



# CHAPTER II ORGANIZATIONAL BUYING BEHAVIOR

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# DEFINITION

**ORGANIZATIONAL BUYING BEHAVIOR IS A  
PROCESS, NOT AN ISOLATED ACT OR EVENT.  
TRACING THE HISTORY OF A PROCUREMENT  
DECISION UNCOVERS CRITICAL DECISION POINTS  
AND EVOLVING INFORMATION REQUIREMENTS.**

# MAJOR STAGES OF THE ORGANIZATIONAL BUYING PROCESS

After equipment is installed, purchasing and production managers evaluate the performance of the equipment and the service support provided by the supplier

A delivery date is established for the production equipment

Negotiations with the two finalists are conducted, and a supplier is chosen.

Performance review

Selection of order routine

Supplier Selection

Acquisition and analysis of proposals

Alternative proposals are evaluated by a purchasing manager and a number of members of the production department.

Supplier Search

After conferring with production managers, a purchasing manager identifies a set of alternative suppliers that could satisfy P&G's requirements.

Product Specifications

An experienced production manager assists a purchasing manager in developing a detailed and precise description of the needed equipment.

General Description of need

Production managers work with a purchasing manager to determine the characteristics needed in the new packaging system.

Problem recognition

Managers at P&G need new high-speed packaging equipment to support a new product launch.

# THE SEARCH PROCESS

- THE ORGANIZATION INVESTS MORE TIME AND ENERGY IN THE SUPPLIER SEARCH WHEN THE PROPOSED PRODUCT HAS A STRONG BEARING ON ORGANIZATIONAL PERFORMANCE

- SUPPLIER SELECTION AND PERFORMANCE REVIEW

Search 

- BUYING SITUATION:

1. NEW TASK
2. MODIFIED REBUY
3. STRAIGHT REBUY



# MODIFIED REBUY

In the modified rebuy situation, organizational decision makers feel they can derive significant benefits by reevaluating alternatives.

## Buying Decision Approaches

- Strongly emphasize the firm's strategic objectives
- Long term needs

## Strategy Guidelines

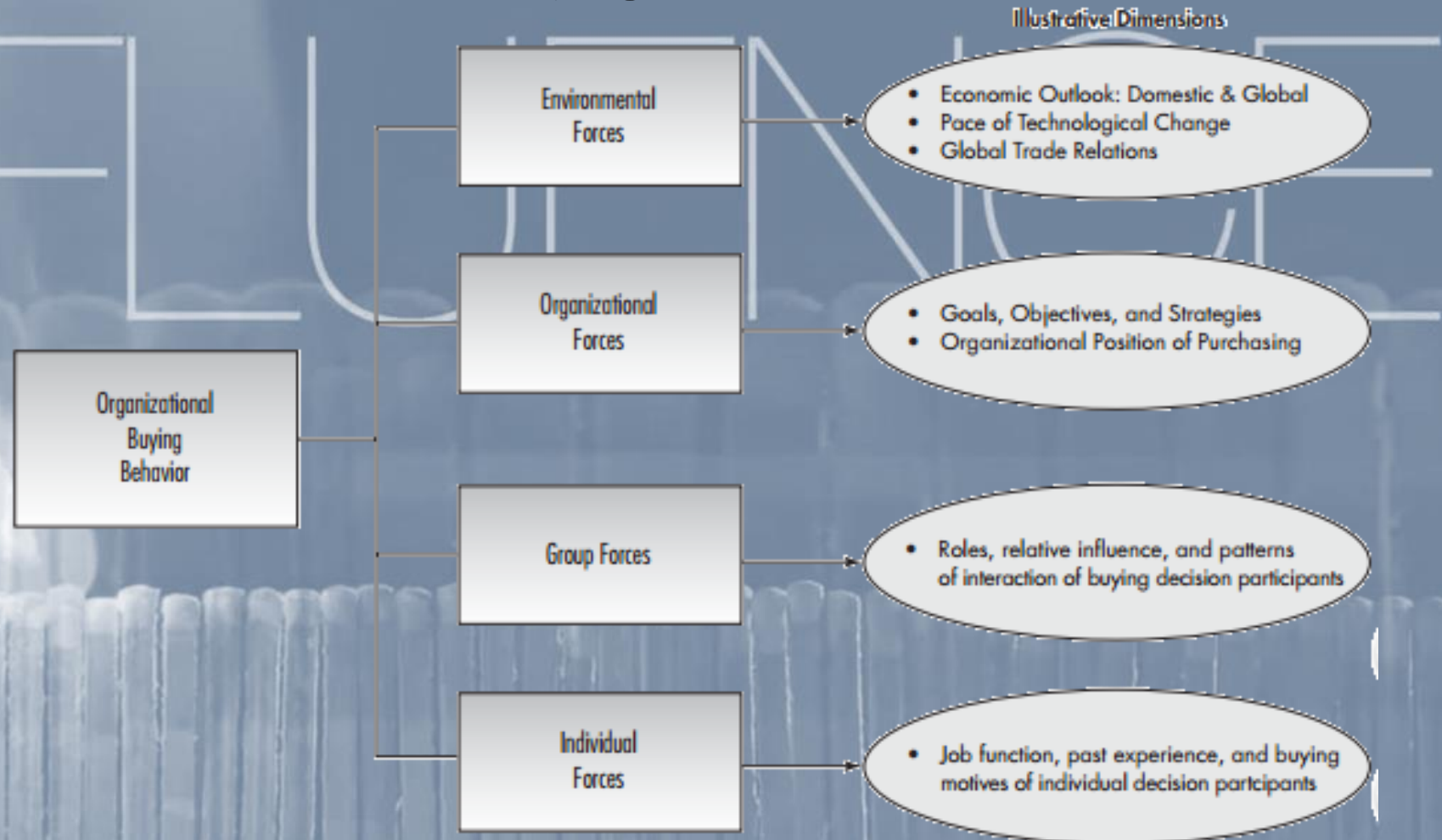
- In a modified rebuy, the direction of the marketing effort depends on whether the marketer is an "in" or an "out" supplier

