CHAPTER 19

Organizational Buyer Behavior

CONSUMER BEHAVIOR
Building Marketing Strategy

Thirteenth Edition

McGraw Hill Education

MOTHERSBAUGH

HAWKINS
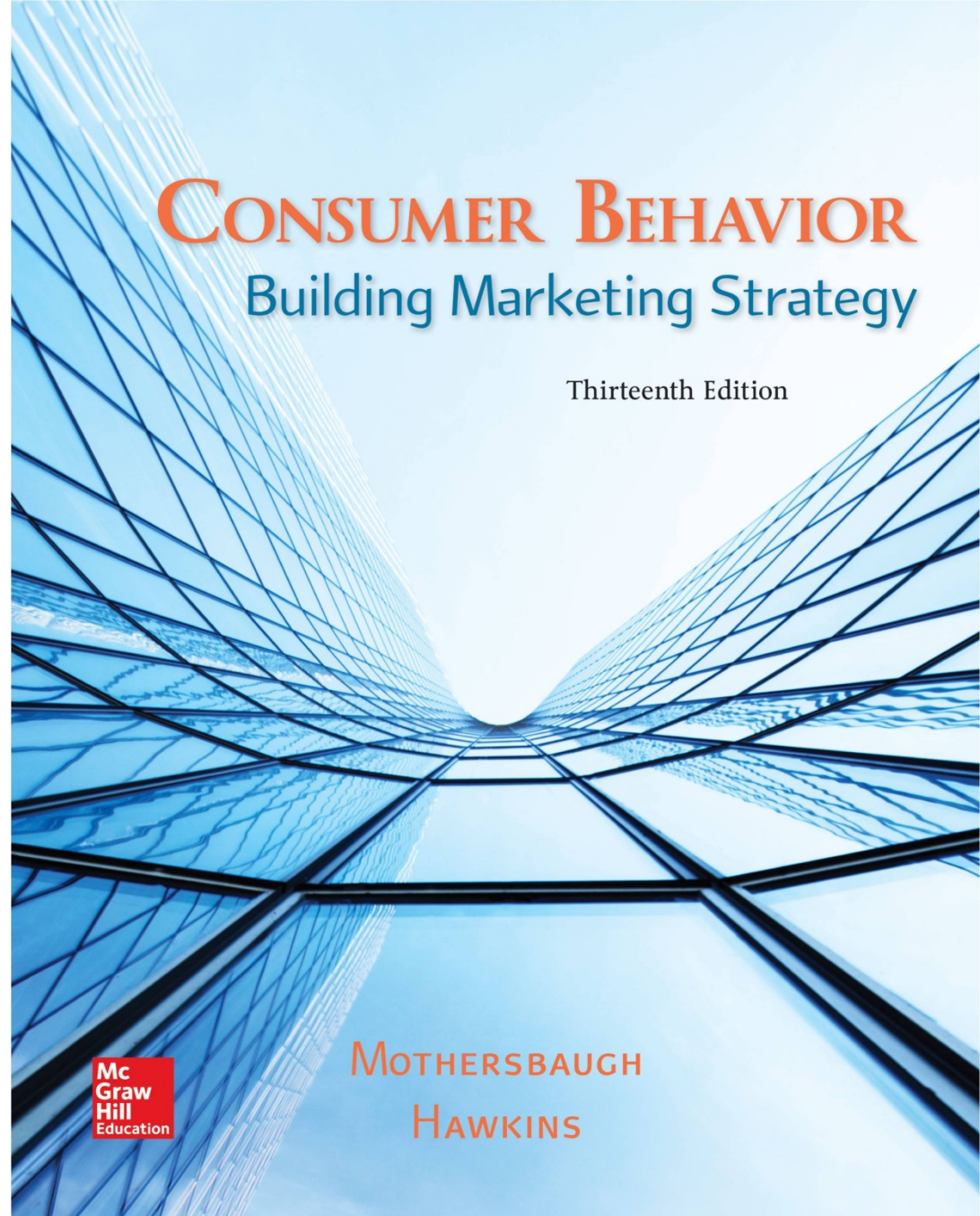
PART V: ORGANIZATIONS AS CONSUMERS

