

Effects of the Existence and Identity of Major Customers on Supplier Profitability: Is Wal-Mart Different?

Martin L. Gosman; Mark J. Kohlbeck

+ Author & Article Information

Journal of Management Accounting Research (2009) 21 (1): 179–201.

<https://doi.org/10.2308/jmar.2009.21.1.179>

Share ▾

Tools ▾

Cite ▾

ABSTRACT: We investigate how buyer power in the retail market affects suppliers' profitability. Buyer power exists when suppliers depend on a concentrated set of retailers. Further, Wal-Mart, the world's largest retailer, possesses additional buyer power because it has a dominant position in many product supply chains, advanced inventory management practices, and cutting edge technology. We form a sample of firms that supply retailers and utilize the major customer disclosure (SFAS No. 131) to proxy for dependence on major customers and the incremental Wal-Mart effect associated with buyer power. We find that as sales to major customers increase, supplier gross margins and return on assets decrease while their inventory and payables management improves. Wal-Mart is incrementally associated with increasing gross margins, improving cash collections, and extended payment terms with its vendors. Supplier power offsets some of the adverse effects. Our findings provide insight on financial implications of supply-chain dynamics where (1) one firm has an economic dependence upon a major customer, and (2) the major customer is a leading channel member.

This content is only available via PDF.

American Accounting Association

You do not currently have access to this content.

Sign in

Don't already have an account? [Register](#)

Member Login

[Log in](#)

[Skip to Main Content](#)

Pay-Per-View Access
\$25.00

AAA Members: Please log in for free access to content. Note, Teaching Notes are a full member benefit and are not available to student members.

 Buy This Article



[View Metrics](#)

Citing Articles Via

Google Scholar

CrossRef (90)

Email Alerts

Article Activity Alert

Publish Ahead of Print Alert

New Issue Alert



Print ISSN: 1049-2127 Online ISSN: 1558-8033

[Skip to Main Content](#)

Authorship Policy

Plagiarism Policy

Data Integrity Policy

Citing Corrected Articles Policy

Minimizing Overlapping Decision Rights Policy

Prior Publication Policy



[Cookie Policy](#) [Accessibility](#) [Terms & Conditions](#) [Get Adobe Acrobat Reader](#)

© Copyright 1998 - 2025 American Accounting Association. All rights reserved.