
UNIT 3 ORGANISATIONAL BUYING BEHAVIOUR

Objectives

After reading this unit you should be able to:

- define organisational buying and differentiate it from individual buying
- identify organisational customers
- explain the process of organisation buying
- describe different buying situations
- analyse the influences on organisational buying behaviour
- discuss the administrative arrangements in relation to organisational buying
- describe the models of organisational buying.

Structure

- 3.1 Introduction
- 3.2 What is Organisational Buying Behaviour?
- 3.3 Organisational Buying Behaviour : Some Typical Characteristics
- 3.4 Who are the Organisational Customers?
- 3.5 What Influences Organisational 'Buying'?
- 3.6 The Organisational Buying Situations
- 3.7 Organisational Buying Behaviour : Some Models
- 3.8 The Selection of a Supplier
- 3.9 Summary
- 3.10 Key Words
- 3.11 Self-assessment Questions
- 3.12 Further Readings

3.1 INTRODUCTION

Mr. Sheth is materials manager of 'Pragati Enterprises' : a medium size firm with an annual sales turnover of Rs. 20 crores and located in Ahmedabad. Beginning mid-April, the company's managing director asked Mr. Sheth to come up with alternatives to provide a cool and comfortable office climate to its executives during the summer months. The two alternatives identified by Mr. Sheth were :

- a) window airconditioners with each unit costing Rs. 25,000/- or
- b) large size desert coolers with each unit costing Rs. 5,000/-

In order to decide between the two alternatives, he sought the managing director's permission to formulate a team comprising the General Manager, the Administrative Manager, the Managing Director and himself.

Based on pure economical considerations, the committee decided to opt for 10 large size desert air coolers. Having decided to buy the coolers, the purchase manager was asked to execute the decision. Issue of an inquiry brought in quotations from 15 manufacturers. The screening and evaluation of quotations took one week. The final short list included two manufacturers. The criteria to short list were

- i) Past reputation of the manufacturer
- ii) The efficiency of the coolers in terms of noise level, electricity consumption and design of fanblades for optimum air intake
- iii) Delivery period
- iv) Performance guarantee
- v) Rates for annual maintenance contract
- vi) Price



Brand A (Ice Cool) was Rs. 300 less per unit as compared to Brand B (Silver Snows). Ice Cool was the oldest brand and had approximately 30% market share in Gujarat. Its manufacturing facilities were located in a nearby industrial area; some 30 km away. The Silver Snows, a late entrant, was being manufactured in a nearby area only 2 km away. The promoter of Silver Snows was an ex-employee of 'Ice Cool'. He had offered two year guarantee against one year of 'Ice Cool'.

Mr. Sheth discussed the purchase manager's recommendation with the managing director. The outcome was the decision to place order on the Ice Cool. This news, somehow, leaked. The managing director of 'Silver Snows' was, however, successful in meeting the managing director of Pragati Enterprises. This led to the reversal of the decision in favour of Silver Snows. Later on it was learnt that a common friend between the two managing directors was instrumental in the final negotiations and in the change of the decision.

The entire exercise of placing a formal order took 21 days and the coolers were installed by mid-May. While this was happening in the office, Mr. Sheth's wife and children were insisting upon him to buy a desert cooler for his home. Conceding to their request, he visited three dealers and bought a lowest price unknown brand with the longest guarantee period. Interactions with the dealers convinced him that the performances for all brands were alike and there was virtually no risk in selecting any brand. The entire exercise of installing a cooler took two days in his house.

What you have read just now is not fiction but a reality. You must be wondering as to why the same person, buying the same product had different buying behaviour. Well, if you think a little; you would recognise that in the earlier situation (Pragati Enterprises), the 'buying was on behalf. Whereas in the latter, it was 'buying for self for Mr. Sheth. This 'buying on behalf' is the domain of Industrial or Organisational Marketing. Similarly the 'buying for self is the domain of household or what is popularly known as consumer marketing. You must have also recognised that 'buying on behalf changes the entire complexion of the buying exercise. And this is precisely the reason of studying organisational buying behaviour (OBB) separately than the consumer buying behaviour (CBB). The example of buying the desert cooler by Pragati, though comparatively a simpler example amongst the vast multitude of highly complex buying situations, has many messages, and we will keep on coming back to it. Let us now begin our learning of some important issues and concepts in the area of organisational buying behaviour.