External Influences

Firmographics
Culture
Government
Reference Groups
Marketing Activities

Internal Influences

Organizational Values
Perception
Learning
Memory
Motives
Emotions

Organizational Culture

Experiences and Acquisitions

Needs/ Desires

Experiences and Acquisitions

Decision Process

Situations

Problem Recognition

Information Search

Alternative Evaluation and Selection

Outlet Selection and Purchase

Postpurchase Processes

Organizational Buyer Behavior

Overall Model of Organizational Buyer Behavior

Organizational Purchase Process

➢ *Decision-Making Unit*

➢ *Purchase Situation*

➢ *Steps in the Organizational Decision Process*

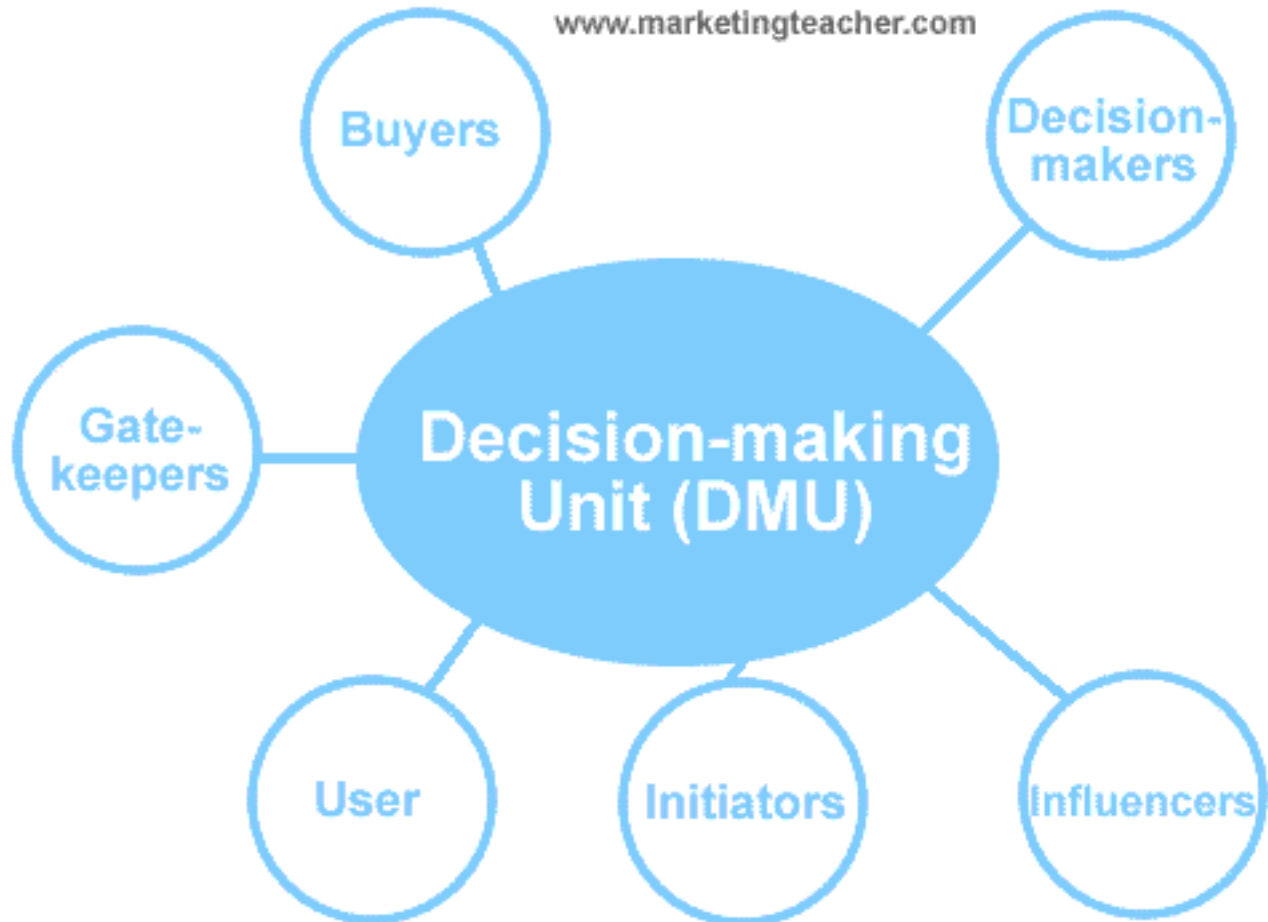➢ *The Internet's Role in the Organizational Decision Process*

Organizational Purchase Process

Decision-Making Unit

Decision-making units (DMUs) are the individuals in an organization who participate in making a purchase decision.

They function as *buying centers* when they consist of individuals from various areas (e.g., engineering, accounting, marketing).

