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Chapter 2: Buyer Behaviour

Tips for introducing the concepts

Overview

Understanding and engaging with the customer are clearly fundamental to the business marketer. This chapter includes themes typically covered in discussions of organizational buying, namely the decision-making process and the decision-making unit, variations in behaviour associated with these and the consequences for the business marketer. These are topics with which students are likely to be already familiar from introductory marketing courses but an important aspect of the chapter is the need to place this behaviour within the context of markets in which business customers compete their business strategies and the contribution expected of purchasing to organizational performance. In presenting the material contained in this chapter, we try to highlight the fact that these issues will shape the way in which a business customer (and to which we should obviously add its employees) engages with external markets to satisfy its supply needs.

Ideas for the class

As we have already noted, it can be challenging for students to get to grips with the notion that marketing takes place between organizations. Continuing to help students overcome this and/or to broaden their understanding of organizational markets, coverage of customer behaviour could be started by getting students to think about a particular market and organization that operates in that market. If students have limited experience of business markets, then it can be a consumer market, because what we are really interested in is getting students to think about the behaviour of organizations who feature in these end consumer markets. So students might think of fashion retailers such as FatFace, GAP; supermarket chains such as Aldi, Tesco, Walmart; food chains such as Nandos, Pizza Express; brands such as Nike. Students might equally consider the institution at which they are studying. Yes these various organizations compete in consumer markets, but they also represent clients to the business marketer. The class could then go on to focus on a particular organization within a specific industry, the nature of its business activities and select a product used by their target organization. Students can be asked to consider factors likely to influence purchase behaviour associated with purchasing the product, describe the stages

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in the decision-making process that might be enacted, who might participate in the purchase process and when, as well as the likely interests and influence of the various DMU members. The discussion can then move on to considering how a supplier of the chosen product/service (the business marketer – and it helps to base this part of the exercise on actual companies too) might try to influence and respond to and shape the behaviour of the target customer organization in the selected business market.

In using this activity, it is possible to integrate it into an interactive lecture, where the tutor might initially start by getting students to come up with firms with which they are familiar, but have in mind one particular organization and product (and marketer of it) which can be used as the basis of discussion.

Alternatively students can be given these activities in preparation and ahead of class discussion or equally it can be used as the basis of an assignment. Each of these gives greater scope for students to search selected markets, view target business customer and also marketer websites, and can result in a range of business markets and products which extends the breadth of student knowledge considerably – particularly if the markets, customers, products and suppliers are posted online and weblinks provided to enable all students to visit these.

Alternative activities could involve students being set the task of sourcing information about selected firm's procurement policies. So for example:

Aldi: outlines information on procurement policies within its 'Corporate responsibility' page

Apple: provides outline information on supplier policies on their procurement page.

Nestle: visiting the company's site and entering 'supplier code' in the search function will provide students with listings of information on aspects of Nestlé's sourcing policies.

https://www.aldi.co.uk/about-aldi/corporate-responsibility

www.apple.com/procurement

www.nestle.com

B2B Scenario 2.1 Broken Glass

The scenario is based on Hurkens et al.'s (2006) case study application of TCO to the independent auto repair chain Carglass. The scenario provides background information on Carglass' parent company Belrom as well as the nature of auto glass supply to the aftermarket.

As a company dealing with end consumers, the scenario allows students to see the connection between a business operating in consumer markets but which at the same time is an organizational

customer for glass suppliers. The scenario describes the movement of glass pieces through Carglass' distribution system, showing how costs other than purchase price might be incurred and which Carglass need to account for in trying to determine the true cost of doing business with a glass supplier. The scenario can be used to simulate preparation for and an actual meeting between Carglass' and its two leading suppliers.

The article by Hurkens et al. (2006) provides more detail on how TCO was framed in the case of Carglass and this could be used to guide a purchasing team to draft briefing a document for meetings with ARG suppliers. Equally, in receiving the briefing document and measures that Carglass propose to use for TCO analysis, the supplier's customer account team could suggest ways in which TCO might be used and the efficiency of Carglass' supply chain improved.

B2B Scenario 2.2 Pitch Perfect?

This scenario introduces students to a sector which many do not seem to immediately associate with B2B marketing or business buying. It also exposes students to developments both in the purchasing function (as it becomes increasingly involved in services procurement) and the extension of e-procurement by customers in the sourcing of services from sectors such as the advertising industry. Students could quite readily draw from table 2.3 to infer the impact of auctions on relationships but it is also possible to

- look at the scenario to examine whether pitch the process might be deemed as fair
- draw from sources to discuss use of e-procurement for advertising & to allow students to consider whether e-auctions would have a major impact on agency bids or client selection decisions.

