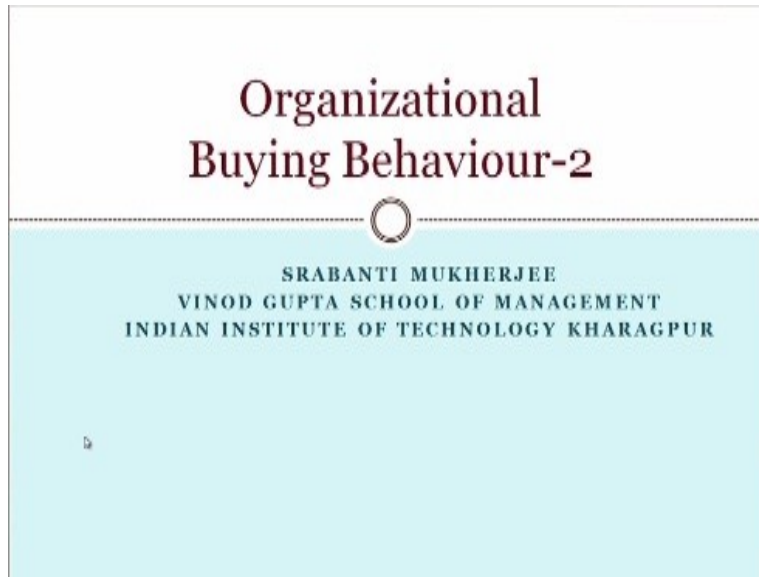


**Consumer Behaviour**  
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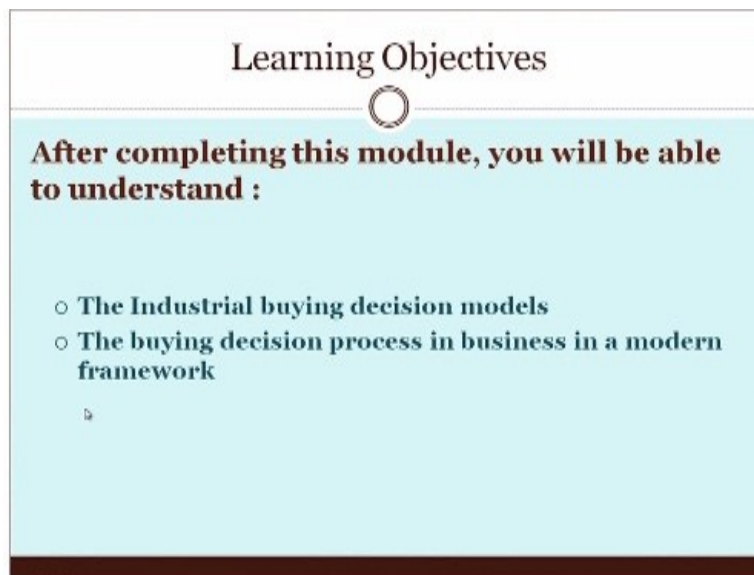
**Lecture – 39**  
**Organizational Buying Behaviour-2**

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Welcome and in this session, we will discuss the models of Organizational Buying Behaviour.

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So first, the Industrial buying decision models; the theoretical models and then I will talk about the buying decision process in business in a modern framework.

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### Robinson, Faris, and Wind Model (1967)

- According to the buy-phase model (Robinson et al., 1967), the purchase of a product or service starts as soon as the need is felt (Stage 1).
- Once the need is recognized by the relevant group, the technical and functional characteristics are determined (Step 2).
- In the third stage, the technical and the functional aspects are converted to performance standards (Stage 3) and the suppliers are asked to submit proposals (Stage 4).
- Thereafter, the proposals are analyzed based on the benchmarks specified (Stage 5) and the best vendor is chosen (Stage 6).
- Finally, the order procedures are chosen (Stage 7). Once the product is received and utilized, its performance with respect to the benchmarks is assessed (Stage 8).



So the first model which I would like to discuss is the Robinson, Faris, and Wind Model which was propounded in the years 1967. So according to the buy-phase model-- this is known as buy-phase model actually. So according to the buy-phase model the purchase of a product or service in industrial context starts as soon as the need is felt means, you have to buy a new machinery, okay. The organization needs to buy a new machinery maybe, so that.

Then once—because they want to increase the production work may be. There is a demand in the market they want to increase the production and they has they want to buy the new machinery so the need is felt. So once the need is recognized by the relevant group, the technical and functional characteristics of the machine is determined. That, how much electricity it should consume; what should be the exact quality; what should be the horse power of that machine; what kind of input it requires; what kind of output it produces all these things.