3.2 WHAT IS ORGANISATIONAL BUYING BEHAVIOUR?

Webster and Wind, who have done some pioneering work in this area, define organisational buying as a complex process of decision making and communication, which takes place over time, involving several organisational members and relationship with other firms and institutions. According to them, it is much more than a simple act of placing an order with the suppliers. In this sense, they define organisational buying behaviour as the decision making process by which formal organisations establish the need for purchased products and services and identify, evaluate and choose among alternative brands and suppliers.

It is important here to recognise the emphasis on the **decision process** rather than on a single act of placing an order. The case of the desert cooler clearly brings out the process which began with identification of the need to finally placing of an order. Based on several observations of buying situation, Robinson, Faris and Wind have identified this process as comprising eight steps of this decision process are shown in Figure 1.

- | | |
|---|---|
| 1 | Need recognition |
| 2 | Definition of the characteristics and quantity of item needed |
| 3 | Development of the specifications to guide the procurement |
| 4 | Search for and qualification of potential sources |
| 5 | Acquisition and analysis of proposals |
| 6 | Evaluation of proposals and selection of suppliers |
| 7 | Selection of an order routine |
| 8 | Performance feedback and evaluation |

Figure 1: The Phases of the Buying Decision Process

If you recall the exercise of Pragati Enterprises, it would be easy for you to comprehend the various phases of the process. You would also begin to appreciate as to why Mr. Sheth took more than 21 days when he bought the same cooler within 2 days for his home.



3.3 ORGANISATIONAL BUYING BEHAVIOUR: SOME TYPICAL CHARACTERISTICS

With the help of earlier discussions, we are now ready to identify some typical characteristics of organisational buying behaviour. To begin with, we will use the case of 'Pragati' to identify and finally conceptualise some of these typical characteristics.

1 Organisational buying is a multiperson buying activity: A large number of buying situations in organisations (manufacturing, government, hospitals, educational institutions) would involve many persons. These persons may be from different functions (production, purchase, design, maintenance), may have different backgrounds (engineers, MBA, graduates etc.) may have different hierarchical levels within the organisation (Managing Director, General Manager, Material Manager). Further, persons in a buying situation, may appear to play different roles over the entire buying decision exercise. A grand conceptualisation of various roles of the different members is the concept of the **Buying Centre**. The various members of the buying centre may appear to play any of the following roles:

- **Users** like production department person
- **Influencers** like Managing Director, Design Engineers or Consultants
- **Deciders** like the committee appointed by Pragati Enterprises
- **Buyers** like the people from the purchase or materials department
- **Gatekeepers** like those who can control the flow of information within an organisation
- **Specifiers** like consultants or design or production people who may develop the specifications of the product or services needed.

The concept of Buying Centre is a very useful conceptualisation and it can help immensely in developing effective marketing strategies.

2 It is a formal activity which follows the procedures laid down in an organisation : Irrespective of the rupee value of technical complexities of products and services, buying activities have to conform to the formal process and procedures of an organisation. Even for emergencies, a typical organisation would have a set of policies, and it is imperative for the suppliers to be aware of these. Further, all buying decisions are finally converted into formal contracts between buyers and suppliers.

3 Longer time lag between efforts and results: Due to multiperson and a formal activity, the organisation buying decisions take typically longer time. This leads to greater time lags between the application of the market effort and obtaining of the buying response. A marketer may develop unrealistic plans if he is unaware of the response time of his customer for various buying situations,

4 Rational but also emotional activity: In spite of a formal activity following a rational criteria of evaluation, organisational buying cannot be devoid of the emotional (or irrational) aspects. This is because it involves human beings in the buying decisions, The case of Pragati Enterprises, has hints in it (common friend) where after following a very rational and formal process, the decision appears to have been influenced by some human or emotional considerations, These human considerations are likely to play vital role in situations of almost similar alternatives or similar choices like buying of commodities, raw materials, standard products and components,

5 The uniqueness of organisations: In spite of the above common characteristics, no two organisations would be similar in their buying behaviour and decisions, These differences would be due to the nature of buying problems, objectives, resources, capabilities and so on, It is therefore important to consider each organisation as a separate segment at the selling level.

Above characteristics are indicative enough to claim that organisational buying behaviour is more complex than consumer buying behaviour. It is not only more complex than consumer buying behaviour, but also more complex than any other types of decisions within the organisation. The added complexity, as claimed by Webster and Wind, is primarily due to four factors:

- 1) Purchasing work flow is almost entirely crosswise in the organizations.
- 2) Formal authority over buyers (purchase department executives) can be in the hands of either a purchase manager or any functional manager like production manager.



- 3) A major work of the 'purchase function' is with people outside the organisation.
- 4) Purchasing is a service function and this may have the perception of a lower status within the buying organisation.

