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INFLUENCING ORGANIZATIONAL BUYING BEHAVIOR – A CATALYST TO BUILDING RELATIONSHIPS

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Abstract

The paper is in the area of ‘Industrial Marketing’. It tries to explore the various methods, strategies and its importance in influencing organizational buying behavior in favor of the marketers particularly in situations of equal value of offerings of competitive suppliers in the rational sense, and thereby building a mutually beneficial buyer-seller relationship. Proper understanding of the buying behavior of the organizations by marketers help to develop competitiveness. There are non-rational influences, which are non-task oriented and non-economic in nature. These are concerned with emotional motives and behavioral aspects of the human beings at the workplace. The marketing strategies also need to address the non-task objectives of the customers so that an element of USP (Unique Selling Proposition) can be introduced for differentiating their offering from the offerings of other suppliers. Some studies have indicated that informal influence has a significant effect of perceived risk. It may reduce the risk. The unique strategies of buyer-seller interactions, most importantly, need to address the non-task dimensions of the buying behavior. The model developed in the paper explains the role, importance and method of influencing customers’ buying behavior by the marketers which, in turn, acts as a catalyst in accelerating and ensuring a longstanding mutually beneficial relationship between the buyer and the seller. It is imperative for all marketers to consider the rational influences in order to gain eligibility and accessibility but their strategies also need an element of uniqueness in order to have a competitive edge over other suppliers.

INFLUENCING ORGANIZATIONAL BUYING BEHAVIOR – A CATALYST TO BUILDING RELATIONSHIPS

Influencing organizational buying behavior by the sellers in their favor in situastions of equal value of offerings of the competitors is imperative for all suppliers, in the present era of liberalization, privatization and globalization, striving for a longstanding and mutually beneficial buyer seller relationship.

There is a pronounced interdependence between the buyer and the seller in the industrial markets. The seller is dependent on the buyers for generating business. At the same time, the buyer becomes crucially dependent on the supplier for assured supplies. **Sheth (1973)** has observed that successful interaction occurs only when buyer and seller are compatible both in content and style of communications. Content of communication centers on performance attributes of products or services as well as individual needs, such as social, organizational, or emotional. Style refers to the format, ritual, and mannerisms that buyers and sellers use in their personal interactions.

The buyers as well as the seller are partners to each other's progress. In this context, a longstanding mutually beneficial relationship between the buyer and the seller is inevitable. Both the parties have to owe the responsibility towards its development and maintenance and, therefore, both the commonly heard terms CRM (Customer Relationship Management) and SRM (Supplier Relationship Management) have become complementary to each other. Rather than be satisfied and happy with squeezing suppliers for price breaks, smart customer organizations are looking to develop long-standing partnerships with their valuable vendors to maximize profitability across the board. The external relationship partners can be tapped for value added intelligence instead of only through internal sources. Effective interaction between the buyer and the seller develops a contact that goes beyond transactional data. Today, one of the biggest issue facing Indian companies is bringing all partners into a common platform where information can be shared. Relationship initiatives can identify partners who are 'most likely and willing' to try out the other party so that the work is carried out in a real and not simulated environment. This can even lower the risk of larger technology investments, while increasing transparency and opening up other channels of communication apart from the conventional routes open for reporting complaints, collecting payments and delivering goods.

In order to maintain and sustain a relationship, efforts have to be put forth by both the parties. Customer oriented attitude is a prerequisite for the marketer, but this does not mean that the buyers can afford to have a highhanded attitude towards their suppliers. The buyers also have to play an important role in nurturing the relationship in a responsible and conscious manner, as both are partners to each other's progress. The focus of relationship marketing is upon building a long-term mutually beneficial buyer-seller relationship. The parties can understand and appreciate each other's needs and constraints better, are more inclined to cooperate with one another, and, thus, become more relationship oriented. The objective is not based upon profit maximization through one-time transactions but on the entire duration of the sustained relationship period. The buyers and the sellers believe in taking care of each other's businesses. **Ford (1980)** emphasizes that the crucial element of industrial marketing is viewing the market as a network of relationships between organizations. Marketing policies should not employ a strategy of broad market segmentation only, it should strive to maintain and expand a particular portfolio of concrete relationship with the organizations. This underlines the long lasting nature of the relations between supplier and customer in industrial markets. This view implies that the mutual dependency between the two parties increases as the permanence of the relationship increases. These lasting relationships also form a barrier against competitors of the supplier getting into contact with the customer. Ford describes the development of relationship between organizations as a process in 3 stages: - It starts with the first contact between the organizations, develops into an ever-closer relationship, and gradually becomes more and more institutionalized. Management of the portfolio of relationship is not only a matter of operational importance (short term), it is primarily a strategic policy issue (long term).

According to **Webster (1992),** buyer seller or customer supplier interdependence is an integral part of business marketing and the effectiveness of business marketing is largely determined by long term relationships between buyers and sellers. As organizations strive to become more customer-oriented, the ability to create, manage, and sustain buyer-seller relationships has become a key strategic competence for competitiveness. In this context, it can be said that strategies adopted by the suppliers in influencing the customers' buyer behavior in their favor in situations of equal value of offerings of the competitors work as a catalyst in accelerating the process of building longstanding and mutually beneficial relationship between the buyer and the seller. Formulating and implementaing effective strategies of interaction by the marketers in influencing the customers's buyer behavior is the key for initiating, maintaining, and sustaining a healthy relationship. According to the traditional views of buying behavior, the influences can be either rational or non-rational in nature. The rational influences are task oriented and involve pragmatic considerations such as price, quality, service, continuity of supply, reciprocity and return on investment. The non-rational influences are non-task oriented and non-economic in nature. These are concerned with emotional motives and behavioral aspects of the human beings at the workplace. According to **Webster and Wind (1973),** any type of variables influencing buying behavior will have both task and non-task dimensions although one may be predominant. A general model was developed by them for understanding organizational buying behavior. There are many issues in buying process which cannot be resolved or answered solely by economic considerations. It may require very complex economic models with certain element of uncertainty to make task oriented decisions. So one relies on non-economic variables to substantiate one's decision.

The task-oriented objectives of the customers have to be considered, in the first place, by all suppliers. But in order to maintain a competitive edge in the market place, the marketer needs to formulate strategies that can provide the required stimuli in influencing the buying behavior in their favour in situations of equal value of the offerings made by different suppliers. In such situations, the marketing strategies also need to address the non-task objectives of the customers so that an element of USP (Unique Selling Proposition) can be introduced for differentiating their offering from the offerings of other suppliers. Understanding the influences of the non-task factors (non-rational) on the customers buying behavior, in particular, provides the required insight into the process of building relationships.

The proactive marketer needs to identify the various rational and non-rational influences at the customers' end that can help them formulate a differentiated strategy of marketing and thereby influencing the buying behavior. Consideration of the rational influences provides 'Accessibility' and 'Eligibility' while the non-rational influences provides 'Proactivity' and 'Strength'.

In the New-Task situation the decision makers do not have any past experience regarding the purchase therefore, significant amount of information and interactions with the suppliers are required. In the situation of Modified Re-Buy, the purchase decision makers look for the significant benefits that could emerge from re-evaluation of the alternatives. The buyers seek for additional information even though they have relevant experience regarding the purchase situation with a view to add value to the purchases made. Straight Re-Buy is a buying situation that centers on a continuing or recurring requirement. The buyers have substantial experience in dealing with the need and require little or no new information. Evaluation of new alternative solutions is considered unnecessary and unlikely to yield appreciable improvements.

The various influences on the buying behavior of the customer can be divided into two different classes:-

- *The influences at the customers' end.*
- *The influences due to buyer-seller interactions.*

The Influences At The Customers' End.

Various models of buying behavior are being explored to identify such influences as discussed below.