The third stage is the technical and functional aspect are converted to performance standards because these kind of machines will also have some comparable machines or some desirable attributes which would be specified by the engineers of the organization and that would be

converted into pen and paper in which they will mention that what are the technical specification they require in the product and what are the functional specification they require in the product.


And, difference suppliers will be asked to submit proposal; this is stage4. Thereafter, the proposals would be analyzed based on how close it is to the benchmark which was specified by the engineers and the best vendor would be chosen which means who is the vendor, whose product is suppose to have the closest technical and functional attributes as specified in the performance tender papers would be chosen.

And the finally, the order procedure are chosen. Once the product is received and utilized, its performance with respect to the benchmark would be assessed and accordingly the reorder would be given.

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### Webster and Wind Model (1972)

- The industrial marketing professors Frederick E. Webster and Yoram Wind (1972) propagated the 'buying centre' concept to configure large scale sales in complicated business environments.
- However, in the beginning of 1980's, Thomas Bonoma, another eminent consumer psychologist, incorporated the role of initiator to further elucidate the initial list of five roles explained by Webster and Wind.
- In a company, a buying process depends on the individual/s involved in or has any kind of stake in the buying decision.
- The task of different buying centers is: information search and collection, developing choice criteria, and based on those choice criteria choosing the most appropriate one amongst the available alternatives




Webster and Wind not only—see this particular model this Professor Wind, he has taken it a straightforward and he has said clubbed with Frederic E. Webster in 1972 and they have propagated the theory of 'buying centre' concept to configure large scale sales in complicated business environment. However, in the beginning of 1980's, Thomas Bonoma, another eminent consumer psychologist, incorporated the role of initiator to further elucidate the initial list of five roles explained by Webster and Wind.

In a company, a buying process depends on the individual involved in or has any kind of stake in the buying decision. The task of different centers is information search and collection, developing choice criteria, and based on those choice criteria choosing the most appropriate one amongst the available alternatives.

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### Webster and Wind Model (1972)

- **Gatekeepers:** A gatekeeper refers to anyone in the organization who can control and manipulate the flow of information in the buying process.
- **Influencers:** An influencer is usually somebody who exerts considerable influence on the decider or buyer to take a decision on choosing an alternative.
- **Deciders:** Deciders, more often the purchase manager may take the decision regarding the selection of brands and the terms and conditions related to the purchase.

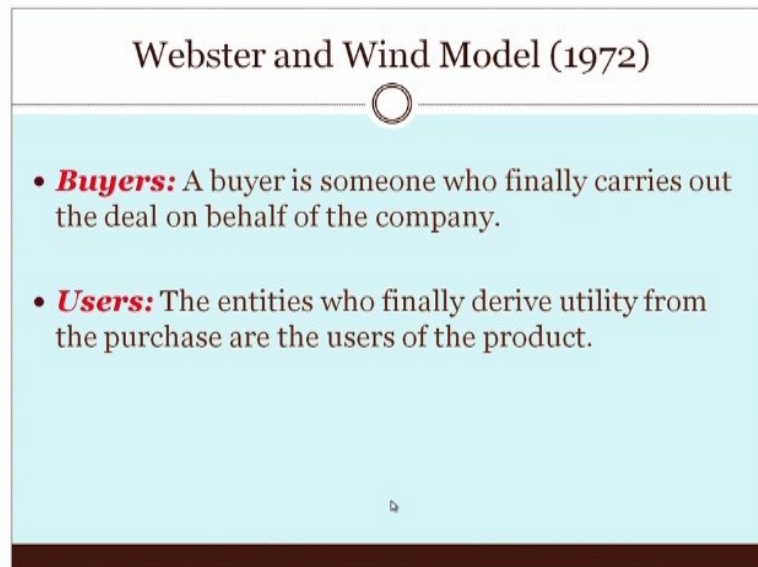


This is very similar to the consumer buying decision process although the elements are different, or the entities are different, like Gatekeeper. The Gatekeeper refers to anyone in the organization who can control and manipulate the flow of information. It maybe the clothes in the purchase department or the purchase of himself, or maybe the he is bringing information about very new machinery or very upgraded machinery and he wants to use that in the system then come the influences.

An influencer is usually somebody who is exerts considerable influence on the decider or buyer to take a decision. It maybe the finance manager who wants stop the cost. It maybe the production manager who wants to optimize the quality. It maybe the marketing manager who wants to promote it more like this. Deciders finally more often the purchase manager may take the decision regarding the selection of brands.