The idea of sharing some generalisable characteristics of organisational behaviour was not only to highlight the complexities and differences; but it was also to encourage a thinking process in your mind to relate some of your own experiences with these characteristics. With the help of some known experiences, you may either like to corroborate with the generalisations or may like to disapprove of some of the generalisations. **You may consider this as your first exercise for this lesson.**

Activity 1

Visit an organisation that you are familiar with, or study your own organisation and try to analyse any two of its organisational purchases. With respect to the characteristics studied just now, list out the factors which characterise these buying situations.

Purchase I

.....

Purchase II

.....

3.4 WHO ARE THE ORGANISATIONAL CUSTOMERS?

By now, you must be wondering about this 'ghost' : organisational customer. Perhaps we need to become more clear about the constituents of the 'organisational' markets. Conceptually, anyone besides the 'household' customer, i.e., those customers who are buying for self, can be valid cases of organisational customers. However, a useful and comprehensive way to identify the organisational customers is to visualise the entire chain of the participants who may be involved in the production and marketing of goods and services. Thus for a desert cooler, the manufacturer may need galvanised iron sheets for body, angle iron for frames, wood shavings for water pads, exhaust fan for air and so on. Similarly, each supplier of the needed items would also need the down stream products in form of raw material, components and parts. Thus, an exhaust fan manufacturer would need cold rolled strips for fan blades, silicon iron laminations for rotor of the motor, wires for coils, and so on. The chain, as you would begin to see, is long. Similarly, in order to market, there would be a need of distributors and retailers. Figure 2 is a graphical representation of this chain.

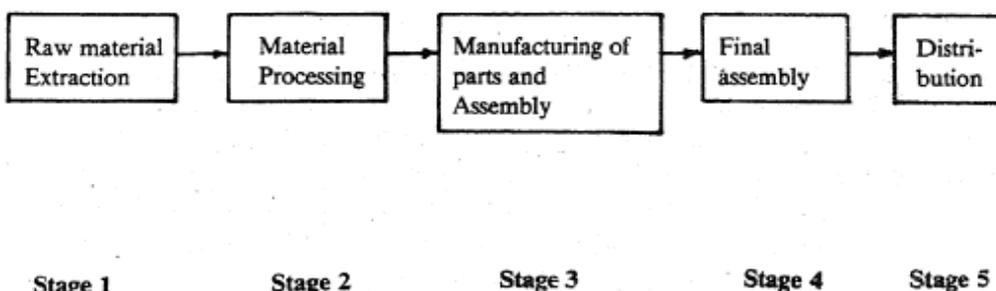


Figure 2: The Chain Indicative of the Zone of the Organisational Customer



With the help of Figure 2, it will be easy for you to appreciate that this 'ghost organisational customer' can have several types and forms. These could be:

Mining and Extractive Industries: Coal India Limited, ONGC, Hindustan Copper Limited are some examples.

Material Processing Industries: Tata Steel, Steel Authority of India Limited (SAIL), Bharat Aluminium Corporation (BALCO) are some examples.

Manufacturing of Parts and Assembly: Bharat Forge, MICO, Sundaram Clayton, Semiconductors of India Limited, GEC, Larsen & Toubro are some amongst a very large number of part and assembly manufacturers catering to a variety of needs.

Final Assembly: Desert Cooler Manufacturer (there are several local brands), T.V. manufacturers (Onida, Weston, Nelco), Truck manufacturers (TELCO, Ashok Leyland) and the like are some examples. Like components and parts manufacturers, there could be many assembly units for numerous end products.

Distributors: These could be several for each product like bearings, tubes, steel, electrical appliances and so on.

Perhaps, it is now easy for you to recognise that the area of operation of what we call as "organisational marketing" is very vast and heterogenous. In such a scenario, a legitimate question would be the validity of generalisations in form of 'typical characteristics'. Thus, from the viewpoint of practice, it is imperative to study the organisational buying behaviour for the specific product-market situation.

A second way to identify the organisational customers is to classify them into three categories. Industrial (all manufacturing organisations), Institutional (service organisations like universities, hospitals, hotels, distribution firms) and government (CPWD, DGS&D, Defence and so on). Besides the ownership pattern (public, private, government) and type of business (manufacturing, service) it is important to remember that it is neither the size (big, medium or small) nor the products, which separates organisational customers from household customers.

Activity 2

With respect to the purchases that you studied for Activity 1, analyse how these organisational purchases are different from individual purchases.

Purchase I

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Purchase II

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.....
.....
.....