Robinson et al (1967) conducted a case study on industrial buying behavior. The study verified the existence of multiple buying participants and identified 8 buying phases/stages. The authors indicated that buying and the role of buying influencers should differ from stage to stage. In addition to identifying the buying activities, the traditional product classification was discarded and certain buying situations were found to be far more significant and consistent. In *the New-Task* situation the decision makers do not have any past experience regarding the purchase, therefore, significant amount of information and interactions with the suppliers are required. In the situation of *Modified Re-Buy*, the purchase decision makers look for the significant benefits that could emerge from re evaluation of the alternatives. The buyers seek for additional information even though they have relevant experience regarding the purchase situation with a view to add value to the purchases made. *Straight Re-Buy* is a buying situation that centers on a continuing or recurring requirement. The buyers have substantial experience in dealing with the need and require little or no new information. Evaluation of new alternative solutions is considered unnecessary and unlikely to yield appreciable improvements.

The buying stages/phases are:

- *Anticipation or recognition of a problem (need) and a general solution.*
- *Determination of characteristics and quantity of needed item.*
- *Description of characteristics and quantity of needed item.*
- *Search for and qualification of potential sources.*
- *Acquisition and analysis of proposals.*
- *Evaluation of proposals and selection of suppliers.*
- *Selection of order routine.*
- *Performance feedback and evaluation*

The marketers need to formulate appropriate marketing strategies corresponding to different buying phases and situations. This is known as the Buy-Grid Model. The marketing strategies to be adopted depend upon the buying phase as well as the buying situation. The effective marketer has to be aware of the phase and the situation in advance so that appropriate strategy can be formulated and implemented in the right time.

Wilson (1971) carried out research into the decision-making styles of industrial buyers. Three personality traits were considered during the study

- *The need for certainty* – the response to uncertainty was considered to be an important element in purchasing decisions.
- *Generalized self-confidence* – this refers to the degree to which an individual's ideal and actual self correspond; self-confidence was hypothesized to be a significant influence in purchasing decisions.
- *The need to achieve* – this describes the orientation of purchasing agents towards work or play. Those experiencing a high need for achievement aspire to undertake difficult tasks, maintain high of on their ability to recognize decision standards, and are willing to work towards distant goals.

Webster, Jr., and Wind (1973) developed a general model for understanding organizational buying behavior. This model presents a comprehensive view of organizational buying that enables one to evaluate the relevance of specific variables. According to this model, the four classes of variables determining organizational buying behavior are *individual, social, organizational*, and *environmental.* Within each class, there are two broad categories of variables: Those directly related to the buying problem, called *task* variables; and those that extend beyond the buying problem, called *nontask* variables.

The various influences specified by this model are: -

- ***External environmental influences:*** - These have their impact in four distinct ways. They define the availability of goods in the marketplace, the general business conditions facing the organizations, the values and norms of the society that guide the interorganizational and interpersonal relationships between the buyers and sellers, and information flow about suppliers into the buying organization. These influences are exerted through the suppliers, competitors, customers, government, trade unions, political parties, educational institutions, trade associations, and professional groups.

- ***Internal organizational influences:*** - Organizational buying behavior is motivated and directed by the organization's goals and is constrained by its financial, technological, and human resources. The author has used the 4 organizational variables as classified by **Leavitt (1964)**. These are: -
    - T***asks (Buying) -*** work to be performed in accomplishing the objective of the organization.
    - S***tructure (Organizational) –*** The formal organizational structure consists of subsystems of communication, authority, status, rewards, and workflow, all of which have important task and nontask dimensions. *Communication* is the flow of communication within the organization, the flow of command and instructions through the hierarchy, the pattern of influence and persuasion defining the nature of interpersonal interactions, and the integrating functions of the buying center. The *authority* subsystem defines the power of organizational members to judge, command, or otherwise act to influence the behavior of others along the task and nontask dimensions. The *status* system is reflected in the organizational chart and defines the hierarchical structure of the formal organization. The *reward* system defines the payoffs to the individual decision maker. Every buying

organization develops task related order routine procedures for managing the *workflow* in the buying process. The mechanical details of buying procedures need to be understood by the marketer.

- ***Technology (Buying)* –** Technology influences both what is bought and the nature of the organizational buying process itself particularly in cases of new product introductions and product augmentations
- ***People (Members of the buying center)* –** The interaction amongst the members of the buying center leads to a unique buying behavior in each customer organization. The marketer has to understand the locus of buying responsibility within the customer organization, to define the composition of the buying center, and to understand the structure of roles and authority within the buying center.

- ***The social, interpersonal and group influences****:* - There are three classes of variables involved in group functioning. They are: -

  - ***Members of the buying center play various roles*.** The 5 different roles identified are that of *Users*- those who use the purchased products, *Buyers* – those who have the formal responsibility and authority for contracting with suppliers, *Influencers* – those who influence the decision process directly or indirectly, *Deciders* – those who have the authority to choose amongst alternative suppliers, and *Gatekeepers* – those who control the flow of information (materials) into the buying center.
  - ***The variables relating to interpersonal interaction between persons in the buying center and between members of the buying center and outsiders.*** Three aspects of role performance are necessary to understand the interpersonal interactions (1) Role expectations (2) Role behavior and (3) Role relationships. The three variables together define the individual's role set. An awareness of each of these dimensions is necessary for the marketers for contacting as well as anticipating the expectations of the various members of the buying center from the salesman.
  - ***The dimensions of the functioning of the group as a whole***. The nature of group functioning is influenced by five classes of variables- the individual members' goals and personal characteristics, the nature of leadership within

the group, the structure of the group, the tasks performed by the group, and external (organizational and environmental) influences. Group processes involve not only activities but also interactions and sentiments among members, which have both task and nontask dimensions.

- *The influence of the individual:* **-**The organizational buyer can be viewed as a constrained decision maker. Although the basic mental processes of motivation, cognition, and learning as well as the buyer's personality, perceived role set, preference structure, and decision model are uniquely individual; they are influenced by the context of interpersonal and organizational influences within which the individual is embedded. The organizational buyer is motivated by a complex combination of individual and organizational objectives.

This model is a comprehensive model on buying behavior. The model is very useful in understanding the social, interpersonal and group influences as well as the individuals' influence on the buying behavior.

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Sheth (1973) has developed a model of industrial buying behavior. It focuses on the complex relationships involved with joint decision-making. The organizational buyer behavior consists of three distinct aspects. The first aspect is the psychological world of the individuals involved in organizational buying decisions. The second aspect relates to the conditions which precipitate joint decisions among these individuals. The final aspect is the process of joint decision making with the inevitable conflict among the decision makers and its resolution by resorting to a variety of tactics.

- *The psychological world of the individuals involved* **–** In organizational buying several people are involved in the decision making process. Different aspects of psychology influence the expectations of these buying center members. Expectations refer to the perceived potential of alternative suppliers and brands to satisfy a number of explicit and implicit objectives in any particular buying decision According to this model, there are 5 different processes, which create differential expectations among the individuals involved in the purchasing process. These are (1) The Background of the Individuals, (2) Information Sources, (3) Active Search, (4) Perceptual Distortion and (5) Satisfaction with Past Purchase.

The most significant factor is the *background and task orientation of each of the individuals.* The different educational backgrounds often generate substantially different professional goals and values. In addition, the task expectations also generate conflicting perceptions of one another's role in the organization. Finally, the personal life-styles of individual decision makers play an important role in developing differential expectation. The second and third factors in creating differential expectations are the source and type of *information* each of the decision makers is exposed to and his participation in the *active search*. The fourth factor is selective *perceptual distortion* and retention of available information. Each individual strives to make the objective information consistent with his own prior knowledge and expectations by systematically distorting it. The fifth factor, which creates differential expectations among the various individuals involved in the purchasing process, is *the satisfaction with past buying experiences* with a supplier or brand. Often it is not possible for a supplier or brand to provide equal satisfaction to all the members of the buying center because each one has different goals of criteria.

- ***Conditions which precipitate joint decision making* –** It is important for the supplier to know whether a buying decision is joint or autonomous. There are six factors which determine whither a specific buying decision will be joint or autonomous. Three of these factors are related to the characteristics of the product or service and the other three are related to the characteristics of the buyer company.