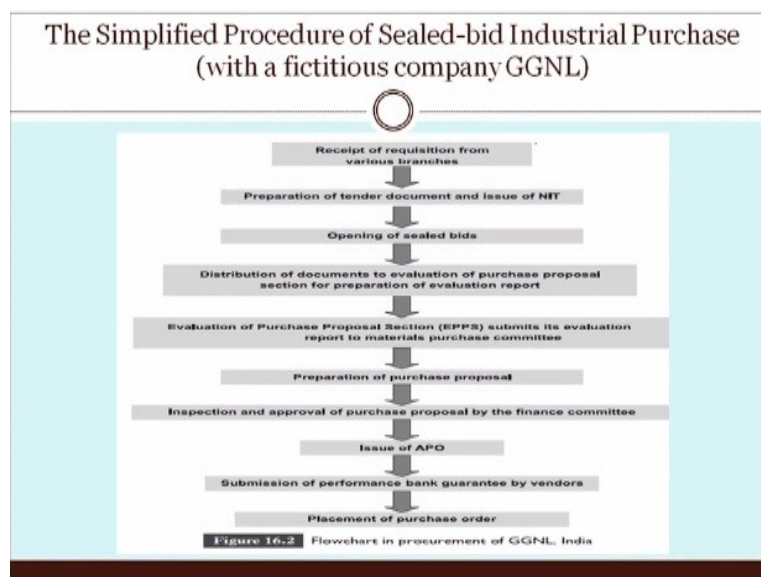
If it is an expensive one, then very expensive decision may be fully developing a new factory or something so in those kind of cases maybe the top management will be involved in taking the decision.

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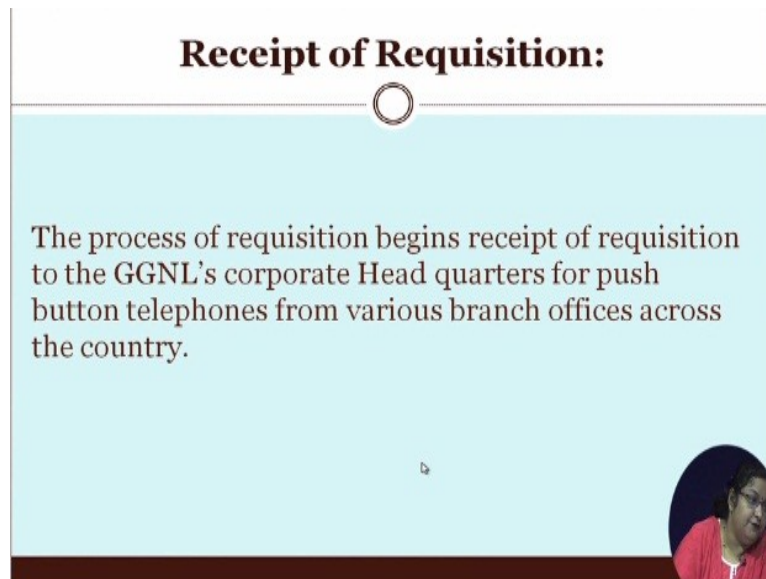
Buyers, the person who actually carries out the deal on behalf of the company; no doubt this is the Purchase Manager of the company and the users the entities who finally derive utility of the purchase. In this case, Use means those who are using the particular machinery or the spare part for further production.

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Now, this was the theoretical models but now we will discuss very simple procedure model which happens actually during the industrial purchase procedure. You can look at this flowchart, but I will explain this flowchart. I will explain all the steps of this flowchart.

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The first step is the Receipt of Requisition. I am taking here a fictitious organization GGNL it is almost in organization like BSNL kind of or any of other say Airtel or Vodafone kind of organization or it may be any other organization who procures push-button telephones. And how the buy push-button telephones, that is my consideration. The process of requisition begins with the receipt of requisition from GGNL's corporate Head quarters to push-button telephones from various brand offices across the country.

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### Preparation of tender document & issue of NIT (Notice Inviting Tender)

- At the same time, a copy of NIT has to be sent to Indian Trade Journal, Telecom Equipment Manufacturer's Association (TEMA) and other relevant bodies.
- The qualified bidders should be only those Indian companies those who are registered to produce the push-button telephones in India, after getting clearance from the Reserve Bank of India.
- For this procedure, the company may schedule total 10 days. If the bidders have any query related to this procedure, they have to make it clear within this time period only.
- The contents of the bid documents are filled up tender forms, technical specifications, price schedules, security form, performance security bond form and any other relevant document.

Then what happens preparation of tender document and issue of NIT which is Notice Inviting Tender. So within 5 working days—this is a fictitious organization so I am mentioning 5 working days, in reality it may differ organization may select 7 working days or 10 working days or 5 working days as they feel deal with. So for example here I am assuming within 5 workings days of receipt of requisition from several branch offices based on the customer's order.

Because I said it is a derived demand industrial demand is derived demand so as many as customers are asking for landline telephones connection the demand for the push-button telephone would be depending on that. And branches will place their requisition based on the demand in the branches. So anyway let us continue. The approximate quality, quantity and the other technical specifications; the expected lead time, delivery mode.