3.5 WHAT INFLUENCES ORGANISATIONAL BUYING?

So far we have discussed the meaning, characteristics of the organisational buying behaviour and the constituents of the organisational markets. We will now discuss the factors which may directly or indirectly influence the organisational buying behaviour. A segment of economists and marketers believe that the dominant influences are essentially economic. Lowest price or lowest cost are thus considered as the only criteria to select suppliers. On the other hand, a few take another extreme view of declaring all organisational buying as an emotional or non-rational act as it involves human beings making it difficult to maintain rationality or objectivity. Accordingly, some suppliers feel that with strong personal relationships or with the ability to win over the purchases through lures and personal attractions, they may get preference over



others. Both the viewpoints are the two extremes and reflect only a limited view of the reality. What perhaps is needed is a balanced viewpoint recognising that organisational customers respond to both economic and personal factors. Where there is a close similarity in supplier offers; organisational customers have little basis for only economic criterion. Remember our Pragati case, since any brand of coolers could meet the organisational objective, personal factors played an important role. On the other hand, where competing products/brands differ substantially, organisational customers may pay more attention to the economic considerations.

A comprehensive view of influences has been provided by Webster and Wind. They have grouped the various influences into four areas: environmental, organisational, interpersonal and individual. These groups are shown in Figure 3.

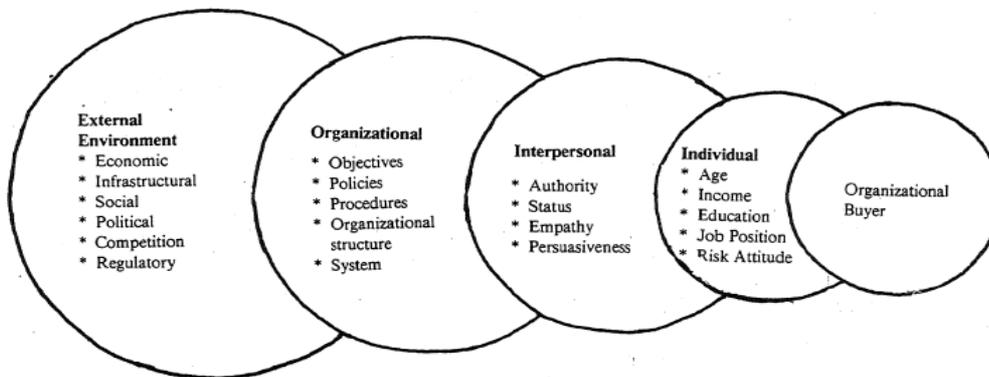


Figure 3: Major Influences on Organizational Buying Behaviour

Environmental Factors: These factors include economical, political, technical, legal or regulatory, technological, infrastructural and cultural factors. Environmental factors interact with each other to produce information, values, norms and general business conditions. The influence of environmental factors can be pervasive. A handy Indian example is that of credit squeeze announced by the commercial banks around 1975 against inventory holdings. This was based on Tandon Committee Report on the management of working capital by the firms. This single change in the environment, i.e., credit squeeze on inventories had a salutary affect on organisational buying behaviour and led to major structural and procedural changes in the buying behaviour of industrial customers.

Similarly the persistent power shortages in some States in India have prevented the use of 'sophisticated automatic elevators in the office and residential buildings and in spite of the availability, the preference is still for manually operated elevators with shutter type of doors.

An industrial marketer should be aware of the environmental factors which may affect the buyer behaviour and correspondingly fine tune its marketing strategy. Failure to recognise the influences may lead to wasteful efforts

Organisational Factors: While discussing the characteristics of organisational buying behaviour, it was mentioned that organisations may differ from each other due to objectives, procedures, organisational structure, systems and technology : It is important to recognise the influence of such organisational factors 'on the buying behaviour. A study by Sarin on four very large industrial organisations in India revealed major changes in the buying structures and systems of the Indian firms. Some of these were:

- i) Innovativeness in Organisational Buying
- ii) Emergence of "Buyer" as an Important Member of the Buying Centre
- iii) Decentralization and Centralization of materials
- iv) Computerization of Organizational Buying
- v) Separate Buying for Specialized Jobs
- vi) Concern to Prevent Unhealthy Transactions between buyers and marketers
- vii) Recognition at the top level.



