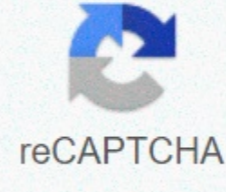




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Models of organizational buying behavior

Educational objectives Explain the purchasing decision-making process B2B Describe the factors influencing purchasing decisions B2B Individual consumers are not the only buyers in the market. Companies and other organisations also need goods and services to operate, operate their businesses and produce the offers they provide to one another and consumers. These organizations, which include manufacturers, vendors, government and nonprofit groups, purchase a wide range of products, including equipment, raw materials, finished products, labor and other services. Some organizations sell exclusively to other organizations and never come into contact with consumer buyers. B2B markets have their own patterns of behavior and decision-making dynamics that are important to understand for two main reasons. First, when you are a member of an organization, it is helpful to appreciate how and why organization purchasing decisions differ from decisions you make as an individual consumer. Secondly, many marketing roles focus on B2B rather than B2C marketing, or they may be a combination of the two. If you have the opportunity to work in B2B marketing, you need to be aware of how the decision making process differs in order to create effective marketing for B2B customers and target segments. Who are the organizational buyers? Unlike the consumer purchasing process, multiple individuals are usually involved in making B2B purchasing decisions. A purchasing agent or purchasing team (also called a shopping centre) may also be involved to help move the decision through the organisation's decision-making process and negotiate favourable terms of sale. Organisations define and enforce rules for purchasing decision-making with purchasing policies, processes and systems designed to ensure that the right people have oversight and final approval of those decisions. For more expensive purchases, a greater level of consideration, revision and approval is usually required. For anyone involved in B2B marketing or sales, it is important to know: Who will participate in the purchasing process? What criteria does each person use to evaluate potential suppliers? What level of influence does each member of the process have? What interpersonal, psychological or other factors about the decision-making team could influence this purchasing process? How well do individuals work together as a group? Who will make the final decision to buy? Because each organization is unique, the answers to these questions will vary for each organization and each sale. Traders should understand their target segments well enough to identify common information about where they exist and then develop effective marketing to address the identified common roles and decision makers. For example, a technology company that sells a travel and expense management system should expect decision makers from several departments to be involved in the purchase: human resources department (to ensure that the system is user-friendly for employees and compatible with the company's travel policies), accounting department (to ensure that the system is a good complement to the company's accounting and financial systems) and IT department (to ensure that the system is compatible with other systems and technologies used by the company). Traders should first focus on the managers in the group who are most responsible for travel and spending policies – usually human resources departments. Since the company creates serious interest and leads, marketing and sales employees should take the time to learn about the dynamics of decision making within each organization considering the system. Marketing and sales promotion activities can focus on getting each of the core decision making bodies to familiarize themselves with the product and then persuade them to do their final selection. B2B Purchasing situation Who makes the purchase decision depends partly on the situation. Common types of purchasing situations include direct reprimand, modified rebuy, and new task. Direct rebuy is the simplest situation: organization reorders good or service without any modifications. These transactions are usually common and can be fully processed by the purchasing department because the initial selection of the product and supplier has already taken place. With modified rebuy, the buyer wants to change the order of the product, but with some modification of the product specifications, prices, or other aspects of the order. In this situation, the purchasing agent may be involved in negotiations on the terms of the new order and several other participants who will use the product may participate in the purchase decision. A purchasing situation is a new task when an organization is considering buying a product for the first time. The number of participants and the amount of information sought tend to increase with the costs and risks associated with the transaction. For marketers, the new task is the best opportunity to acquire a new business because there is no need to squeeze out another supplier (which would be the case for a reprimand situation). For sales opportunities that are new tasks, there may be a possibility of selling the solution (sometimes called system sales). On these occasions, the buyer may be interested in a provider offering a complete package or solution to a business problem, not individual components that solve separate aspects of the problem. Providers win these opportunities by providing a company that has both the vision and ability to provide a combination of products, technologies, and services that solve the problem—and make everything work smoothly. Sales of solutions are particularly common in the technology industry. The characteristics of organizational purchasing B2B purchasing decisions include levels of complexity that are unique to organizations and in which they operate. Time consuming The organizational decision-making process often involves a long period of time, which creates a significant delay between the initial marketing contact with the