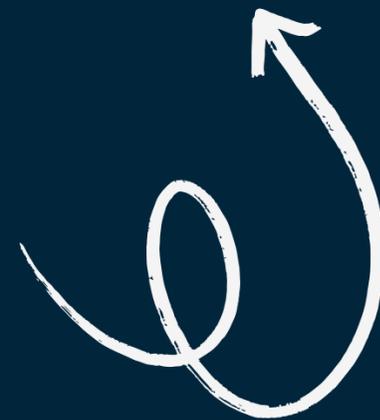




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# ORGANIZATION: CONSUMER BEHAVIOR & CONSUMER BUYING DECISION PROCESS

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# Organizational Consumer Behavior

It is the decision-making process of an organization in purchasing products or services to be used for production, operations, or resale

## **Derived Demand:**

Demand in the business market occurs only when there is supporting demand from final consumers

## **Buying Center:**

Decisions are usually made through a group of experts with systematic approaches and economic rationale



# Differences between Consumer Behavior in Business Markets and Consumer Markets

## 1. Market Structure

Fewer but larger buyers; the volume of purchase per transaction has enormous value

## 2. Nature of the Buying Unit

Highly complex, consisting of multiple parties with different roles

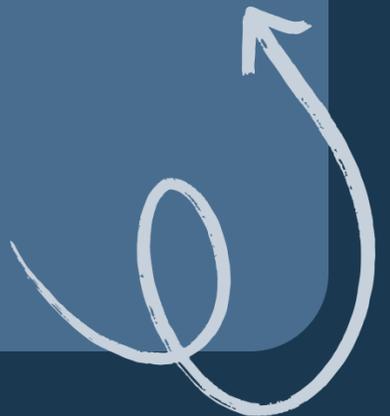
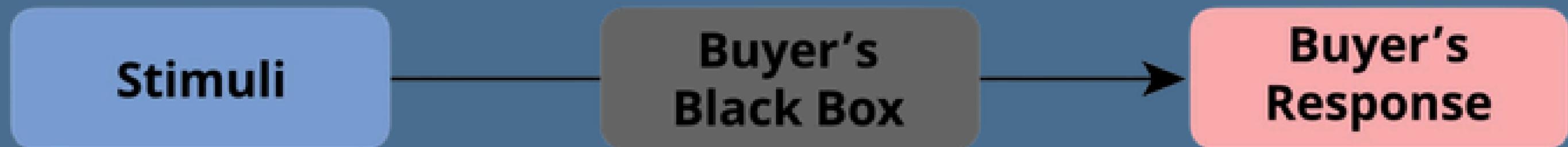
## 3. Decision-making Process

Formal, time-consuming, and emphasizes long-term partnerships



# The model of business buyer behavior

Organizations respond to external stimuli through a model consisting of marketing stimuli, the organizational black box, and buyer responses, which must be understood for effective marketing



# Marketing Stimuli

Marketing stimuli involve the combination of the marketing mix (4Ps), namely Product, Price, Place, and Promotion, to attract organizational buyers and effectively respond to the needs of the business market



Product



Price



Place



Promtion

# Other Stimuli (External Factors)

These are external environmental factors that the organization cannot control but must consider in decision-making, which have a high influence on determining the 'demand' and 'direction' of organizational purchasing, consisting of 5 factors

1. Economic Conditions
2. Supply Conditions
3. Technological Changes
4. Politics and Law
5. Competition



# Other Stimuli (External Factors)

## The Economy

Consists of the economic growth rate (GDP), interest rates, and consumer confidence

## Supply Conditions

It is the ability to access raw materials and resources necessary for production

## Technological Changes

The level of technological advancement affects organizational buying decision behavior in terms of **'innovation and obsolescence'**

# Other Stimuli (External Factors)

## Political and Legal Developments

Consists of government regulations, tax policies, and international trade agreements, which concern the organization in terms of 'legal compliance'

## Competition

It is the level of competitive pressure from market competitors, which affects organizational behavior



## (The Buying Organization) "The Black Box"

Understanding internal organizational factors is important because they affect the organizational buying decision process, which consists of key parts:

- Buying Center
- Buying Decision Process



# Buying Center

It is a group of individuals involved in purchasing, where three factors cause each organization to respond differently to external stimuli, namely:

- Organizational Factors
- Interpersonal Factors
- Individual Factors



# Organizational

These are behavioral determinants originating from within the buyer's own organization, consisting of five sub-factors as follows:

- Objectives
- Strategies
- Structure
- Systems
- Procedures



# Interpersonal

Group buying decisions are complex, as each individual is influenced by their expertise and role within the group, significantly affecting the overall decision. There are four sub-factors to consider, namely:

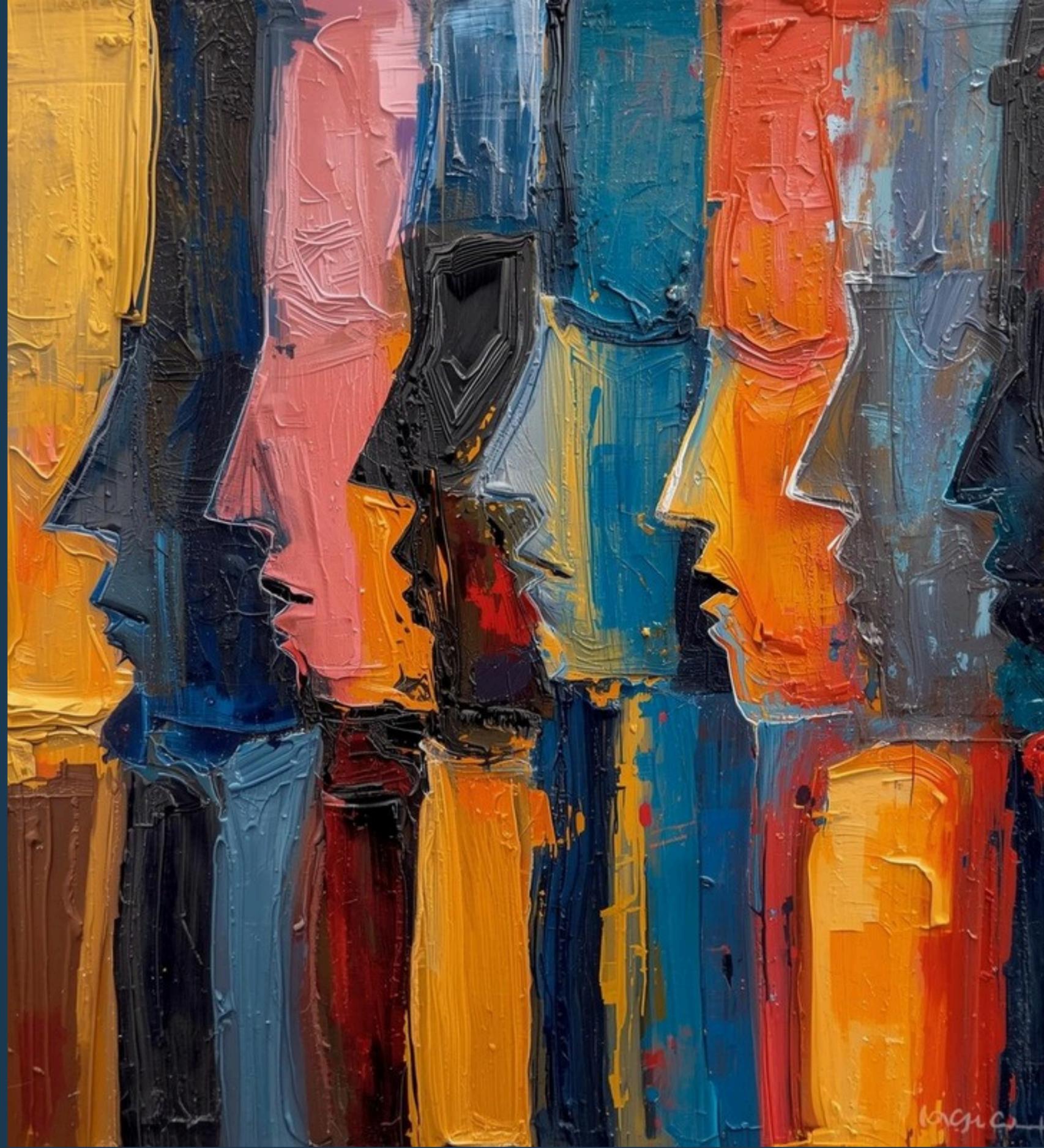
- Influence
- Expertise
- Authority
- Dynamics



