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**Dimple Turka**  
Lecturer in Commerce,  
Govt College for Women,  
Ambala City, (Haryana)

**Sujata Sasan**  
Lecturer in Commerce,  
Govt College, Ambala Cantt.

## Organisational buying behaviour

**Dimple Turka, Sujata Sasan**

### Abstract

Behaviour is the process of responding to stimuli. There is a famous saying in consumer buying behaviour that is, to be a bull fighter you must first learn to be a bull. The same applies in the context of organizational buying behaviour. As organizational buying behaviour is more complex than consumer buying behaviour therefore, its study is necessitated well in advance. Organizational buying is the process whereby individuals decide whether, what, when, where, how and from whom to purchase goods and services. In the present paper the focus is on understanding about organizational buying behaviour, its nature and objectives. The light is also spread on what differentiates organizational buying behaviour from consumer buying behaviour. Various buying situations and the attributes affecting purchase decision are also highlighted.

**Keywords:** Industrial buying behaviour, business buying behaviour, B2B buying behaviour, Organizational buying behaviour.

### 1. Introduction

#### 1.1 Meaning

Organization buying is the decision-making process by which formal organizations establish the need for purchased products and services and identify, evaluate, and choose among alternative brands and suppliers. It is a set of complex events which depends upon level of experience the firm has in purchasing that goods or services. It is a multi-person activity.

Organizational behavior refers to the buying behavior of organizations that buy products for business use, resell or to make other products. Organizations consist of business, industries, retailers, government, and non-government organizations.

- Business and industries buy products for business use or to produce other products.
- Resellers buy products to resell at a profit.
- Government buys products for use in offices and development projects or to provide service to people.
- Non-government organizations buy products to provide service to their clients. They can be hospitals, educational institutions, religious and social organizations.

Organizational buying behaviour is also known as industrial buying behaviour, business buying behaviour and business to business buying behaviour.

Organizational buyers make buying decisions for their organizations and purchase products and services professionally. This type of buyer tends to be more knowledgeable than normal consumers. These decisions are taken by buying centre.

### 2. Some Examples of Organizational Buying

Paper cups by McDonald's

Fertilizers by Farmers

Computer chips by Toshiba

Accountancy services by Limited Companies

### 3. Nature of Organizational Buying

1. It involves many persons in decision making which may be from a range of departments or from different management levels.
2. It is a systematic and a pre-planned process.
3. Stretched decisions are taken.
4. Purchase for large volume is done.

**Correspondence**  
**Dimple Turka**  
Lecturer in Commerce,  
Govt College for Women,  
Ambala City, (Haryana)

5. It is a complex process.
6. Organizational buyers are trained professionals in purchasing.

#### 4. Purpose behind Purchase Decision

The purpose or objective may be classified into two broad categories, which are

1. **Task oriented objectives:** The organization mainly strive to achieve task oriented objectives such as payment of evaluated price, obtaining multiple services from supplier, getting best quality of product with assurance of uninterrupted supply.
2. **Non task objectives:** The buying centre members may have different personal objectives like power, promotion, job security, prestige, recognition, etc. These members sometimes enter into purchase agreement for achieving some mutual benefits.

Non task objectives are also important however task objectives must be prioritized over them.

#### 5. How Organizational Buying Is Different From Consumer Buying

Organizational buying is a new phenomenon in comparison to the consumer buying. It is different from consumer buying from various aspects such as:

1. **Negotiation as an important feature in organizational buying:** Negotiation is a discussion aimed at reaching an agreement. Though negotiation is also used in consumer buying up to some extent but it is of paramount importance in organization buying. The list price may be regarded as the starting point for negotiation.
2. **Importance of relationship:** As compared to consumer buying in industrial buying long term relations are valued by both purchaser and seller and the tendency of brand switching by buyers is less. Dedicated sales and marketing teams are employed by the sellers to service the customers.
3. **Less number of organizational buyers:** In consumer marketing more the number of buyers, more the chances of brand acceptance and preference. But in case of organizational buying the number of buyers is less and the success of organization totally depends on these few but precious buyers.
4. **More rationality involved in buying:** Although organizational buyers are also affected by emotional factors yet rationality is mostly placed over emotionality. Often decisions are made while considering many rational factors like life cycle cost, running and maintenance cost, feasibility and durability, etc. of a product.
5. **Nature of participants:** The members in organizational buying are mainly of professional background and belong to different departments like manufacturing, research and development, finance, purchase etc. It means organizational buying is holistic. While consumer buying may be performed by such people who may not have depth knowledge of the product.