customer and the purchase decision. In some situations, organizational buying can move very quickly, but it is more likely to be slow. When staff change, leave on holiday or rescheduled to other projects, the decision-making process may take even longer when new players are introduced and new priorities or requirements are introduced. Since various factors can enter the picture during longer decision cycles of B2B transactions, the marketer's ability to track and adapt to these changes is critical. Technical complexity Organizational purchasing decisions often involve a number of complex technical dimensions. These could be complex technical specifications for physical products or complex technical specifications linked to services, timing and delivery and payment terms. Purchases must fit into the wider supply chain used by the organisation to operate and produce its own products, and the repayment schedule must be aligned with the organisation's budgetary and fiscal plans. For example, Volvo's car purchasing agent needs to consider a number of technical factors before they can get a radio to be installed in a new vehicle model. The electronic system, interior acoustics and dashboard shape are some of these considerations. Organisational complexity Because each organization is unique, it is almost impossible to group them into precise categories when it comes to the dynamics of purchasing decisions. Each organization has a characteristic way of functioning, as well as personality and a unique culture. Each organization has its own business philosophy, which leads its steps in resolving conflicts, resolving uncertainty and risk, finding solutions, and adapting to change. Marketing and sales employees need to learn about each customer or prospect and how to work with them to effectively navigate the product selection process. Unique factors influencing B2B purchasing behavior Because organizations are beeathened from individual people, many of the same influencing factors discussed above in this module apply in the B2B setting: situational, personal, psychological, and social factors. At the same time, B2B purchasing decisions are influenced by various factors that are unique to the organizations, the people they employ, and the broader business environment. The individual factors of the B2B decision are influenced by the characteristics of the individuals involved in the selection procedure. The working status, tenure and level of a person in an organisation can play a role influencing purchasing decisions. In addition, the decision-making body's relations with peers and managers could lead to more or less final selection. Professional motives, personal style and credibility as a colleague, manager or leader can play a role. By way of illustration, the new head of department may want to introduce an updated technology system to help her organization work more productively. However, her brief time in the role and rivalry from other department heads could slow the buying decision until she showed her leadership skills and made a strong case for investing in new technology. Organizational factors Purchasing decisions, especially big-ticket expenses, can be influenced by the organization's strategy, priorities and performance. In general, decision-makers and business providers must provide a convincing explanation of how a new purchase will help an organisation become more efficient in achieving its mission and objectives. For example, if a company goes through a quarter with weak sales, the management team can slow down or stop purchasing decisions until performance improves. As suggested above, the organisational structure plays a central role in determining who is involved in the purchasing process and what this process entails. Internal organisational policy and culture can also influence who decision-makers are, what power they exercise in decision-making, the pace of the purchasing process and so on. Existing organizational systems, products, or technologies can also affect the purchasing process when new purchases must be compatible with what already exists. The business environment of B2B buying is also influenced by factors in the external business environment. The health of the company's economy and industry can determine whether the organization decides to move forward with significant purchases or postpone until economic indicators improve. Competitive pressures can create a strong sense of urgency around organizational decision making and purchasing. For example, if a leading competitor introduces a compelling new product feature that causes your organization to lose business, managers can't wait to move forward with a project or purchase that can help them regain a competitive edge. When new technologies are available that can improve products, services, processes or efficiency, it can create demand and sales opportunities among companies that want new technology to compete more effectively. Purchasing decisions can also be influenced by the government and the regulatory environment. Government organizations often have very strict, highly regulated purchasing processes to prevent corruption, and companies must abide by these regulations in order to obtain government contracts and business. Similarly, legislators or government agencies can create new laws and regulations that require organizations to change the way they do business or face sanctions. Inches Situations organizations tend to be highly motivated to do what is needed, including buying new products or changing the way they operate to comply. The complexity of B2B Solutions Sales With the rise of mobile communications, Air Canada found itself in a situation where its technology simply wasn't keeping up with what its passengers and employees needed. It has initiated a purchasing process to see what new systems and processes it should put in place to improve information, communication and how people interact with the airline. The following video provides insight into the technical complexity involved in Air Canada's decision and the reasons why ibm decided to provide the solution. Solutions.

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