

# Organizational buying behaviour



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## **Organizational Buying Behaviour**

The decision making process by which formal organisations establish the need for products and services to be purchased, evaluate and choose among alternative brands and suppliers, ( Richard Glavee, 2009). Industrial buying takes place in the context of formal organisation influenced by budget, cost and profit considerations. Furthermore, the industrial and institutional buying usually involves many people in decision process with complex interactions among people and among individuals and organizational goals.

(Hutt, 2009), as an outcome of the vast area of prior research, proceeded the characterization of the industrial buying behaviour divided into three major aspects: The Buying Process, The buying Centre and Factors influencing the buying centre.

The following is a description of these three dimensions as introduced through a historical review research conducted on each one.

### **The Buying Process**

Many researchers have accentuated the importance of modelling of the buying process (John Schermerhorn, 1973) and several projected the organizational buying process.

David A. Kolb, (1996) ascribed that all those models use the acknowledgement of the same significant conceptual stages as problem recognition, information search, evaluation and systematically some form of decision phase. These stages are presented either merged or individualized, through inconsistent levels of the detail included in characterizing each one.

One of the first model referred by Rubin (2006) is the Webster's model from 1985. In spite of its conceptual integrity, its importance forms on the fact that it established the foundations toward a rationalization of the organizational buying process. This fact validated its selection for more elaborated description on this review.

In 2002, the Canadian, American marketing researchers, Robinson et al., introduced the buygrid framework as a generic conceptual model for buying processes of organisations. They saw industrial buying not as single events, but as organisational decision-making processes where multiple individuals decide on a purchase. Their framework consists of a matrix of " buy class" and " buy phase".

Together, these two works laid the conceptual foundations for the study of OBB, applied on which, many articles have been published that either spread out or tested the models proposed by these scholars.

## **Organizational Buying Process model**

The number of complex organizational buying models that purport to describe the process by which an organization acquires products or services is large. They range from Webster's (1985) simple four stage model to the more complex models of Sheth (1977) and Wind (1981). Both the Sheth and Wind models incorporate a broad spectrum of buying determinants within a stimulus response format. Wind point out that their model, " does not claim to know what is the exact decision-making process. Instead, the model presents a major set of variables blocks that marketing personnel should identify in their attempt to understanding buying behavior. " The Sheth

model goes beyond the building block stage to hypothesize interrelationships between large number of variables in a flow chart format. It is loosely structured with such of the model untestable in its present form.

Nevertheless, it does pull together and integrate the literature in the field into a logical causal model that is a starting point for understanding organizational buying behavior.

Hutt,(2009) attempted to conceptualize the organizational buying process as an adoption process. They examined process activating factors, purchase directing factors, duration of process and the use of information sources. They concluded that, “ the industrial adoption process is exceedingly complex, far more so than the individual’s adoption process.

The review of the buying and adoption literature leads one to conclude that a simple application of the basic adoption model is not appropriate for the study of new product/new idea adoption by organizations.

The model described in Figure 4 is a composite of the Robertson model, the Buygrid model and an attribute motel of organizational buyer choice (Wilson, 1999). Two forms of the model are required to account for buying center activity. Some firms are much more active in the scanning of the environment for new ideas or products that will improve their organization’s competitiveness. In the active organizations, it’s likely that the stakeholders (Patchen, 1999) become aware and comprehend s new product or idea before the buying process is initiated by the problem recognition stage. It is likely that these stakeholders become advocates of the new ides or process and try to initialize the buying process within the organization.

The second point of departure from traditional models is that needs are conceptualized as being represented by bundle of attributes that are product/service related, supplier company related and salesperson related. In other words, it is possible to describe and specify the buying situation in terms of this set of attributes. This conceptualization allows us to draw upon attitude theory as we model the adoption/decision process.

The third point of departure is that Robertson's adoption model is nested within the organizational buying model. For example, in the passive model, awareness and comprehension are the result of search. Search is the activity and awareness and comprehension are the results. Similarly the evaluation of proposals describes an activity where the outcomes are an attitude structure based upon the attributes of the purchase. This attitude structure leads to the legitimization stage where the buying of the new product or idea seems to be an appropriate course of action. This leads to trial which helps evaluate the product or idea.

The selection/adoption process is determined by the attitude based upon the total bundle of attributes. What makes the organizational buying/adoption process so complex is that this attitude is really a summary of the individual members buying center attitudes. There is a need to develop a methodology of integrating the attitude structures of the buying center. The operative attitude that moves a product/idea through legitimization to trial to selection/adoption is dependent on the influence relationships within the buying center.

## **A model of Organizational Buying Process**

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As James Campell (2002), the buygrid model is a conceptual model, which describes the different combinations of buying phases and buying situations. It incorporates three types of buying situations: (1) the new task, (2) the straight rebuy, and (3) the modified rebuy, combined with eight phases in the buying decision process. The model serves as an easy framework for visualising the otherwise complex business buying process and enables the vendor to identify the critical phases and situation requiring specific types of information.

### **Buying Situations**

As mentioned above the buying situation is usually classified into three major categories;

the new task, the modified rebuy, and the straight rebuy situations.

#### **New Tasks**

It is a buying situation in which the business buyer purchases a product or service for the first time. In a new task buying situation the buyer seeks a wide variety of information to explore alternative solutions to his purchasing problem. The greater the cost or perceived risks related to the purchase the greater the need for information and the larger the number of participants in the decision making unit. This provides the vendor with considerable opportunity and challenge. The vendor is in a greater position to influence the decision making process by the information that it provides. At the same

time its personnel must respond to the information needs and scepticism of a large number of people within the decision-making unit.

#### Modified Rebuy.

It is a buying situation in which the business buyer wants to replace a product or service that the firm has been using. The decision making may involve plans to modify the product specifications, prices, terms or suppliers. This is the case when managers of the company believe that significant benefits such as quality improvement or cost reduction can be achieved by making the change. The fact that the company had previous experience with the purchase and use of the product means that the decision criteria may be well defined in such situations. Nevertheless, some uncertainties still linger in the minds of some decision-makers. There is the risk that the new supplier may perform poorer than the present one. Again the situation carries enormous opportunities and challenges for vendors competing for the order. The decision making unit is however usually smaller than in new task situation and therefore makes it relatively easier for the vendor's marketing personnel to attend effectively to the information needs of the buyers.

#### Straight Rebuy.

It is a buying situation in which the buyer routinely reorders a product or service without any modification due to satisfaction with the supplier. The supplier is retained as long as the level of satisfaction with the delivery, quality and price is maintained. New suppliers can only be considered if these conditions change. The challenge for the new supplier then is to offer better conditions or draw the buyer's attention to some benefits that it is

missing for doing business with its present supplier. The buyer may in turn use the new offerings from competitors to renegotiate its purchase conditions with the present supplier. It is therefore difficult to capture orders from companies engaged in routine purchases.

Robinson et al. (2002)

### Modified Rebuy

Modified rebuy practically differs from the straight where new substitutes are taken into account, without involving any new supplier. Frequently firms, re-classify their straight rebuys and classify existing suppliers. Modified rebuy arise from those *ibid*.

## **The Buying Center**

As Hutt (2009) mentioned, Companies do not buy, people do. It is of utmost importance to have a concrete knowledge about those involved in the buying decision making process of the goods or services that a vendor aims to sell. It has been indicated that many individuals are pertained in the buying process of industrial goods.