## Strategy implications

- Although past research provides some useful guidelines, marketers must exercise great care in forecasting the likely composition of the buying center for a particular purchasing situation.

# FORCES INFLUENCING ORGANIZATIONAL BUYING BEHAVIOR

The business marketer must therefore view the procurement problem or need from the buying organization's perspective.



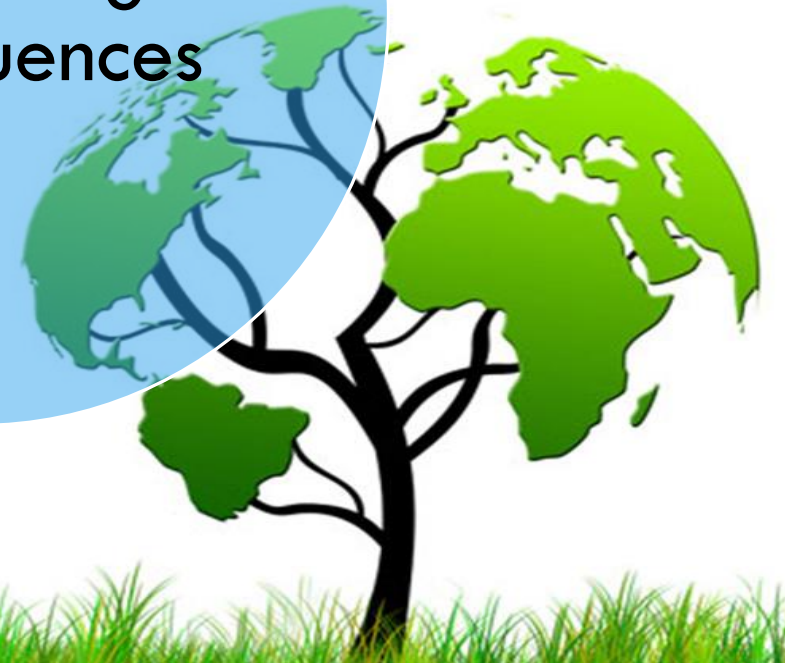
# ENVIRONMENTAL FORCES

**Economic  
Influences**

The derived nature of industrial demand, the marketer must be sensitive to the strength of demand in the ultimate consumer market.

**Technological  
Influences**

World Wide Web “has forever changed the way companies and customers (whether they be consumers or other businesses) buy and sell to each other, learn about each other, and communicate.”