  - ***The product-specific factors* –** The first is the *perceived risk* in buying decisions. Perceived risk refers to the magnitude of adverse consequences felt by the decision maker if he makes a wrong choice, and the uncertainty under which he must decide. The greater the uncertainty in a buying situation, the greater the perceived risk and more likely the purchase will be decided jointly by all parties concerned. The second product-specific factor is the *type of purchase* i.e. New Task, Modified Re-Buy, or Straight Re-buy. If the purchase is for the first time e.g. capital expenditure, one would expect greater joint decision making. On the other hand, if the purchase decision is repetitive and routine, the buying decision is likely to be delegated to one party. The third factor is *time pressure*. If the buying decision has to be made under a great deal of time pressure or on an emergency basis, it is likely to be delegated to one party rather than decided jointly.

- ***The company specific factors* -** These are *Company Orientation, Company Size, and Degree of Centralization.* If the company is technology oriented, it is likely to be dominated by the engineering people and they will make the buying decisions. Similarly, if the company is production oriented, the production personnel will make the buying decisions. If the size of the company is large, joint decision-making will tend to take place. Finally, the greater the degree of centralization, the less likely it is that the decisions will be joint. Thus, a privately owned small company will tend towards autonomous decision making and a large-scale public sector with considerable decentralization will tend to have greater joint decision making.

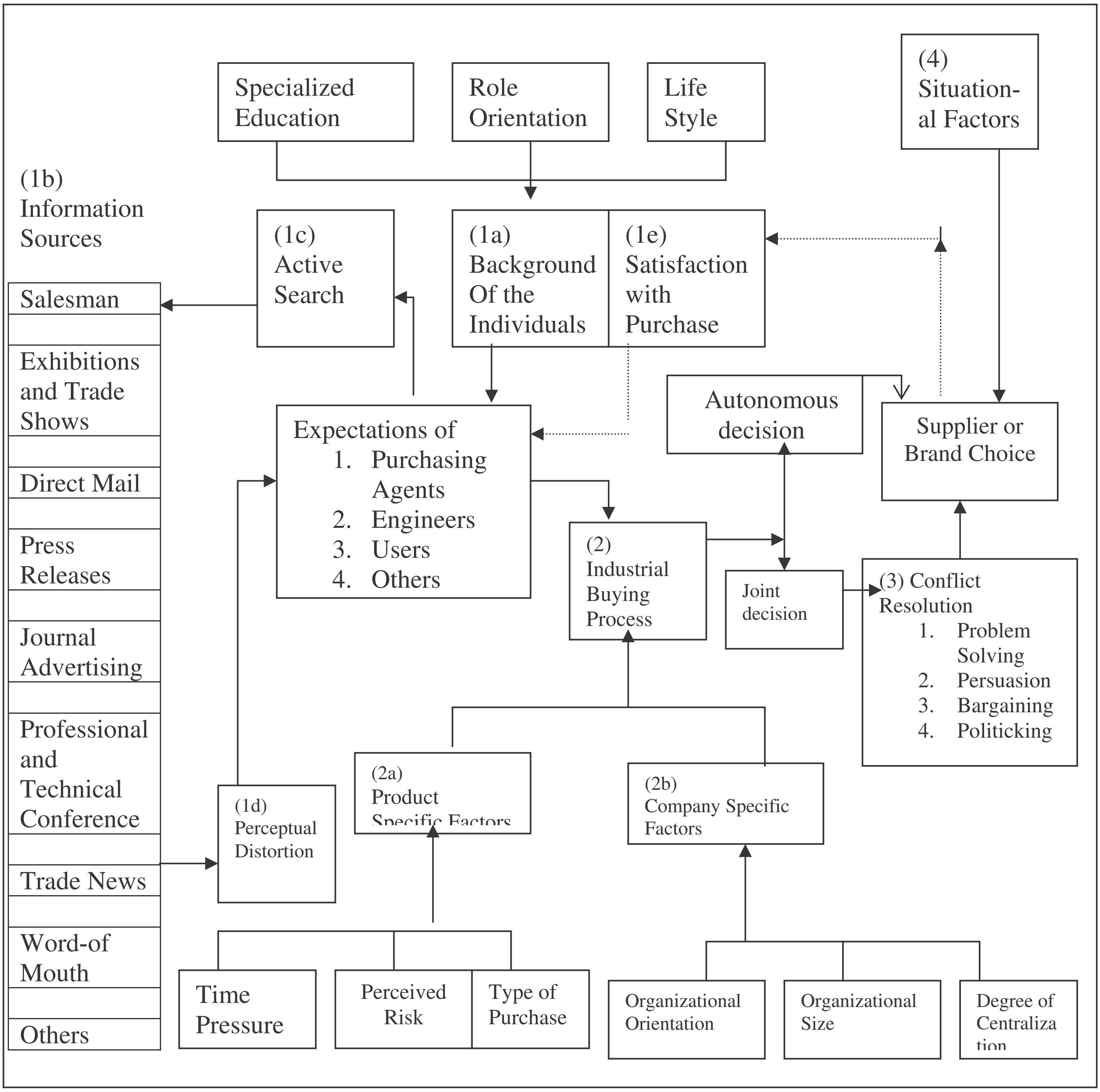
- *The process of joint decision-making* **–** The major thrust of the model is to investigate the process of joint decision making within the members of the buying center regarding the choice of supplier. Conflict becomes a common consequence of joint decision-making process. The buying motives and expectations about brands and suppliers are considerably different. This conflict needs to be resolved in a rational manner. According to **Day et al (1988)** various conflict resolution strategies that can be used are: -

    - ***Competing*** – The desire to win one's own concerns at the other party's expense – the desire to dominate, to yield no quarter, to envision the interaction as a win-lose power struggle; assertive, uncooperative behaviors.
    - ***Accommodating* –** The desire to satisfy the other's concerns without attending to one's own concerns – peaceful coexistence, perhaps entertaining long-run motives; unassertive, cooperative behaviors.

- ***Collaborating* –** The desire to fully satisfy the concerns of both parties – sharing responsibility, problem-solving, in-depth exploration of issues, reaching a mutually beneficial agreement; assertive, cooperative behaviors.
- ***Avoiding* –** Exerting an attitude of indifference to the concerns of either party, not immediately addressing the conflict – diplomatically sidestepping an issue, postponing an issue until a more opportune time, or withdrawal from a threatening situation; unassertive, uncooperative behaviors.
- ***Compromising* –** The desire to reach an expedient, mutually acceptable agreement which is somewhere short of total satisfaction for either party – exchanging concessions or seeking a middle-ground solution; intermediate in both assertive and cooperative behaviors.

This model is one of the most intuitively appealing of all the different models developed. The various influences on buying behavior have been put forward in a convincing manner. The opinion of the author on ‘The psychological world of the individuals involved’ seeks utmost attention of the marketers in building up a proactive marketing strategy.

Sheth's Model of Organizational Buying Behavior



Source: Sheth, Jagdish N., '*A Model of Industrial Buyer Behavio*r'. Journal of Marketing, American Marketing Association, Chicago, Vol. 37, No. 4, 1973, pp 50-56

Choffrey et al (1978) have suggested a model of organizational buying behavior. It centers on the relationship between the organizational buying center and three major stages in the individual purchase decision process through (1) The screening of alternatives which do not meet organizational requirements, (2) The formation of decision participants preferences, and (3) The formation of organizational preferences.

The evoked set of alternatives in a buying process are guided by the individual members of the buying center as they may have different criteria of evaluation, may be exposed to different sources of information as well as the interaction structure amongst them may vary under different situations. Screening of the evoked set is carried out in order to find the constraints due to environmental factors (Physical, Technological, Economic, and Social) and/or do not meet organizational requirements. The feasible set of alternatives get further influenced by the individual and organizational (group) preferences due to the evaluation criteria and interaction structure of the members of the buying center in order to, finally, reach to the organizational choice.