The Interpersonal Factors: Organisational buying is a multi-person activity. The concept of buying centre highlights the roles which different members of the buying organisation may play in the entire buying decision making exercise. The situation becomes more complex due to different statuses, authority, empathy and persuasiveness of the members of the buying centre. These may lead to conflicts. Though difficult, but an organisational marketer may make, attempts to become familiar with the internal dynamics of the buying process within a customer organisation. Sheth has identified four ways which organisations use for conflict resolutions:

- i) **Problem Solving Approach:** It involves information acquisition and deliberation for more time.
- ii) **Persuasion:** Attempt is made to influence the opinions of dissenting members by asking them to reduce the importance of the criteria they are using in favour of better overall achievements of organisational objectives.
- iii) **Bargaining:** A more typical situation in which a conflict arises is due to fundamental differences in buying goals and objectives. This is usually true for *new* buying situations. In such a situation, conflict is resolved not by changing the differences in relative importance of the buying goals or objectives of the individuals involved, but by the process of bargaining. In this a single party is allowed to decide autonomously in the spec situation in return for some favour or promise of reciprocity in future decisions.
- iv) **Politicking:** When the earlier three fail, the parties may resort to tactics which may be unhealthy and lead to casting of aspersions on the dissenting members.

According to Sheth, both 'problem solving' and 'persuasion' are rational methods. Politicking and bargaining are considered as non-rational methods.

The Individual Factors: In spite of the environmental, organisational and interpersonal factors, it must *be* recognised that ultimately individuals, and not organisations, take buying decisions. Each member of the buying centre has a unique personality, a particular set of learned experience, a specified organisational function to perform, and perceptions of how best to achieve both personal and organisational goals. An industrial marketer should be aware of the differing buying perceptions and their influences on the ultimate buying decision. Perhaps, an understanding of the 'perceived risk and its management' at the individual level holds the key to identifying the individual influences on organisational buying behaviour in specific situations.

The Perceived Risk: Newall defines decision making as a risk taking activity and in this sense organisational buyer behaviour is seen as a risk handling behaviour.

According to Newall, the factors, which affect the risk behaviour are

- a) **Characteristics of the Purchase Problem :** Some factors related to purchase problems are
 - size (rupee value) of the expenditure
 - degree of novelty contained in the type of buying task
 - degree of product essentiality
 - factors provoking purchase.
- b) **Characteristics of the Buyers :** This includes
 - Buyer's level of general self-confidence
 - Buyer's level of specific self-confidence.
 - Buyer's experience in playing the purchase role
 - Buyer's purchase history i.e., of buying within a particular product area
 - Buyer's degree of technical and professional affiliations.
- c) **Organisational Environment :** Some factors affecting the risks at the level of the company are :
 - The size and financial standing. of the organisational customer
 - The degree of decision centralisation
 - The degree of decision routinisation.
- d) **The Management of Perceived Risk :** Basically, an individual visualises two types of risk .
 - Performance risk -product may fail to come up to the performance standards
 - Psychological risk-fear of being held responsible or accountable for the decision by other members.



Both performance and psychological risk can be associated with the uncertainty concerning the outcome and the magnitude of the consequences associated with the wrong choice. Individual decision makers are motivated by a strong desire to reduce the level of risk in purchase decision. Research suggests the following categories of action to minimise the risk :

1. external uncertainty reduction
(e.g. visit supplier's plant)
2. internal uncertainty reduction
(e.g. consult with other buyers)
3. external consequence reduction
(e.g. multiple sourcing)
4. internal consequences reduction
(e.g. consult with company's top management)

Organisational buyers can also reduce the level of risk in purchasing situation by relying on familiar suppliers. This source loyalty provides a convenient method of risk minimisation. Similar to this, is a situation of placing orders on 'high' credibility image suppliers in new buying situation.

An industrial marketer must make an attempt to understand and anticipate the areas of perceived risk and its minimisation by different members of the buying centre in specific buying situations. The knowledge may help them in developing effective selling strategies.

Activity 3

- a) Talk to a supplier who supplies material/equipment/machinery etc. to organisational buyers: With reference to his last major order, try to find out what in his view, influenced the purchase decision in his favour.

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- b) Discuss a major organisational purchase within your own organisation or any organisation/institution that you are familiar with. Try to analyse the main influences-environmental, organisational, interpersonal or personal which influenced this purchase.

.....

- c) Do you find any difference in this viewpoint of the supplier and the organisational buyer? Comment on it.

.....