# ORGANIZATIONAL FORCES

The background of the slide features a blurred image of a hand holding a pen, pointing towards the right. Overlaid on this is a faint, light-colored organizational chart. The chart starts with a single figure at the top, which branches into two figures in the second level. These two figures each branch into three figures in the third level. The figures in the third level further branch into two and three figures respectively in the fourth level. The overall structure is a hierarchical tree diagram.

- BUYING ORGANIZATION IS BASED ON ITS STRATEGIC PRIORITIES, THE ROLE OF PURCHASING IN THE EXECUTIVE HIERARCHY, AND THE I RM'S COMPETITIVE CHALLENGES.
- GROWING INFLUENCE OF PURCHASING, AS A RULE, THE INFLUENCE OF THE PROCUREMENT FUNCTION IS GROWING.



# STRATEGIC PRIORITIES IN PURCHASING



Shift from an administrative role to a value-creating function that serves internal stakeholders and provides a competitive edge in the market.

Focus on the capabilities of suppliers business outcomes, total cost of ownership, and the potential for long-term value creation

Develop fewer and deeper relationships with suppliers and involve them in decision-making processes, ranging from new product development to cost-reduction initiatives.

Overcome hurdles imposed by geographical differences and seek out cost-effective suppliers around the globe

# ORGANIZATIONAL POSITIONING OF PURCHASING

## Centralization of Procurement

centralization can better integrate purchasing strategy with corporate strategy, and e-procurement software tools now enable managers to monitor and analyze corporate spending data in minute detail

## Centralization Vs Decentralization

Centralized and decentralized procurement differ substantially  
Centralization leads to specialization

## Strategy Response

The organization of the marketer's selling strategy should parallel the organization of the purchasing function of key accounts. To avoid disjointed selling activities and internal conflict in the sales organization, and to serve the special needs of important customers

# GROUP FORCES

The Buying Center

Understanding the buying situation and determining whether the firm is in the early or later stages of the procurement decision-making process are important first steps in defining the buying center

Predicting Composition

A marketer can also predict the composition of the buying center by projecting the effect of the industrial product on various functional areas in the organization.

Buying Center Influence

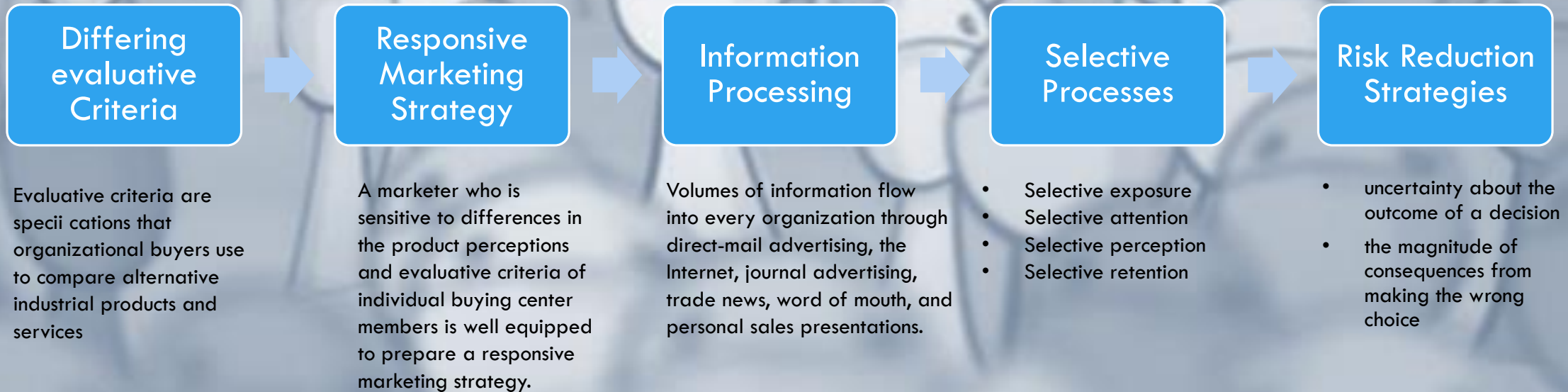
Members of the buying center assume different roles throughout the procurement process