The 3 stages suggested by the authors require careful attention of the marketers as during these stages the nonrational influences due to individual and group factors tend to dominate.

Bellizi et al (1983) had put to test the effects of product type and purchase experience feasible set of alternatives through screening of alternatives on industrial buying behavior. The findings indicate that product type is a meaningful variable which is related to industrial buying behavior; however, the purchase experience variable or purchase situation variable is not significantly related to buyer behavior. The objective of the study was to present some newly collected evidence on buying activity, and to compare the buy class variable with a product-type variable. The basis of variation of product-type was product end-use – Capital Equipment, Installations, Accessory Equipments, Major Materials (Commodities) or Operating Supplies. Some situations specified more influence of some buying participants whereas some other situations specified less.

The buy-class variables suggested by **Robinson et al (1967)** seems to be more pertinent in context of organizational buying as it has a generic appeal and can be applied to all types of industries.

Cardozo (1983) is of the opinion that organizational buying consists of several stages, each of which yields a decision. These decisions may be linked together in a sequence to form a simple yet powerful model that marketers can use to predict outcomes of proposed marketing programs and to diagnose problems in existing programs. Formal prediction of customers decision making process is a must for (1) Estimating the demand of the customers, (2) Identifying areas in the decision making process where additional marketing efforts could be applied, and (3) Identifying potential problems such as competitive response or uncontrollable customer actions/reactions.

This model divides the organizational buying process into 7 different stages based on the sequence of decisions. These stages are: -

- To take or not to take action on a proposed purchase
- To establish budget objectives and specifications
- To solicit proposal or bids
- To choose a particular offering
- To approve the choice
- To accept the products delivered or services rendered
- To repurchase

The various stages suggested by the authors is supplementary to the buying stages suggested by **Robinson et al (1967)** and viewed with a different perspective.

Browning et al (1983) has established the influences of the ethical code of the members of the buying center on the purchase decision-making process. The salespeople have to be ethical for retaining customers, but how ethical is the buyer. It may become a specific case of whether promises will be kept, confidences will be honored, negotiations will involve lies, or bribes and favors are a part of doing business. Ethical behavior refers to 'Just' or 'Right' standards of behavior between parties in a situation and is defined as the use of recognized social principles involving justice and fairness in situations that are part of business relationships. Different people may have different perceptions regarding ethical behavior. The authors have identified 6 ethical situations in buyer – seller relationships. These are: -

- Selecting a vendor for personal reasons instead of business reasons
- Being entertained by vendors not yet suppliers.

- Breaking or avoiding appointments with vendors for arbitrary or personal
- reasons.
- Accepting vendor favors such as entertainment, gifts etc.
- Using false information to extract concessions from vendors
- Divulging confidential information to vendors.

It is suggested that industrial buyers have a high level of ethical behavior. Information regarding the ethical code of the purchase decision makers is necessary for the marketer to have the competitive edge.

Crow et al (1985) conducted a survey to determine if the number of individuals in the buying center or the amount of perceived self-influence varied by organizational and buyer characteristics or by the type of purchase decision. The result of the study indicates: -

- The type and size of the organizational characteristics as well as buyer educational level (buyer characteristics) affect both the number of individuals in the buying center and the amount of perceived self influence.
- As the purchase decision becomes more complex, the size of buying center increased and the amount of perceived self influence decreases.
- Individual and organizational characteristics influence the number of persons in the buying center and the organizational buyers perceived influence upon the buying decision. But the firm characteristics are more influential than those of the organizational buyer.
- The purchase situation i.e. New Task vs. Modified Rebuy is a dominant factor in determining the size of the buying center and the amount of perceived influence. Greater is the complexity of the buying decision; larger is the number of members in the buying center and lesser is the perceived influence.

The study conducted by the author is supplementary to the work of **Sheth (1973).** The author explores the Product-Specific Factors and Company Specific Factors in order to provide a greater insight.

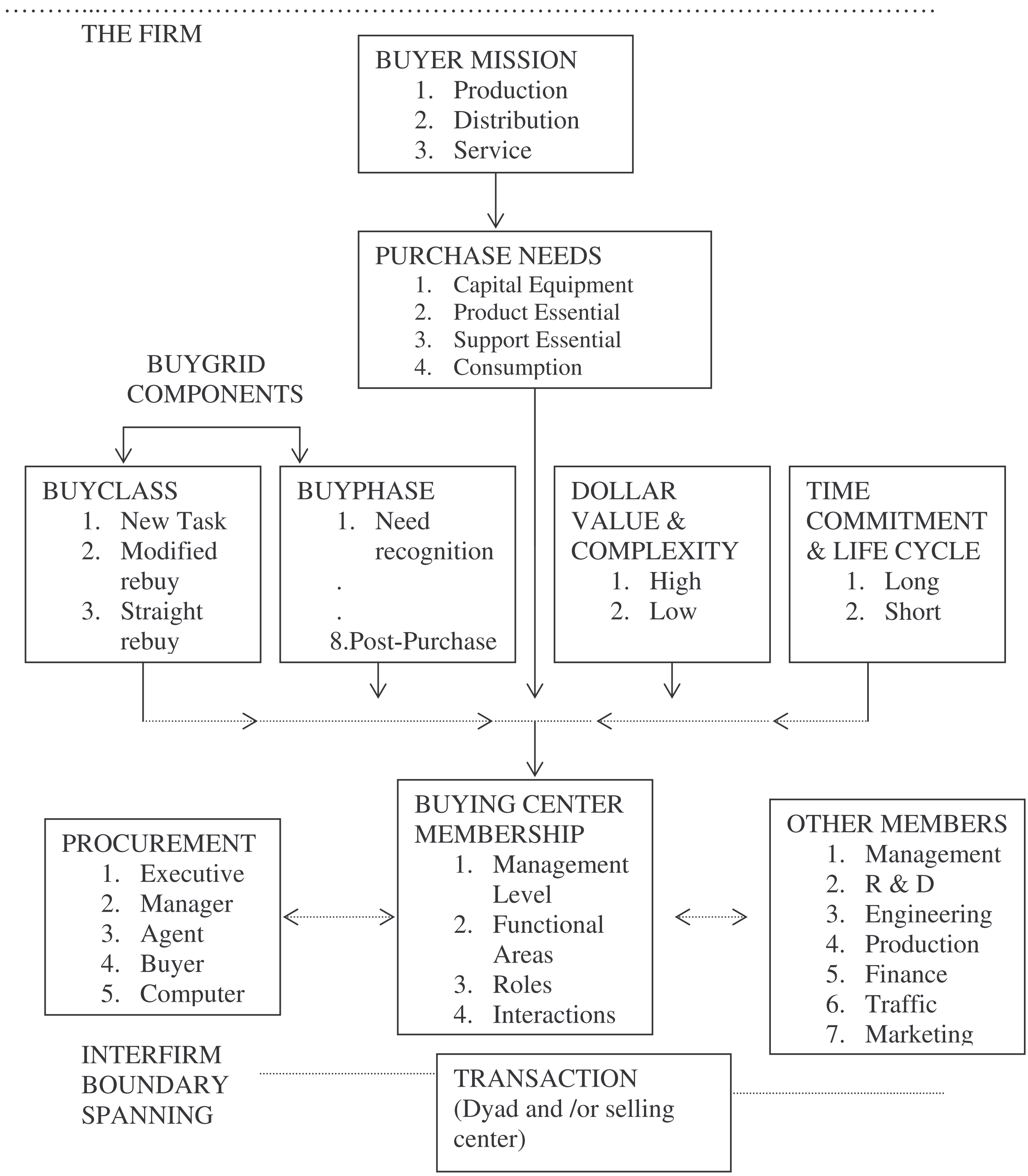
Matson (1988) developed a model that has been able to analyze and predict principal buying center membership. The buying center membership depends upon the following aspects: -

The Buyer Mission and Purchase Needs
The Buy – Grid Components
The Money Value and Complexity
Time Commitment and Life Cycle

Marketing managers who can predict with some accuracy who will be involved with the organizational buying decisions at the various stages of the process are most likely to develop a good strategic plan.