# Individual

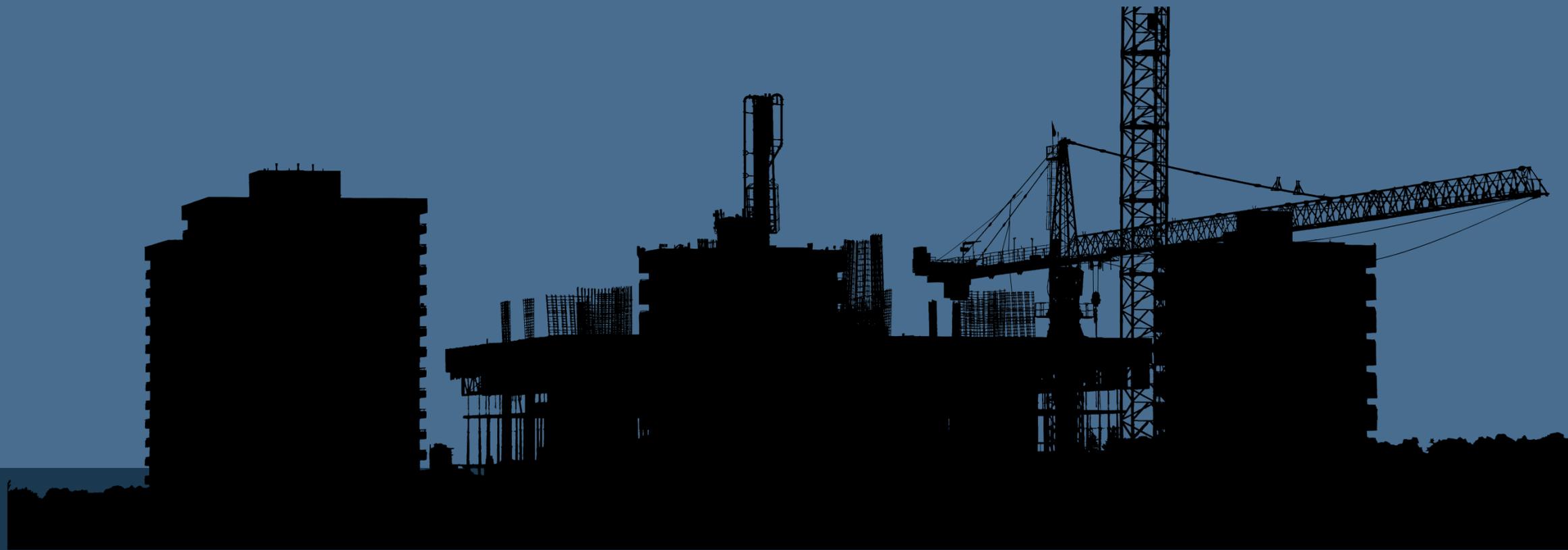
Individual factors reflect that each buyer in the buying center has a different background and attitude, which plays a significant role in buying decisions. The influential individual factors include:

- Age and Education
- Job Position
- Motives
- Personality
- Preferences
- Buying Styles