Chapter case study: Healthy Business!

Overview

The case study provides a vehicle through which to examine the complexities associated with procurement in the healthcare sector, sector variations between countries and scale of possible supplier involvement from contract cleaning to major capital investment projects. One way of dealing with the case is to direct students to a specific outsourced service (rather than leaving them to choose) and then examining these in relation to purchase behaviour. So for example at two extremes – contract cleaning (as supplied by MediRest) and supply of integrated non-clinical solutions (such Serco and the Fiona Stanley Hospital, Perth).

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The indicative questions

Question one gives students the opportunity to apply some of the principles associated with buyer behaviour covered in the chapter, albeit with varying degrees of complexity. Getting students to think about contract cleaning themselves is perhaps feasible, less daunting and certainly less complex and thinking about service performance criteria could generate some discussion. Assuming that students do not go to listed information sources, besides discussing answers, students could be taken to NHS link (www.nrls.npsa.nhs.uk) and by entering 'cleaning', learn about policies and monitoring of hospital cleanliness. At the other extreme and perhaps via a broader plenary discussion, students could be encouraged to consider a major capital investment project such as the Fiona Stanley Hospital. Again, following on from that discussion, the class could be provided with summary information on purchasing policies followed by Fiona Stanley Hospital for facilities management (www.fsh.health.wa.gov.au/~/media/Files/Hospitals/FSH/PDFs/Summary%20of%20FSH%20Facilities%20Management%20Project.ashx)

A way to finish this question (although it might trigger some debate) is how easily hospital authorities can monitor performance of contracted service suppliers – students could for example examine publicity surrounding the outsourcing contractor Serco.

Question two

This serves more as a general observation regarding the extent to which publicly available information can guide purchase decisions. Companies such as Johnson Controls provide quite informative videos to showcase their work in the healthcare sector. Students might be shown, for example Johnson Control's video case of the facilities management service supplied to Baptist Memorial Hospital

https://www.youtube.com/watch?v=vYYlv5pRVP0 and encouraged to consider

- its purpose and likely target audience
- whether it might be of use of other hospital managers considering sourcing integrated solutions and if so, at what stage in the decision process
- what other sources managers might use before contacting suppliers such as Johnson Controls.

Using the supplementary readings

The three suggested journal articles are:

Guinipero, L. C., Hooker, R. E., & Denslow, D. (2012). Purchasing and supply management sustainability: Drivers and barriers. *Journal of Purchasing and Supply Management, 18*(4), 258–269.

Makkonen, H., Olkkonen, R., & Halinen, A. (2012). Organizational buying as muddling through: A practice-theory approach. *Journal of Business Research, 65*(6), 773–780.

Wagner, S. M., & Eggert, A. (2016). Co-management of purchasing and marketing: Why, when and how? *Industrial Marketing Management, 52*, 27–36.

Guinipero et al. (2012) and Wagner and Eggert (2016) provide students with insight into topical issues and themes that are recurrent in the content and articles that feature elsewhere in the book. Although conceptual, Wagner and Eggert (2016) could be used as a vehicle for the case study discussion, that is, involvement of hospital managers with customer facing roles in purchase decisions. Likewise, Makkonen et al.'s (2012) paper, intended to give some sense of what it is really like to deal with complex purchase decisions, could be related to capital investment purchases such as hospital projects.

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Chapter 2

Buyer Behaviour

Learning outcomes

Know how the nature of a company's activities and its business strategy affect its dealings with supply markets.

Understand differing purchasing orientations and their contribution to a customer's acquisition of supplier resources and capabilities.

Be able to explain the buying process and reasons why this process can vary.

Learning outcomes

- Be able to describe the membership and characteristics of the decision-making unit.
- Know about the job of the purchasing professional.
- Understand how buying has evolved in the digital era.

Purchase orientation

"philosophy" that: guides managers making purchasing related decisions

- delineates domain & span of influence
- varies between customers
- varies within a single organization
- matched with specific product category

Purchase orientation

Buying: lower total spend year-on-year

obtain best deal:

maximize power:

risk avoidance:

} least scope for business marketer to create & share value with customer

Purchase orientation

Procurement: maximize productivity

quality improvement:

reduce total cost of ownership

supplier cooperation

} scope for business marketer to contribute to customer's productivity focus

Purchase orientation

Supply management: maximize value along supply chain

firm efforts focused on delivering value to end customers

sourcing strategy centred around firm's core competencies & capabilities

supply network that efficiently completes required business processes

highly collaborative relationships with select supplier & sub-suppliers

Purchase process



Table 2.2 Buying situations and marketer actions

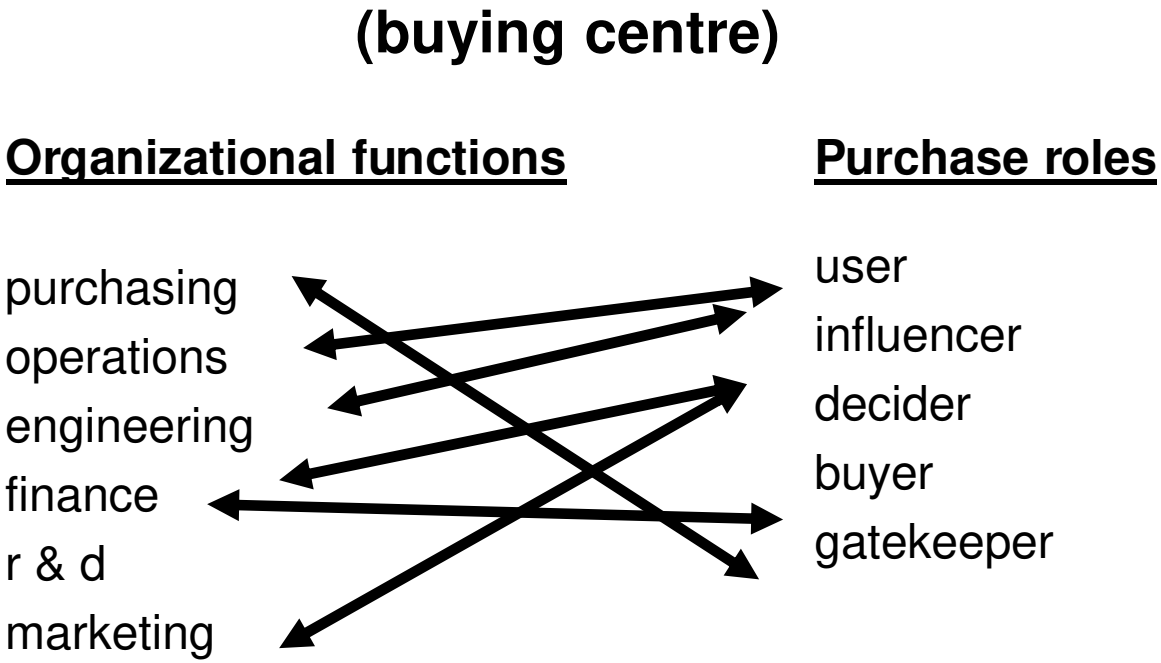
	Buying situation		
Marketer actions	New task (strategic:judgemental)	Modified rebuy (complex:simple)	Straight rebuy (routine:casual)
Out-supplier	track search and communication behaviour; secure purchase and specification information; tailor solutions to specific supply needs	develop customer insight; create communications messages to present value adding supply alternatives; deliver messages to match customer search behaviour	examine total cost of ownership; target users, designers, engineers
In-supplier	anticipate, monitor changing needs; offer consultation in specifying supply need	try to move to straight rebuy; reduce perceived benefits of supply switch	reinforce relationship regular communication; automated ordering

Decision-making unit

(buying centre)

Purchase roles	
user	Influence decision, may be part of DMU
influencer	affect final decision ref. needs, product & vendors
decider	makes final decision (may be more than one)
buyer	makes purchase; administers decision
gatekeeper	control information in/out of buying group can affect decisions

Figure 2.2 Decision making unit



What marketers need to know about DMU in buying process

what happens to DMU structure during different phases of process ?

- number of participants in DMU
- number of functional areas/departments represented
- number of hierarchical levels involved in purchase

changes likely to affect

- communication & influence patterns in DMU
- information needs at any given point in time

Ghingold and Wilson 1998

Knowledge about DMU in buying process
Value to marketers

Effective marketing hinges on
identifying: key DMU members concerns/needs
crafting solutions to: satisfy individual DMU member needs minimize perceived risk
early involvement to: reach & influence DMU participants before key decisions are made that will determine vendor choice

Ghingold and Wilson 1998

Questions for discussion

- How do the buying and procurement orientations differ? How will this affect the way in which an organizational customer might deal with suppliers?
- How will total cost of ownership affect the way in which a business marketer prices its products?
- Describe the decision-making process enacted by organizational customers, identifying how and why this process might vary.
- How has digital technology facilitated the tasks of organizational buying and what are the consequences of this for the B2B marketer?