3.6 THE ORGANISATIONAL BUYING SITUATIONS

An organisation needs to buy a variety of products and services to achieve its objectives. The 'buying basket' for a typical industrial customer may include products from any of the following categories:

1. Raw material - Steel, aluminium, iron ore
2. Major capital items - Blast Furnace, CNC machine tools



- | | |
|---|---|
| 3. Minor Capital items | -Industrial motors, pumps, valves |
| 4. Fabricated components and parts and sub-assemblies | -Castings, sheet metal components, forgings |
| 5. Processed chemicals | -Foundry chemicals, basic pharmaceutical formulations |
| 6. Consumables | -Lubricating oil, welding electrodes |
| 7. Office equipment | -Plain paper copiers, electronic typewriter |
| 8. Services | -Travel arrangement, transporters, housing etc. |

It should be easy for you to recognise that some products may be just one time purchases (major capital equipment), and others may be purchased frequently. The buying effort, in this sense, would be a function of the experience which the organisation may have for the different buying situations. Robinson, Faris and Wind have classified the various buying situations into three categories:

1 Straight-Re-buy Situations: This situation is similar to repeat buying situations of consumer/household buying. In this the buyer keeps on placing the order on routine basis without changing any product specifications (stationery items, chemicals, lubricants, abrasives, paints are some examples). Some typical characteristics of the routine buying situations are:

- a) Routine purchasing procedures exist,
- b) The buying alternatives are known, but a formal or informal list of 'approved suppliers is available.
- c) A supplier, not on list, is not considered.
- d) Decision on each separate transaction is made by the purchasing department.
- e) Buyers have relevant buying experience and require little new information.

2 Modified Re-buy: In a modified re-buy situation, a buyer may change the product specifications or may even change to a substitute product for economic and performance considerations. Thus using aluminium instead of copper wires, nylon bushes instead of brass and using hydraulic excavators instead of mechanical are some examples. In this situation, some familiarity with either product or its performance expectations does exist. Some characteristics of the modified re-buy situations are:

- a) A regular requirement for the type of product exists.
- b) The buying alternatives are known, but sufficient change has occurred to require some alteration to the normal supply procedure.
- c) Change may be stimulated by external events, e.g. inputs from supplying companies.
- d) Change may be stimulated by internal events, e.g., new buying influences, value analysis, reorganisation.

3 New Task : 'New Task' is a situation where the organisational customer buys the product for the first time without having any previous experiences (personal computers, plain paper copiers, fax machines, CNC machine tools are some products for which little experience exist amongst a large number of the Indian organisation). Some of the characteristics, for 'new task' situations are:

- a) Need for the product has not arisen previously.
- b) Little or no past buying experience is available to assist in the purchasing decision.
- c) Members of the buying unit require a great deal of information.
- d) Alternative ways of meeting the need are likely to be under review.
- e) The situation occurs infrequently, but the decisions taken may set a pattern for more routine purchases subsequently.
- f) Opportunities exist at an early stage in the decision process for external (marketing) inputs to have an influence on the final decision made.



Activity 4

a) Study the purchases made by your organisation/institution in the last 3 months. How would you classify them in terms of buying situations.

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b) What were the characteristic features of

i) Straight Re-buy situations

ii) New Task situation

in your organisation /institution.

i) Straight Re-buy

.....

ii) New Task

.....

3.7 ORGANISATIONAL BUYING BEHAVIOUR: SOME MODELS

The central thesis of knowing and understanding the buyer behaviour is to anticipate the response of a buyer for different marketing stimuli surrounded by various environmental factors. Figure 4 is a simplified conceptual model highlighting this relationship.

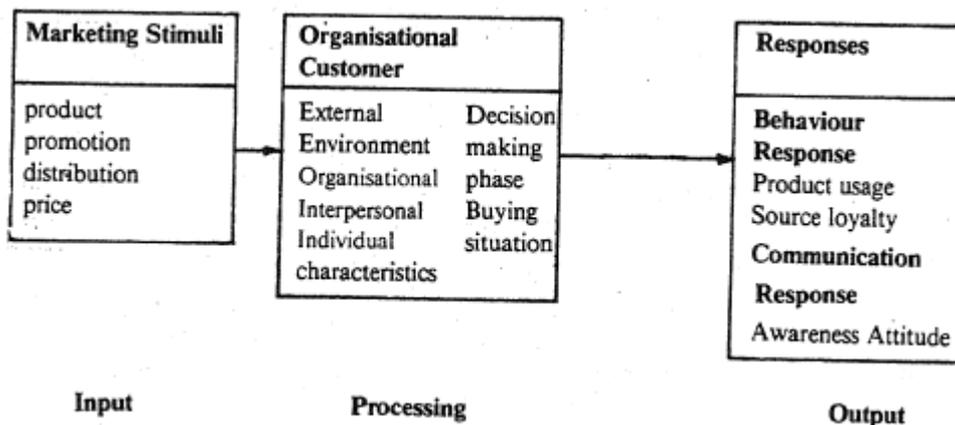


Figure 4: A Simple Model of Organisational Behaviour

The conceptual model is indicative of the relationships and possible outcomes. However, a marketer's desire is to have a functional model with high degree of predictive reliability. In simple terms, he wants to have an answer as to "how" and "when" will he get the results. Desire to answer this question with high degree of consistency on predictive reliability has led to the development of a large number of models on organisational buying behaviour. It will be impossible to include each and every model.