# Business Buying Decision Process

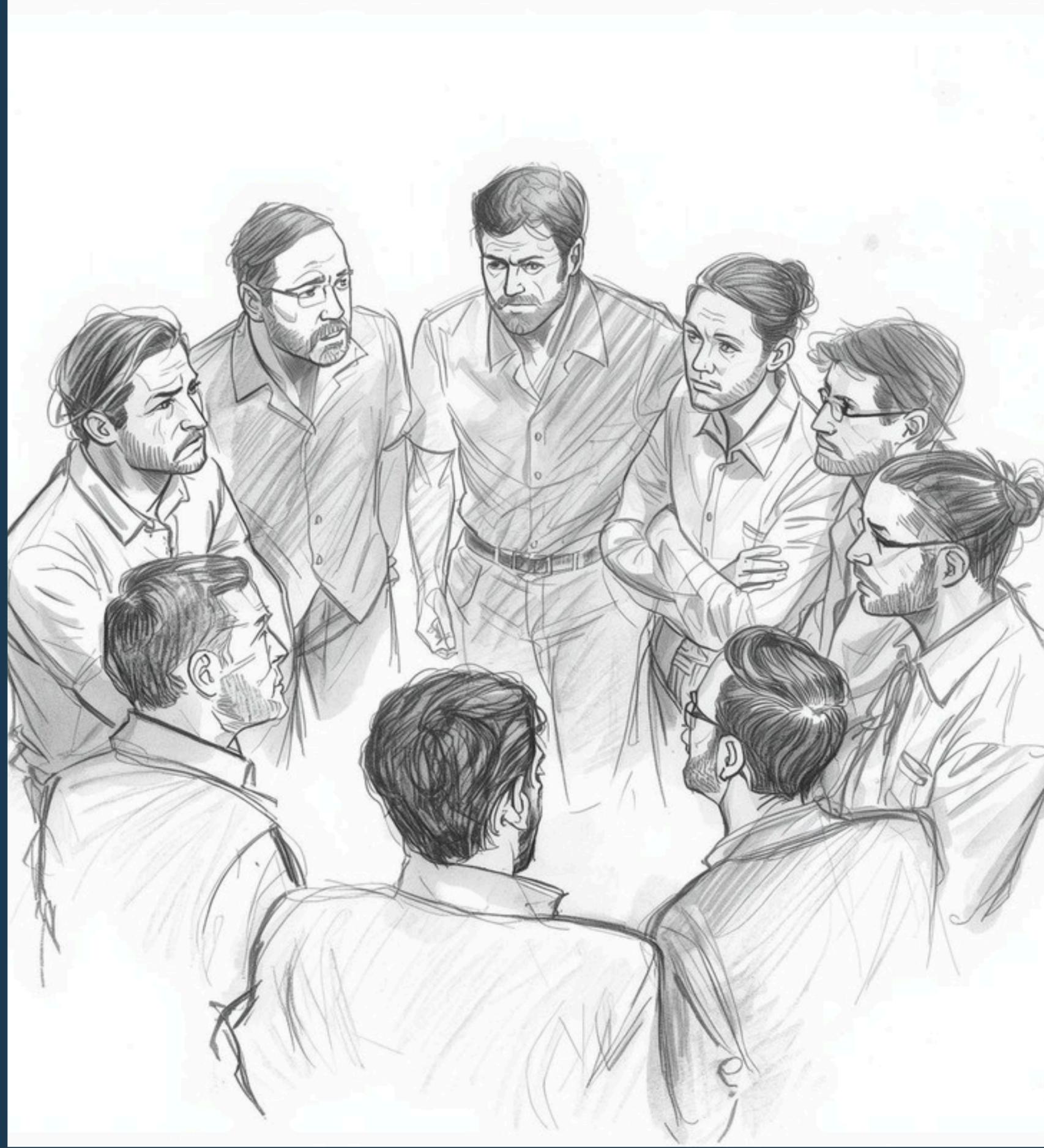
The business market buying decision process is more complex and involves more steps and participants than the consumer market. It consists of 8 main steps that help in identifying problems and needs, including searching for suppliers and performance evaluation



# Problem Recognition

It begins when someone in the organization perceives a difference between the 'actual state' and the 'ideal state.' The stimuli that lead to problem recognition consist of two categories, namely:

- Internal Stimuli
- External Stimuli



# General Need Description

In this stage, it is necessary to define the product characteristics and the required quantity by prioritizing criteria. Detailed sub-requirements typically consist of the following items:

- Determining Characteristics and Quantity
- Ranking the Importance of Criteria
- Identifying Initial Constraints



# Product Specification

It is value analysis and technical specification writing, which help the organization identify necessary features and appropriate requirements for the products to be procured. The key analysis topics are as follows:

- Value Analysis
- Technical Specification Writing
- Defining the Scope of Work (SOW)



# Supplier Search

The buying organization will conduct a search for the most suitable suppliers to meet the product specifications defined in the previous stage. The steps and details are as follows:

- Identify information sources and list of suppliers
- Preliminary screening
- Request for preliminary information



# Proposal Solicitation

The buying organization will invite qualified suppliers to present in-depth details on how they will meet the organization's requirements. The details are as follows:

- Issuing the Request for Proposal
- Presentation of work plans and capabilities
- Preparation of strategic proposals



# Supplier Selection

The buying center will analyze and compare proposals from various suppliers to select the supplier that can provide the maximum benefit to the organization. The sub-item details are as follows:

- Evaluation and scoring based on criteria
- Final negotiation
- Selection in the form of a partnership



# Order-Routine Specification

After the organization has selected the most suitable supplier, the process proceeds to making a formal agreement.

The key sub-item details are as follows:

- Preparation of purchase orders and contract terms
- Delivery and warranty planning



# Performance Review

It is the performance evaluation of the supplier after the products or services have been delivered. The evaluation details are as follows:

- Satisfaction and quality assessment
- Supplier scoring and ranking
- Future strategic decision-making



# Buyer Responses

The outcomes that occur after the organization passes through the 'black box' analysis process and reaches a concrete decision in 6 areas:

- Product and Service Selection  
The result of value analysis and integration into the existing system
- Supplier Selection  
The identification of partners who will be long-term strategic allies
- Order Quantity  
Calculations to align with the demand forecast

# Buyer Responses

- Delivery Terms and Timing
  - Logistics standards and Just-in-Time (JIT) delivery
- Service Terms
  - Service agreements required from the seller before and after product delivery
- Payment
  - Defining agreements regarding financial obligations between the buyer and the seller



# Q & A