Mattson's Model of Buying Center Membership

1. Economic
2. Technological
3. Social and Cultural
4. Legal and Political
5. Industry and Channel.



Source: Mattson, Melvin R., *'How to Determine the Composition and Influence of a Buying Centre'*. Industrial Marketing Management, Elsevier Science Publishing Co. Inc., New York, Vol 17, No.3, 1988, pp 205-214.

Rangan et al (1992) have established customer buying behavior variables for segmenting industrial customers in order to study customer-buying behavior in mature industrial markets. Segmenting customers on size, industry, or product benefits alone is rarely sufficient. Customer behavior in terms of tradeoffs between price and service is an important additional criterion. The authors offer a framework for such buying behavior oriented micro segmentation of industrial customers.

The authors identified 4 different segments. They are: -

- *Segment 1 – Programmed Buyers.*
  The buyers in this segment viewed the product as a routine item. This segment reported lowest average sales and was not particularly price or service sensitive. The product was not very important. This segment consisted of small customers.
- *Segment 2 – Relationship Buyers.*
  In this segment the customers are small and more knowledgeable about competitive offering. The product is moderately important. Although the customers in this micro segment paid lower prices, received more service than programmed buyers, and have a tendency to switch over to other suppliers, this segment cannot be ignored as the market share is quite high.
- *Segment 3 – Transaction Buyers.*
  The customers in this segment are twice as large as the relationship buyers. They are knowledgeable about competitive offerings, highly sensitive about decrease in service, expect and receive discounts, often favor price over service, and would not hesitate to switch over suppliers.
- *Segment 4 – Bargain Hunters.*
  This segment consists of large volume customers who are most knowledgeable. They receive largest price discounts as well as highest level of service. They are very sensitive to change in price or service and would switch over suppliers at the slightest dissatisfaction. The product is very important.

An understanding of the type of customer to be served in the various segments adds greater dimensions to the effectiveness of the marketing strategies.

Henthrone et al (1993) conducted research to study the buying decision. making process with an objective to analyze and reduce conditions of risk in organizational purchasing. The study examined the role played by informal members of the buying center and the impact these informal members had on the type and level of risk perceived by the organizational buyer. The results indicate that informal influence has a significant effect on perceived risk. It may reduce the risk. The informal influencers can be purchasing agents, production engineers, sales people, and safety engineers, both, inside or outside the organization as well as the bankers. These influencers need to be identified by the marketer.

Hill et al (1996) mentions about the influence of buyer temperament in organizational buying decisions. The purchase decision makers are human beings. They may be interested in their own status, prestige, ambitions, and personal feelings, as well as in the welfare of the firm for which they work. At times, they may put their own interests ahead of those of the firm. But this does not necessarily mean that personal considerations will always dictate the majority of his buying decisions. Although one of the chief motives of an executive with buying interest, is the preservation and enrichment of his own personal and functional status, his ambition to be promoted, his personal feelings towards the men with whom he works including the suppliers, the personal feelings, temperament, and emotions may, at times, influence his buying decisions.

Armstrong and Kotler (2000) have suggested a model of business buyer behavior. In this model, marketing and other stimuli affect the buying organization and produce certain buyer responses. As with consumer buying, the marketing stimuli for business buying consist of the four Ps: product, price, place, and promotion. Other stimuli include major forces in the environment: economic, technological, political, cultural, and competitive. These stimuli enter the organization and are turned into buyer responses: product or service choice; supplier choice; order quantities; and delivery, service and payment terms. In order to design good marketing mix strategies, the marketer must understand what happens within the organization to turn stimuli into purchase responses.

The various influences on the buying behavior according to this model are due to internal organizational, interpersonal, and individual factors as well as external environmental factors.

The Buying Center

The communication strategy of the marketers needs to address the significant variation in information needs of those individuals involved in the purchasing decision as it progresses through its many phases. The marketer has to identify those individuals who are in any way involved in the purchasing decision process, that is, the decision-making unit.

Buzzell (1972) has mentioned that the decision-making unit may consist of only one person, but it is normally a group of individuals who share a common goal or goals which the decision will hopefully help them to achieve, and who share the risks arising from the decision. In organizational marketing, these decision makers are referred to as the buying center. According to **Speckman and Stern (1979)**, the buying center is an informal, cross-departmental decision unit in which the primary objective is the acquisition, impartation, and processing of relevant purchasing – related information.

Generally, people within an organization from different functional areas like- Marketing, Manufacturing, Research and Development, General Management, Finance, and Purchasing become involved in the buying center for one of the two reasons - they have formal responsibility, or they are important as a source of information.

Vendor Evaluation

The buyers seek to find the best possible source of supply for their needs. The buyers choose and qualify suppliers depending upon the type of buying situation and the importance of the purchase in terms of complexity and money value. When the procurement need is complex or involves a substantial expenditure, it is common practice for personnel from various functions to evaluate the supplier’s facilities and production capacity to ensure an uninterrupted flow of product, to evaluate product quality via product samples, to approve technical competency and manufacturing efficiency via plant visits, and to verify the supplier’s financial stability.

The objective of vendor evaluation is to locate those suppliers that have the capacity to produce the needed item in the required quality and quantity, are capable of fulfilling delivery and other service needs, are price competitive, and can be relied upon as a continuous source of supply. Qualification of the suppliers does not end with the purchase. The real test of a supplier is the ability to perform effectively and consistently over time. Buyers use both objective and subjective evaluations to rate suppliers' performance. Suppliers' evaluations generally involve four basic considerations: quality, service, delivery, and price. The outcome of the evaluation process influences the buying behavior of the customer organization.

Purchasing Policies

From the traditional point of view, organizational buying/purchasing consist of the procurement activities undertaken to satisfy the product related needs/requirements of the organization. The Purchase Managers' prime concern being – uninterrupted supply of materials to the user departments at the Right Time, Right Price, Right Quantity, Right Quality, Right Source, and at the Right Place. Although, there are various factors that influence the buying behavior of organizational customers, the purchasing policies, which can be different and specific depending upon the nature and the type of industry, has a considerable influence on the buying behavior.

Although purchasing policies in organizations may differ, the general policies of all organizations are ensuring the best value of purchase in the interest of the company, buying without prejudice, continuously updating knowledge on effective purchasing, maintaining conduct and ethics of business with honesty and integrity, and to foster excellent buyer-seller relationship. There are several methods by which purchases can be made by the buyers. The method to be adopted depends on the policies which, in turn, depends on factors like demand, supply, price, urgency of requirement, vendor, type of material, organization culture, procedures, past precedents, decision making capabilities, and value of purchase.

Based on the information available from the survey of literature, the various influences on the buying behavior at the customers' end that have a bearing on the development of effective and differentiated marketing strategy aimed at relationship building are identified

The Influences Due To Buyer - Seller Interactions:

In order to formulate effective and unique responsive strategies of marketing for relationship building, apart from understanding thoroughly the various influences at their customers' end that effect their buying behavior, the marketer also needs to be sensitive to the emerging patterns of influences on buying behavior and marketing strategies due to the buyer – seller interactions. The marketing strategies of interaction adopted by the different marketers to match their customers' needs and expectations can influence the buying behavior in their favor in the same manner in which the buying behavior influences their marketing strategies. A well defined marketing strategy with respect to product, price, promotion, and place suitably blended with proper interactive strategies is a pre-requisite for establishing a mutually beneficial buyer-seller relationship and is the key to success for any marketer. An environment of *Relationship Marketing* is a necessary condition for the effectiveness of buyer-seller interactions. The focus of relationship marketing is upon building a long-term mutually beneficial buyer-seller relationship. The parties can understand and appreciate each other's needs and constraints better, are more inclined to cooperate with one another, and, thus, become more relationship oriented. The objective is not based upon profit maximization through one-time transactions but on the entire duration of the sustained relationship period. The buyers and the sellers believe in taking care of each other's businesses.

