken into account by the large European retailers who are present in Morocco, particularly the process of adaptation of their operating behaviors to the reality of SMEs, and the way local firms and their teams act.

## Conclusions

The internationalization of large food retailers and their strategy of diversification of supply sources highlight the importance of the issue of supplier selection criteria, particularly when the large food retailers choose to resort to SMEs that do not have the expertise or the competences of powerful manufacturers. Taking into account the significance of the subject in the perspective of distribution channel management, both theoretical and operational, the authors have tried to determine the weight of the logistical criterion in the supplier selection process by basing their research on the case of Marjane Holding in Morocco. The country can be said to be an emerging country, and it is interesting to know how logistical performance is viewed there in comparison with Western countries. The findings of the field study demonstrate that the logistical criterion is viewed as secondary to marketing and financial criteria, supporting the findings of other studies conducted in Europe.

Research, in its exploratory nature, is somewhat limited. Theoretically, the article is based on a literature review referring to works conducted in contexts sometimes far from the Moroccan context, with the potential introduction of a universalistic bias. Methodologically, the confidential nature of some data, as well as the concern to present a positive

image of their firms, may have led interviewees to be somewhat reticent in revealing their strategic practices and their results, particularly when behaviors toward SMEs are opportunistic in Williamson's (1985) sense: a self-interest seeking with guile. This is one of the major limits of declarative methods, probably intensified in emerging countries where the cult for secrecy is carried to extremes, mainly for fiscal reasons.

As a consequence, the outlook for future research seems promising with current events and the strategic nature of the subject. In the medium term, Morocco will be integrated into the European economic area, and for European firms, this will open the doors of a highly growing market, with a population of more than 30 million people, nearly 60% of them living in cities. It is essential to get better acquainted with the way large food retailers operate there. A quantitative research on all players in the Moroccan retailing industry could confirm whether the SME selection criteria, as identified in our field study, can be generalized or whether, in contrast, they are specific to the studied firms, their organizational culture and maturity in matters of strategic reflection. The answers will be highly useful for decision making, and for marketing knowledge in the cross-cultural management of distribution channels.

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