#### 6. Various Buying Situations

1. **Straight re-buy:** The firm purchases the same product from the same supplier without any alterations unless there is compromise in the quality by the supplier or there is any technological advancement involved. This decision is very easy to make and does not require much

information. For example: reordering photocopying paper.

#### What supplier should do?

- Changing requirements of buyer must be taken care.
- Quality of product must never be compromised.

2. **Modified re-buy:** There may be modifications such as change in supplier or change in terms of contract. This situation may arise when the buyer notice a change in the quality of existing suppliers or higher price may be quoted by the present supplier in comparison to his competitor. For example: upgrading of software.

#### What supplier should do?

- All efforts must be placed at satisfying customers.
- Complaints regarding the product, if any, must be taken seriously.

3. **New task:** In new task the buyer makes the purchase for the first time. The cost of product is huge. There are large numbers of participants who use large amount of information to purchase then product. This situation involves high risk which may be because the company doesn't have much experienced team, so careful decisions are to be taken. The decision making consumes more time. For example: new software facility.

#### What supplier should do?

- Patiently explain the product or service
- Support the claims with literature
- Clarify all the doubts of buyer

4. **Systems buy:** In this process the organization gives a single order to a single organization for supplying a full system rather assembling, fabricating or constructing the system after procuring the units from various vendors. For example: assembled machines.

#### What supplier should do?

- He should select those units to assemble or fabricate which are as per the requirement and specifications of the buyer.

#### 7. Attributes Considered Before Making Purchase Decision

##### Environmental attributes

Social environment, cultural environment, technological environment, political environment, effect the organizational buying such as, expected demand for the product that the buying organization is selling, expected shortages for the item, expected changes in technology related to the item etc.

##### Organizational attributes

These factors are internal to the organization and effect the buying such as organizational goals and objectives, organizational policies, organizational structure like changes in purchasing department organization like centralized purchasing, decentralized purchasing and changes in purchasing practices like long-term contracts, relationship purchasing etc.

### **Interpersonal attributes**

The interpersonal relations between the members of buying units affect the buying decision such as participation and authority of the members, conflicts between the members, their mutual trust, risk taking ability, education and awareness etc.

### **Individual attributes**

These factors related to the buyer. What sort of ways of interacting and service are appreciated by the buyers and what ways are considered as irritants? Marketers have to understand the reactions of buyers.

### **Situational attributes**

The situation in which decisions are to be taken also affect the decision making, such as current financial position, availability of goods with suppliers, time involved in purchasing, etc.

## **8. Decision Making Units/ Buying Centre**

Organizational buying is often referred to as group buying where a number of individuals or groups undertake different roles in the buying process. An essential point to understand in organizational buying is that the buyer or purchasing officer is often not the only person who influences the decision, or who actually has the authority to make the ultimate decision. Rather, the decision is in the hands of a decision-making unit (DMU), or buying centre as it is sometimes called. This is not necessarily a fixed entity. The people in the DMU may change as the decision-making process continues. Different groups or individuals may play one or more of the following roles:

- **Users:** these are the people who will directly use or consume or require the product or service in order to undertake their operational duties.
- **Influencers:** these are individuals or groups who help specify the requirements or provide information to help evaluate the alternatives. People who provide technical input are usually in this group.
- **Buyers:** these individuals and groups have the formal authority to select vendors and undertake the actual purchase transaction. They may take a major role in the negotiations on price and conditions of supply.
- **Deciders:** These individuals have formal or informal authority to select the final supplier. May be the same as Buyers in routine purchases.
- **Gatekeepers:** These individuals informally or formally control the flow of information or access to other groups involved in the buying process.

For different types of purchase the formation of buying centre will vary. For very important decisions the structure of the DMU will be complex, involving numerous people within the buying organization.

## **9. Conclusion**

The organizational buying process is entirely different from the consumer buying process. While buying decisions are made relatively easily and quickly by individual customers, organizational buying involves thorough and deep analysis. Organizations purchase products ranging from highly complex machinery to small components.

In an organization, the purchase decisions are influenced by several individuals and are not made in isolation by an individual. Organizational buyers are more concerned about

the price and quality of the product along with the service being provided by the vendor. Price plays a major role, since the price of the raw materials is the investment from which profits are generated. Thus, price is a major factor which affects the profitability of the firm. Service also plays an important role, because no organization would like to buy goods from a vendor who cannot provide timely and efficient service.

As industrial buying is a joint effort of various members of a buying unit so conflicts are obvious which may arise between the members or between tasks oriented and non task oriented objectives. Conflicts are beneficial up to a particular level, but if get excess must be resolved well in time. Thus it is clear that effective industrial marketing strategy must begin with an understanding of industrial buying behaviour.

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