Chisnall (1975) mentions that organizational buyers recognize that the true value of products and services is made up of many parts, all of which require careful investigation. It is the responsibility of purchasing agents to ensure that specifications relating to specific products cover all the values or benefits considered to be necessary. The relative importance of intrinsic qualities and the various 'added-values' should be carefully analyzed. Included in this assessment will be the 'non-rational' factors, such as the pleasantness of doing business with particular firms, for buyers tend to be persuaded by a salesman whose personality is acceptable to them, provided, of course, that his product meets their needs.

Swan et al (1985) had carried out survey and had established the ways and means by which the sales persons in the industrial markets can gain customer trust and confidence. Business people have certain beliefs concerning cause and effect relationships in a certain situation (how trust is gained). Thus, they practice behavior they believe will achieve the desired result. Result of the survey shows that trust increased as the customer gains impression about the following trust attributes of the salesperson: -

- *Dependable/Reliable* – To do what was promised.
- *Honest/Candid* – To make sure that performance matches promises.
- *Competent* – Product specifications, applications match salespersons description of the same.
- *Customer Orientation* – To provide service as promised, continue to put customers interests first.
- *Likeable/Friendly* – To be friendly or business-like as the customer wishes.

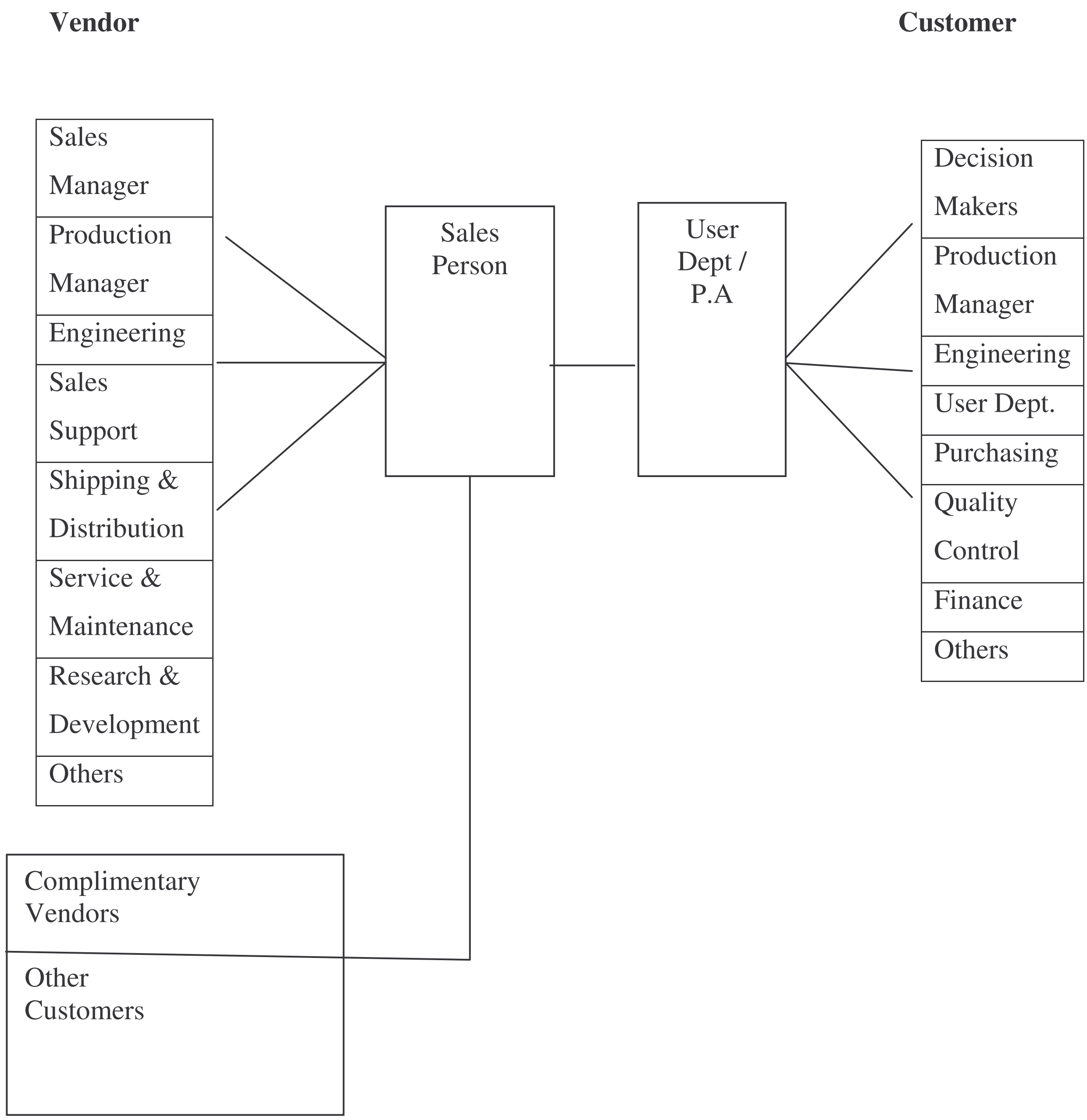
Williams et al (1985) has stressed upon the expectations of the buyers from the sales person in the industrial market. What traits of salespeople do purchasers consider outstanding. Information about behavior, knowledge, and attitude of salespeople that satisfy purchasers is important information in the selection of salespeople as well as formulating and developing interactive strategies. The authors have established 10 different attributes of the salesperson that can satisfy the industrial customer. These are:

- Thoroughness and follow through
- Knowledge of the product line
- Willingness to go to bat for the buyer within the supplier firm
- Market knowledge and willingness to keep the buyer posted
- Imagination in applying his products to the buyer needs
- Knowledge of buyers product line
- Diplomacy in dealing with operating departments
- Regularity of sales call
- Preparation for well planned sales call
- Technical education

Berry and Parasuraman (1991) have distinguished three value-building approaches: adding financial benefits, adding social benefits, and adding structural ties. Adding *financial benefits* is providing monetary benefits to a customer. This alone is not capable to sustain a relationship in the long-term perspective. When the marketers work on increasing their social bonds with the customers by individualizing and personalizing the relationship, *social benefits* get added and a socially sensitive approach towards maintaining relationship is adopted. By adding structural ties, the marketer is able to sustain the relationship in a long-term perspective. The seller conceives their role as the partners to the progress of their clients. The dimensions of relationship extend to cover not only the transaction oriented matters, but any other matter in which the marketer can contribute towards the betterment of their customers.

Puri et al (1991) have suggested coupling the buying and selling teams. The sellers can set up selling centers comprising of people who can assist in performing task and relationship oriented activities. The supplier does this to facilitate interaction with various buying influences in the customers firm. Industrial marketers should establish a selling center approach corresponding to the customers buying center. Individuals participating in the selling center would have similar skills as the members of the customers buying center. This would enhance productive communication between the buying and selling firms by establishing relationships between specialists trained in the same fields, thus effectively establishing lines of communication between the two firms that would otherwise not exist.

Coupling the Buying and Selling Teams



Source: Puri, S. Joe., and Korgaonkar, Pradeep., *'Couple the Buying and Selling Teams'*. Industrial Marketing Management, Elsevier Science Publishing Co. Inc., New York, Vol 20, No.4, 1991, pp 311-317.

Evans et al (1994) say that in order to prosper in marketing to business customers, the challenge is to determine what customers want and whether they are satisfied with the company, its products and its service. Although the study was conducted in the area of service marketing, the findings are relevant and useful to all sectors of marketing. The authors have suggested the following considerations in building a mutually beneficial partnership:

- The buyers and the sellers require having a clear mutual focus about the specific needs to be met. Both parties should have the perception of a “Win – Win” situation.
- Both parties have to work together towards a common goal with an appreciation of the “Collaborative” aspect of business. The buyers should realize they are responsible for helping the relationship grow.
- They must anticipate that things will go awry. Good partnerships include action plans to be followed in the event of problems.
- They must work together in order to plan how to handle price changes, expansions, consolidation, etc. Both parties must realize that instead of changes disrupting business relationships, they can be the impetus for discussion.
- The relationship must be based on honesty and openness, not on superficial agreement. The parties must have regular communication.