© Robert Nicholas / age fotostock

Buyers

Decision-makers

Gate-keepers

Decision-making Unit (DMU)

User

Initiators

Influencers

Organizational Purchase Process

Decision-Making Unit

Can Vary Over the Product Life Cycle: Microprocessor Purchasing by OEM

Stage of Product Life Cycle	Size of DMU	Key Functions Influencing the Purchase Decision
Introduction	Large	Engineering and R&D
Growth	Medium	Production and top management
Maturity	Small	Purchasing

Organizational Purchase Process

Purchase Situation

➤ *Straight Rebuy*

➤ *Modified Rebuy*

➤ *New Task*

Organizational Purchase Process

Steps in the Organizational Decision Process

➢Problem Recognition

➢Information Search

➢Evaluation and Selection

➢Purchase and Decision Implementation

➢Usage and Postpurchase Evaluation

TABLE 19-3   Decision Process in Purchasing a New CRM System

Stages of the Purchase Decision Process	Key Influences within Decision-Making Unit	Influences Outside the Decision-Making Unit
Problem recognition	Director of operations	Field sales agents
	Sales manager	Administrative staff
		Sales assistants
		CRM sales representative
Information search	Data/CRM specialist	Operations personnel
	Director of operations	CRM sales representative
	Purchasing manager	Other corporate users
		Office systems consultant
Alternative evaluation	Vice president of sales	Office systems consultant
	Data/CRM specialist	CRM sales representative
	Director of operations	
	Sales manager	
	Purchasing manager	
Purchase decision	General management	
	Vice president of sales	
	Purchasing manager	
Product usage	Director of operations	Field sales agents
	Sales manager	Administrative staff
		Sales assistants
		CRM sales representative
Evaluation	Director of operations	Field sales agents
	Sales manager	Administrative staff
	Vice president of sales	Sales assistants
	General management	

Organizational Purchase Process

Information Search

Information search can be both formal and informal

The formal information search process can include

- site visits to evaluate a potential vendor

- lab tests of a new product or prototype, and

- investigation of possible product specification

The informal information search process can include

- discuss with sales representatives

- attend trade shows

- read industry-specific journals

Organizational Purchase Process

Evaluative Criteria and Organizational Role				TABLE 19-5
	Functional Role in Organization			
Evaluative Criteria Used in Purchase Decision	**Purchasing**	**Management**	**Engineering**	**Operations**
Vendor offers broad line	X	X		
Many product options available	X	X		
Ease of maintenance of equipment			X	X
Competence of service techniques		X	X	X
Overall quality of service		X	X	
Product warranty	X	X	X	X
Delivery (lead time)				X
Time needed to install equipment	X			X
Construction costs	X		X	X
Vendor has lowest price	X	X	X	
Financial stability of vendor	X		X	X
Vendor willing to negotiate price	X			
Vendor reputation for quality	X	X	X	
Salesperson competence		X	X	X
Compatibility with equipment	X	X		
Available computer interface	X			

Source: Adapted from D. H. McQuiston and R. G. Walters, "The Evaluative Criteria of Industrial Buyers: Implications for Sales Training," *Journal of Business and Industrial Marketing,* Summer–Fall 1989, p. 74.

Organizational Culture

Organizational culture is much like lifestyle - organizations vary dramatically in how they make decisions and how they approach problems involving risk, innovation, and change.

Also known as *corporate culture*.

It reflects and shapes a firm's needs and desires, which influences how they make decisions.

Chad Baker/Ryan McVay/Getty Images

External Factors Influencing Organizational Culture

➤ *Firmographics*

- *Involve both organization characteristics and characteristics of the composition of the organization*

➤ *Culture/Government*

➤ *Reference Groups*

External Factors Influencing Organizational Culture

Firmographics

➢ Size

➢ Activities and Objectives

➢ Location

➢ Industry Category

➢ Organizational Composition

➢ Macrosegmentation

External Factors Influencing Organizational Culture

Firmographics

Organizational Activities Based on Organizational Objective and Nature of Activity TABLE 19-7

General Organizational Objective	Nature of Organizational Activity		
	Routine	Complex	Technical
Commercial	Office management	Human resource management	New-product development
Governmental	Highway maintenance	Tax collection	Space exploration
Nonprofit	Fund-raising	Increase number of national parks	Organ donor program
Cooperative	Compile industry statistics	Establish industry standards	Applied research

External Factors Influencing Organizational Culture

Culture/Government

Variations in values and behaviors across cultures affect organizations as well as individuals. Examples:

➢ In many parts of the world, businesses and governments work more closely together than is the case in U.S.

➢ In America, Japan, and most of Europe, bribery and similar approaches for making sales are not acceptable.