The Buy Grid Model : Robinson, Faris and Wind, developed a matrix with rows for various buying decision steps (called as Buy Phases) and the columns as the type of the buying situation (called as Buy Classes). This model is shown in Figure 5.

Buy Phases		Buy Classes		
		New Task	Modified Re-buy	Straight Re-buy
1	Problem recognition	Yes	Maybe	No
2	General need description	Yes	Maybe	No
3	Product specification	Yes	Yes	Yes
4	Suppliers' search	Yes	Maybe	No
5	Proposal solicitation	Yes	Maybe	No
6	Supplier selection	Yes	Maybe	No
7	Order-routine specification	Yes	Maybe	No
8	Performance review	Yes	Yes	Yes

Figure 5: The Buy Grid Model of Organisational Buying Behaviour

The interaction of 8 rows with 3 columns has resulted into 24 cells. This model, as you would observe, provides a very comprehensive view of the buying exercise. It would be easy for you to recognise that the buying exercise may be a very complex and time consuming for the 'new task'. This is because a buyer in this situation will have a large buying centre, and will require sufficient amount of effort and time for each phase before moving to the second phase. On the other hand, the task would be simple and routinised for straight re-buy situations. A marketer, depending upon the 'buy class' for his product can formulate the marketing strategies. The payoffs of the 'buy grid' models are:

- its ability to convey the degree of complexity or simplicity for an organisational customer for a given product or service.
- its ability to help the marketers to anticipate the marketing effort needed for the different buying stages in the decision making.
- a framework to identify the composition of the buying centres and the dominant influences for each stage.

In spite of payoffs, the buy grid model is completely devoid of any predictive ability. It addresses itself only to the 'non-human' factors and thus fails to bring out the dynamics and the influences of human related or emotional factors. But in spite of the limitations, the Buy Grid Model is a very useful conceptual framework to comprehend the complexities of organisational buying behaviour.

Activity 5

With the help of the 'Buy Grid Model' framework, study the buying decision exercises in a company for the three types of buying situations. Try to identify the composition of buying' centres for different buy phases and try to map the total buying centre for each buying situation.

The Fisher's Model: Figure 6 illustrates this model. This has been named after its author.

Commercial uncertainty	Product Complexity	
	Low	High
Low	Buyer emphasis (1)	Technologist emphasis (2)
High	Policy-maker emphasis (3)	Total involvement (4)

Factors in Product Complexity



Low	Product Complexity	High
Standardized product	Differentiated product	
Technically simple	Technically complex	
Established product	New product	
Previously purchased	Initial purchase	
Existing application	New application	
Easy to install	Specialized installation	
No after-sales service	Technical after-sales service	

Factors in Commercial Uncertainty

Low	Commercial Uncertainty	High
Little investment	High investment	
Small order	Large order	
Short-term commitment	Long-term commitment	
No consequential adjustment	Substantial consequential adjustment	
Small potential effect on profitability	Large potential effect on profitability	
Easy to forecast effect	Hard to forecast effect	

Figure 6: Fisher's Organisational Buying Behaviour Model

As you would observe, the model attempts to identify the dominant influences along two main dimensions of any buying decision. These are product complexity and commercial uncertainty. Consider the case of Pragati Enterprises buying the desert cooler. For this, the product ' complexity as well as the commercial uncertainties were low, the purchase department (Buyer Emphasis Cell 1) played the dominant role in the buying decision. It was only after the short listing of the two, that the top management was involved. Fisher's conceptualisation is an outstanding example of a simple representation of a very complex situation. In fact, it is a true representation of administrative arrangements and provisions which a large number of organisations have made to buy a vast heterogeneous array of products and services. The limitation, however, is absence of predictive ability.' It also fails to highlight the time dimension and the various steps in the buying decision exercise. Similar to the buy grid model, it facilitates in providing good insights of buying situations.