Dion (1995) has developed a model depicting the influence of personality similarities and trust on sales performance. It was found that most business-to-business buyers and sellers could be classified into a small number of personality types. Further, perceived similarities were found to be linked to both buyer trust of a salesperson, as well as to sales performance. The outcome of sales efforts is primarily the result of interactions between buyers and sellers. Trust is the binding force in most productive buyer-seller relationships. The 5 propositions established by the authors are: -

- A salespersons personality unilaterally influences sales outcomes.
- Sales outcomes will be enhanced when buyers and sellers exhibit similar personality types.
- Perception of buyer-seller personality similarity will enhance sales performance.
- Trust will enhance sales performance.
- There is a relationship between a ‘ buyers perception of buyer–seller similarity’ and ‘actual buyer–seller similarity’.

Sheth and Parvatiyar (1995) have opined “ An integrative relationship assumes overlap in the plans and processes of the interacting parties and suggests close economic, emotional, and structural bonds among them. It reflects interdependence rather than independence of choice among the parties, and it emphasizes cooperation rather than competition and consequent conflict among the marketing actors".

Farrell et al (1996). Their study examines the effectiveness of 7 influence strategies in influencing purchasing decision outcomes. Effective managers should be capable of influencing decision outcomes. Influence strategies successful in influencing purchasing decision outcomes may provide guidelines for marketers as to how to influence key decision makers within organizations. The different types of influence strategies identified are:-

- *Rational Persuasion* is attempted by either using information, or simply trying to persuade others, or opposing alternative choices of vendors. It is most frequently used and is quite effective.
- *Inspirational appeal* concerns the individual making a request or proposal that arouses enthusiasm, by appealing to one's values, ideals, and aspirations. It may also result in the internalization of favorable attitudes.
- *Consultation* involves consulting others and listening to their proposals, concerns and suggestions. It is an effective precursor for the change in attitude or opinion.
- *Legitimating* is using the power base and pressure strategies. Using one's position within the organization. Influence is gained by actually taking some course of action, as opposed to simply relying of others to act in deference to one's position. Informal influences are also used at times.
- *Personal Appeals* is used to influence the decision outcome by appealing to the feelings of loyalty and friendship. This is moderately effective in influencing subordinates and peers. It is equally likely to result in either rejection or compliance.
- *Coalition* seeks support and assistance of others. Only behavioral compliance is achieved without changing the attitude or opinion of the target.
- *Exchange* strategies are exchanges of favors in return for assistance in achieving a particular task.

The strategies of Rational Persuasion, Inspiration Appeals, and Consultations are better influence strategies. Marketers are, therefore, required to target those individuals who adopt such strategies and also consider adoption of such strategies as a part of their selling technique.

Kotler (2001) has suggested five different levels of interactions with the customers. They are:-

- *Basic Marketing:* The salesperson simply sells the product and forgets the customer.
- *Reactive marketing:* The salesperson sells the product and encourages the customer to call if he or she has questions, comments, or complaints.
- *Accountable Marketing:* The salesperson phones the customer a short time after the sale to check whether the product is meeting expectations. The salesperson also asks the customer for any product-or service improvement suggestions and any specific disappointments. This information helps the company continuously improve its performance.
- *Proactive Marketing*: The company salesperson contacts the customer from time to time with suggestions about improved product uses or helpful new products.
- *Partnership Marketing*: The Company works continuously with the customer to discover ways to perform better.

The method of interactions to be adopted depends upon the level of profit margin and the number of customers to be served.

The Method of Interaction:

	High Margin	*Medium Margin*	*Low Margin*
Many Customers	Accountable	Reactive	Basic/Reactive
Medium Customers	Proactive	Accountable	Reactive
Few Customers	Partnership	Proactive	Accountable

(Source: Kotler, Philip., *'Marketing Management'*. Prentice-Hall of India Private Limited, New Delhi, 2001).

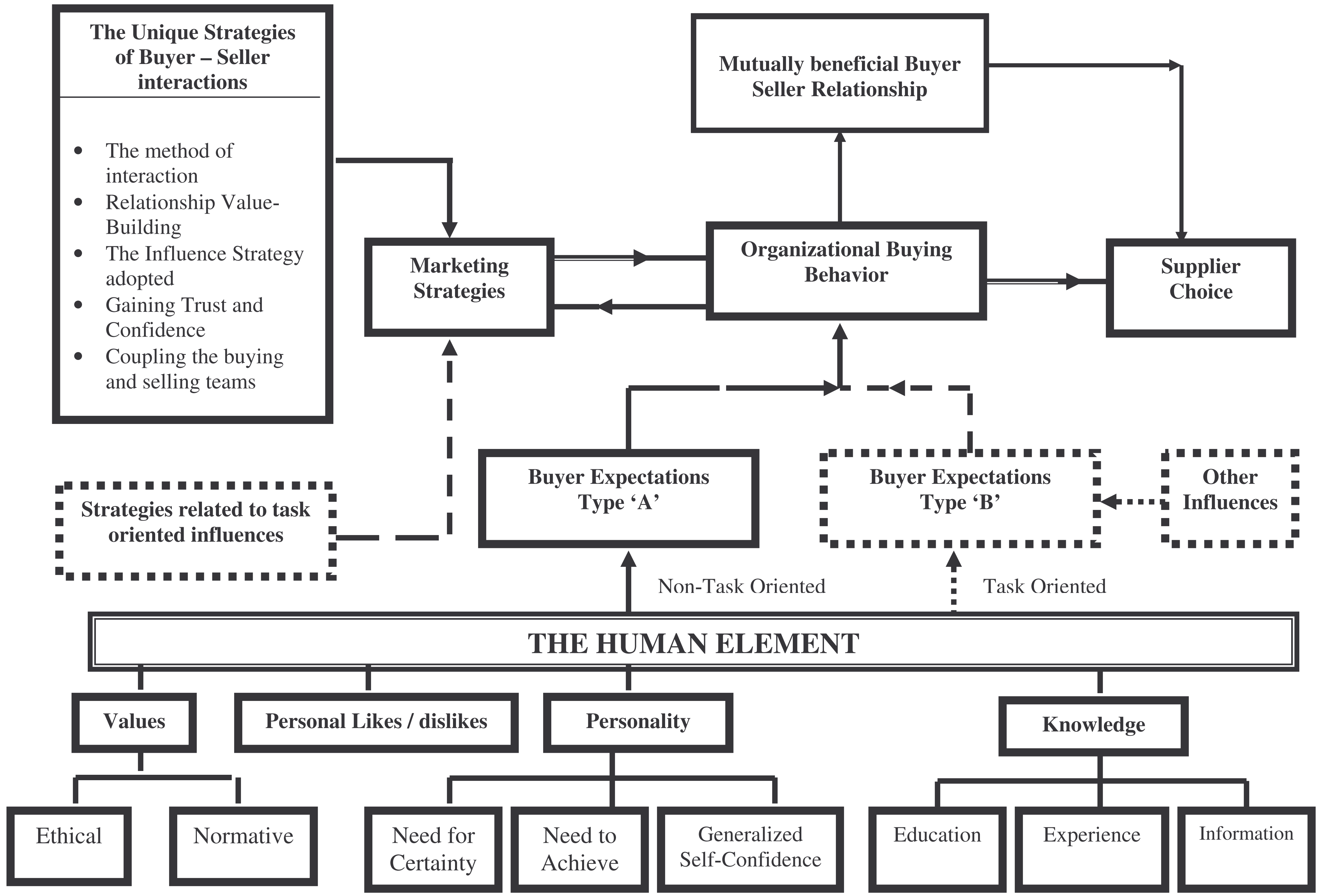
Based on the information available from the survey of literature, it can be mentioned that the various influences due to buyer-seller interactions that can establish a mutually beneficial relationship and stimulate the purchase decision in favor of the marketers who adapts their strategies according to these influences are:

- The personality of the salesperson that appeal to the customers.
- The influence strategy adopted by the marketer.
- The trust attributes of the salesperson that is required to gain the trust and confidence of the customer.
- The behavior, knowledge, and attitude of salesperson that satisfy the expectations of the customers.
- Adding financial, and social benefits as well as adding structural ties in the relationship.
- Coupling the buying and selling teams for enhancing productive communication.
- The collaborative aspect of business in which the buyer and seller are required to work together with openness and honesty towards a 'Win-Win' situation.
- The 'Proactive' and 'Partnership' methods on interaction of the sellers.