- Gatekeepers
- Influencers
- Deciders
- Buyer

# CLUES FOR IDENTIFYING POWERFUL BUYING CENTER MEMBERS



# INDIVIDUAL FORCES



# HOW DO ORGANIZATIONAL BUYERS BEHAVE?



- THE BUYING CENTER BECOMES LARGER AND COMPRISES MEMBERS WITH HIGH LEVELS OF ORGANIZATIONAL STATUS AND AUTHORITY.
- THE INFORMATION SEARCH IS ACTIVE AND A WIDE VARIETY OF INFORMATION SOURCES ARE CONSULTED. AS THE DECISION PROCESS UNFOLDS, PERSONAL INFORMATION SOURCES (FOR EXAMPLE, DISCUSSIONS WITH MANAGERS AT OTHER ORGANIZATIONS THAT HAVE MADE SIMILAR PURCHASES) BECOME MORE IMPORTANT.
- BUYING CENTER PARTICIPANTS INVEST GREATER EFFORT AND DELIBERATE MORE CAREFULLY THROUGHOUT THE PURCHASE PROCESS.
- SELLERS WHO HAVE A PROVEN TRACK RECORD WITH THE I RM ARE FAVORED—THE CHOICE OF A FAMILIAR SUPPLIER HELPS REDUCE PERCEIVED RISK.



# THE ORGANIZATIONAL BUYING PROCESS : MAJOR ELEMENTS

- THE BEHAVIOR OF ORGANIZATIONAL BUYERS IS INFLUENCED BY ENVIRONMENTAL, ORGANIZATIONAL, GROUP, AND INDIVIDUAL FACTORS.
- THIS FRAMEWORK FOCUSES ON THE RELATIONSHIP BETWEEN AN ORGANIZATION'S BUYING CENTER AND THE THREE MAJOR STAGES IN THE INDIVIDUAL PURCHASE DECISION PROCESS:
  1. THE SCREENING OF ALTERNATIVES THAT DO NOT MEET ORGANIZATIONAL REQUIREMENTS;
  2. THE FORMATION OF DECISION PARTICIPANTS' PREFERENCES;
  3. THE FORMATION OF ORGANIZATIONAL PREFERENCES



## The Tablet PC for Nurses: A Mobile Clinical Assistant<sup>57</sup>

Intel Corporation and Motion Computing, Inc., are demonstrating the result of a joint effort to increase the productivity of nurses—the Motion C5 Mobile Clinical Assistant—a tablet-style personal computer designed for use in hospitals and clinics.

The idea for the product emerged from ethnographic studies that Intel conducted in the health-care setting. Here researchers observed the round-the-clock flow of activities in a hospital and meticulously recorded the key tasks performed by the nurses and professional staff, tracing their every movement. The C5 benefited from the rich insights uncovered by Intel's study as well as from similar research that Motion Computing had completed in prior years. The companies believe that the device will help nurses handle chores such as remotely calling up medical records and doctors' orders, charting vital signs, and exchanging information with other professionals.

The Motion C5, which is priced at \$2,199, provides a sure-grip handle, a sealed case for easy cleaning and disinfecting, a lightweight design for portability, a 10-inch screen for easily viewing clinical information, rugged construction, and a pen and stylus input so clinicians can enter text and navigate the software without being tied to a keyboard. The innovative device also incorporates such features as integrated bar code and radio frequency identification (RFID) readers for patient identification and/or electronic medication administration, an integrated camera, and built-in wireless connectivity.

When the Motion C5 was released in 2007, about 16 percent of U.S. hospitals were using tablet PCs, and 24 percent had smaller handheld computers. Some hospitals prefer what they call COWs—computers on wheels—that can be rolled into patients' rooms.

One of the first U.S. adopters of the Motion C5 was Island Hospital, located in Anacortes, Washington. Rick Kiser, assistant director of information systems for Island Hospital, was centrally involved in the buying decision. Though Island's buying team had initially recommended adding COWs for every patient room, the nursing staff had concerns about COWs' limitations. Kiser noted: "The single biggest issue was the COWs are impossible to clean. The sanitary aspect was a nightmare."

Holly Hoskinson, RN and clinical informatics specialist, also noted the COWs were difficult to maneuver from room to room. "We tried a variety of cart styles but they are all still big and heavy." Another Island RN, Chris Storm, agreed: "We wanted a device in each room and based on our budget we would have to move COWs from room to room. That option was not acceptable."

While other brands of PC tablets were evaluated, the buying team determined that the Motion C5 best met Island's needs. Concerning the decision, Rick Kiser observed: "The thing that cinched it was that this tablet was designed for the medical environment. They are drop resistant and easy to clean and other tablets didn't offer anything near what we needed."

# CASE

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