3.8 THE SELECTION OF A SUPPLIER

Uptill this point of time we have been discussing the areas, issues and concepts related to organisational buying behaviour. Through these, we have covered the buying decision process, buying situations, buying influences, typical organisational buying characteristics and finally two models of the organisational buying behaviour. Pragati Enterprises case, also gave us the idea of the total buying task. In this section, we will concentrate on the evaluation and selection criteria which organisations may adopt while selecting suppliers for the specific products or services. For instance, the purchase manager of Pragati Enterprises had received 15 quotations from different manufacturers of the desert coolers. He had then, based on a check list of attributes, short listed the two brands. Generally, these attributes cover product quality, reliability of the supplier, price and delivery. However, the attributes and their relative importance may vary for different product categories. Thus, in case of forgings, the importance ranking of vendor evaluation attributes by the automobile manufacturers was:

Ranking Order	Attribute
1.	Reliability of delivery dates promised
2.	Price
3.	Supplier's flexibility
4.	Consistency in dealings of the supplier



5. Rejection rates
6. Kind of manufacturing facilities
7. Efficient follow-up of the order
8. Persistent efforts to improve the quality of services
9. Prompt attention to enquiries
10. Suppliers overall reputation

Using the important attributes, members of the buying centre may then rate the suppliers against these attributes to identify the most attractive suppliers for forgings. After the ratings of the suppliers on these attributes, the members of the buying centre may like to negotiate with the preferred suppliers for better terms of prices and delivery schedules before making the final selection. Depending upon the situation, it may select one or many suppliers. Telco's price panels, to finalise the annual contracts for a large number of 'boughtouts', is a classic example of selecting vendors. Before inviting the suppliers for meeting with the 'price panel', Telco evaluates the suppliers on relevant attributes. After ensuring quality and reliability, it begins its negotiations on the commercial aspects covering price, delivery schedules and payment terms to arrive at mutually beneficial agreements for both the suppliers and Telco.

3.9 SUMMARY

Organisational buying behaviour is a complex process in decision making. A variety of influences and factors add to this complexity. The buying behaviour of a firm would vary for 'new buy' situations to 'repeat buy' situations. In order to comprehend various dimensions it may help to seek answers to some basic questions like :

- How does an organisation buy?
- Who takes the buying decisions in an organisation?
- What factors influence the buying behaviour of an organisation?
- Who constitutes the organisational markets?
- What evaluation criteria is used to select the vendors?

The area is vast as it encompasses thousands and thousands of product market situations, which in some sense may appear as unique and distinct from each other. It is therefore suggested to relate some specific situations with the general views discussed in this chapter. This will facilitate in your comprehension of this complex diversity.

3.10 KEY WORDS

Buying Centre: It comprises of members, who are directly or indirectly connected with the organizational buying decisions. The different roles are :

- i) **Influencers.** These are individual who can influence the buying decision at any stage. Top management, external experts, consultants, financial institutions and government policy makers are usually grouped into this category.
- ii) **Users.** Individuals who actually use the product-service package. They are sometimes also defined as 'indentors' or 'specifiers'.
- iii) **Deciders.** Individuals who are entrusted with the responsibility of making the buying decision. This category can include ad hoc purchase committees.
- iv) **Specifiers.** Those individuals who develop and finalise the product's technical specifications.
- v) **Buyers.** Individuals who are entrusted with the act of formalising the final order and the commercial terms and conditions. They are normally executives of the purchase department.
- vi) **Gatekeepers.** Individuals who control the flow of information within a buying organisation. These can be top management personnel, information analysis such as computer personnel and at times even mail receiving and sorting personnel.



Buy Phases: The different stages of the buying decision process like problem recognition, evaluation (refer to the rows of the Buy Grid Model).

Buy Classes: The three types of the buying situations like straight re-buy, modified re-buy and 'new task'.

Evaluation Criteria: The criteria like price, delivery, quality used by the customers to evaluate the suppliers.

Organisational Customer: The term includes industrial customers, institutional customers and the government customers.

Buying Influences: These include infrastructural, political, organisational, economic, social and individual factors.

3.11 SELF-ASSESSMENT QUESTIONS

1. How would you differentiate between organisational buying and individual buying. Taking the example of purchase of stationery of your personal use and for organisational purposes, explain the differences.
2. Discuss the major influences on organisational buying.
3. Explain the Fischer model of organisational buying behaviour.
4. Discuss the criteria affecting the selection of suppliers by an organisation. Try to find out the process and factors influencing the supplier selection for your organisation and compare it with what you have studied.
5. Try to identify three or four purchase situations which enable you to use the issues and concepts discussed in the section of buying influences and perceived risk in these, situations.

3.12 FURTHER READINGS

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