A Model Of "Influencing Organizational Buying Behavior - A Catalyst To Building Relationships"

This model considers only those influences on the buying behavior at the customers' end that help the marketers in formulating a unique and differentiated marketing strategy of buyer seller interaction that can influence the buying behavior in favor of the supplier and build a mutually beneficial as well as longstanding buyer-seller relationship. The model has emerged from the insights provided by the literature survey.

The myth of conventional rationalism of the customers in terms of price, quality, service, and supply during purchase decision making may be misleading for the suppliers who want to sustain and prosper in the face of intense competition. The suppliers need to understand and appreciate the fact that in situations of equal value of all competitive offerings, satisfying only the rational requirements of their customers, although a very important consideration in acquiring eligibility and accessibility as a supplier, does not lend an element of uniqueness to them in acquiring a competitive edge over other suppliers. **Webster and Wind (1973)** has opined that in a situation where all other things are equal, the individual may be able to apply strictly personal (nontask) criteria when making his final decision. In the unlikely event that two or more potential vendors offer products of comparable quality and service at a comparable price, then the organizational


The Unique Strategies of Buyer – Seller interactions
The method of interaction
Relationship Value-Building
The Influence Strategy adopted
Gaining Trust and Confidence
Coupling the buying and selling teams
Mutually beneficial Buyer Seller Relationship
Marketing Strategies
Organizational Buying Behavior
Supplier Choice
Strategies related to task oriented influences
Buyer Expectations Type 'A'
Buyer Expectations Type 'B'
Other Influences
Non-Task Oriented
Task Oriented
THE HUMAN ELEMENT
Values
Personal Likes / dislikes
Personality
Knowledge
Ethical
Normative
Need for Certainty
Need to Achieve
Generalized Self-Confidence
Education
Experience
Information

buyer may be motivated by purely personal, nontask variables such as his personal preferences for dealing with a particular salesman. All suppliers apart from honing their marketing skills need to satisfy more prominently, the nonrational dimensions of their customers' expectations as this has the strength to influence the buying behavior in their favor. Therefore, suitable strategies of buyer seller interactions need to be adopted by the marketers that work towards building up a mutually beneficial buyer-seller relationship.

The relationship must be based on honesty and openness, not on superficial agreement. The parties must have regular communication. The buyer's expectations can be divided into two types: Type 'A' and 'B'. The Type 'A' expectations of the members of the buying center is the human element of the buying process. These expectations are a manifestation of human attitude at the work place and get generated due to the nonrational (nontask) oriented objectives of the individuals involved in the buying process. A thorough understanding of these expectations provides the required inputs to the marketers in formulating appropriate and unique interactive strategies. The Type 'B' expectations are a result of the rational requirements of purchase and the satisfaction of these expectations is critically important in acquiring eligibility and accessibility as a supplier.

The most difficult and critical task of the marketers is to identify and understand the attitude of the customers which is based upon the Buyer Expectations - Type 'A'. The unique strategies of buyer-seller interactions that has the capability and adaptability to address the Buyers' Expectations - Type 'A', alongwith the strategies related to other rational (task) oriented influences will have the strength and proactivity in influencing the purchase decision in favor of the supplier.

The Factors That Create Type 'A' Customer Expectations: -

- *Knowledge:* - Qualification, experience, and exposure to information sources determine the level of knowledge of an individual. The level of an individual's knowledge base critically influences the understanding and appreciation of the desirable during purchase decision-making. Qualification develops the aptitude (the capability of learning) and experience (learning by doing) increases the ability to perform. Qualification (know-why) and experience (know-how) are complementary to each other in enriching the level of knowledge and imparting the strength required to seek the best solution. Information is power in the modern business scenario and lends the required support to the decision maker in searching and selecting the right supplier. The suppliers need to thoroughly understand the knowledge level of their customers. Knowledgeable customers will demand superior and intelligent interactions with their suppliers and would like to get their queries answered as well as handled in the most rational and logical manner. Any failure of the supplier in rising up to the expectations of their customer can become a hindrance in developing relationships.

- *Values:* - All buyers and sellers would like to do business with someone they trust. Mutual trust is the foundation of marketing activity. The salespersons have to be ethical for retaining customers and at the same time the buyer also need to be ethical in their approach. Values can be defined as broad preferences concerning appropriate courses of action or outcomes. As such, values reflect a person's sense of right (ethical) and wrong (unethical). Values tend to influence attitudes and behavior. The values of people develop as a product of learning and experience they encounter in the environmental setting in which they live. As learning and experiences differ from one person to another, value differences result. The values of the customer whether ethical or not has a remarkable influence in the purchase decision-making process. Different people may have different perceptions regarding ethical behavior.

- *Personality:* **-** The term ‘personality’ represents the overall profile or combination of characteristics that capture the unique nature of a person as that person reacts and interacts with others. Personality combines a set of physical and mental characteristics that reflect how a person thinks, acts, and feels. The personality is an outcome of personal aspirations and personal characteristics. All individuals have certain aspirations or desires at the workplace in terms acquiring better terms of employment. The personal characteristics are related to the intrinsic qualities of human beings that have a significant contribution in building up their mindset and attitude. The suppliers need to understand the personality dimensions of the customer in order to make their strategies appealing.

- *Personal Likes/Dislikes:* – This is an expression of attitude and are influenced and acquired from the same sources as values. Attitude is a predisposition to respond in a positive or negative way to someone or something in one’s environment. Attitudes are inferred from the things people say, informally or formally, or through their behavior.

To understand the behavior of organizational buyers, the industrial marketer must become sensitive to the environment within which buying decisions are made. Upon entering the organization, the marketer confronts a buyer who is influenced by several factors. First, environmental forces define the boundaries within which buyers and sellers interact. Second, each organization develops a personality that makes it unique. The marketer requires an understanding of how organizational buyers approach decisions, set priorities, gather information, resolve conflicts, and establish and revise organizational goals. There is mutual influence of marketing strategies of selling firm and organisational buying behaviour of buying organization as depicted in the figure. Mutual influences culminate into selection of supplier. Task and non-task oriented factors influence the buying behaviour.

Importantly, the location of the procurement function in the organizational hierarchy and the type of buying technology available to the purchasing staff directly influence marketing strategy requirements. The relevant unit of analysis for the marketing strategist is the buying center. The composition of this group evolves during the buying process, varies from firm to firm and changes from one purchasing situation to another. Fourth, the marketer's attention must ultimately center on individual members of the buying center. Each has a particular set of experiences and a unique personal and organizational frame of reference that is brought to bear on the buying decision. The marketer who is sensitive to such individual differences is best equipped to develop responsive marketing communications that will be processed and retained by the organizational buyer. It is imperative for all marketers to consider the rational influences in order to gain eligibility and accessibility but their strategies also need an element of uniqueness in order to have a competitive edge over other suppliers. In this context, the non-task dimensions play a major role in imparting the required strength to the marketers.

Based on the information available from the survey of literature, it can be mentioned that the various strategies of interactions between buyers and sellers contribute significantly in building relationships. Mutually beneficial relationships will always lead organizations towards excellence.

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