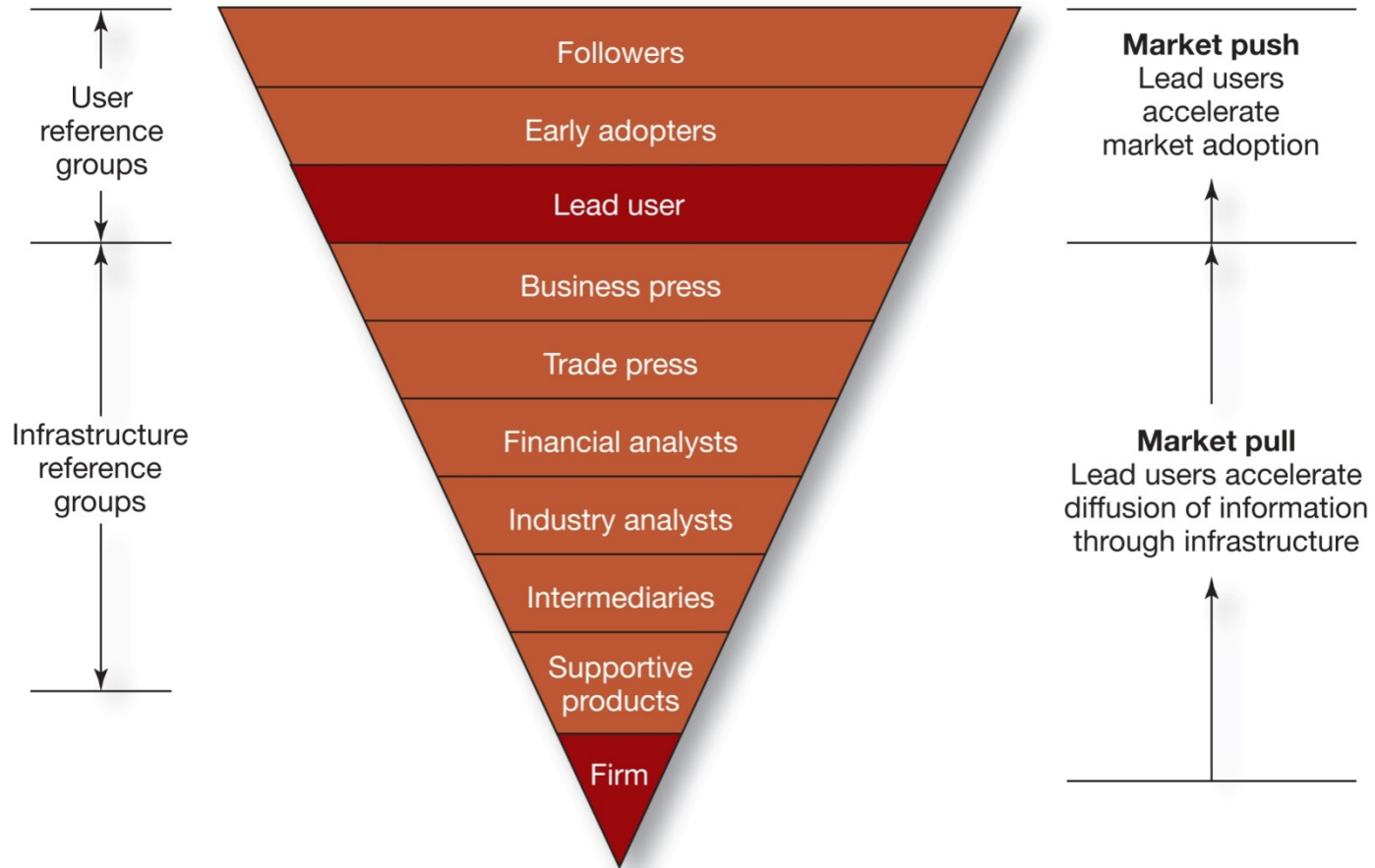# External Factors Influencing Organizational Culture

Reference Groups

Reference groups influence organizational behavior and purchasing decisions.

> *Lead users* are innovative organizations that derive a great deal of their success from leading change.

> *Reference group infrastructure* refers to the flow of purchase influence within an industry.

External Factors Influencing Organizational Culture

Reference Groups

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User reference groups

- Followers
- Early adopters
- Lead user

Infrastructure reference groups

- Business press
- Trade press
- Financial analysts
- Industry analysts
- Intermediaries
- Supportive products
- Firm

Market push
Lead users accelerate market adoption

Market pull
Lead users accelerate diffusion of information through infrastructure

Source: Roger Best and Reinhard Angellhard, "Strategies for Leveraging a Technology Advantage," *Handbook of Business Strategy*, 1988.

Internal Factors Influencing Organizational Culture

➢ *Organizational Values*

➢ *Perception*

➢ *Learning*

➢ *Motives and Emotions*

Organizational Buyer Segments and Marketing Strategy

- ➢ **Buyers can be segmented by their approach to the seller and the decision**

  - ➢ **Transactional exchanges**

    - ➢ **Short term and few relational investments**

    - ➢ **Lack of loyalty**

  - ➢ **Relational exchanges**

    - ➢ **Long term and high relational investments**

    - ➢ **Strong loyalty**

- ➢ **Sellers must adapt strategies for these different buyer types**