Payment mode has to be analyzed by the purchase section. Accordingly, the NIT the Notice Inviting Tender would be issued by the Corporate Head quarter and shall be published into national and local newspaper and also in the company's web portal.

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### Preparation of tender document & issue of NIT (Notice Inviting Tender)

- At the same time, a copy of NIT has to be sent to Indian Trade Journal, Telecom Equipment Manufacturer's Association (TEMA) and other relevant bodies.
- The qualified bidders should be only those Indian companies those who are registered to produce the push-button telephones in India, after getting clearance from the Reserve Bank of India.
- For this procedure, the company may schedule total 10 days. If the bidders have any query related to this procedure, they have to make it clear within this time period only.
- The contents of the bid documents are filled up tender forms, technical specifications, price schedules, security form, performance security bond form and any other relevant document.

At the same time, a copy of NIT has to be sent to the Indian Trade Journal, Telecom Equipment Manufacturer's Association (TEMA). If it is any other product then telephone then accordingly if it is for Jute then the Jute Board, so similarly in that way. Whichever is the-- you know the Indian authority for that so you have to send a copy to them. The qualified bidders should be only those Indian companies those who are registered to produce the push-button telephones in India after getting clearance from the Reserve Bank of India or Central Bank.

For this procedure, the company may schedule a total of 10 days, this again differs. This is a fictitious organization I am taking 10 days it maybe 10 days, 15 days, 12 days whatever the companies feel deal with. If the bidders have any query related to the procedure they have to make it clear within the time period only, which means if they want to know about any specification about it; about the tender then they can ask at that time only.

The contents of the bid documents are filled up tender forms, technical specifications, price schedules, security form, performance security bond form and any other relevant document.

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## Opening of the sealed bids



- Once the time period of submission of the tenders is over, GGNL fixes up a particular date to open the bids.
- The GGNL's purchase manager and the authorized representative of the vendors would be eligible to be present at that time.
- After opening all the sealed tenders, all the bidder's names, quoted price and other details as the purchaser will be announced.

Now what happens, once you have received all these sealed bids then you have to schedule the opening of the sealed bids. Once the time period of submission of the tenders is over, the company fixes up a particular date to open the bids. The company's purchase manager and the authorized representative of the vendors would be eligible to be present at that time. After opening this—now this also differs.

Because in some organization it is not only the purchase manager it maybe some other members of the organization may also have to present depending on the volume of the I mean the how expensive the procurement is, based on that or the how important the purchase this based on that it maybe some other members, important members of the organization also might be present that time or any legal advisor can also be present at that time because of possible legal disputes.

So after opening sealed tenders, all the bidder's names, quoted price and other details as the purchaser will be announced.

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### **Distribution of documents to Evaluation of Purchase Proposal Section for preparation of Evaluation Report**



- The Purchase manager, who acted as the bid opening officer here has to submit all the documents to the Evaluation of Purchase Proposal Section (EPPC).
- Within a month's time, the EPPC, considering all technical, payment procedural, delivery mode specific issues and the financial aspects may be evaluating all the bid documents.
- They will elect the most appropriate one for them as per the terms and conditions predetermined in the tender document.
- Based on its recommendations the EPPC will develop their Report and submit it to the materials purchase section (MPS).
- If any clarification from the vendor/s is required at this stage that also can be made at this phase only. In case of any modification required in the tender document regarding any finer technical attribute, that may be mentioned on the report based on the consensus of EPPC and the vendor.

Then what happens is the next step that is Distribution of documents of Evaluation of Purchase Proposal Section for preparation of Evaluation Report. The Purchase manager, who acted as the bid opening officer here has to submit all the documents to the Evaluation of Purchase Proposal Section – EPPC. Within a month's time, the EPPC, considering all technical, payment procedural things, the delivery mode specific issues and the financial aspects may be evaluating all the bid documents.

Now they will elect the most appropriate one for them as per the terms and conditions predetermined in the tender documents. Like, what technical attributes the product should have, what should be the payment—payment or onetime payment, what should be the frequency -- part payment, what should be the delivery mode, the manufacturing organization will arrange for the delivery or the procuring organization would be arranging for the delivery all these aspects has to be specified here and accordingly election would be done.

Based on its recommendations the EPPC will develop their report and submit it to the Materials Purchase Section. If any clarification from the vendors is required at this stage that also can be made at this phase only. In case of any modification required in the tender document regarding any finer technical attribute, that may be mentioned on the report based on the consensus of EPPC and the vendor.

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## Preparation of purchase proposal

- Generally, within 7-10 days of the receipt of Report, the MPS is supposed to prepare a purchase proposal in accordance with the approval of General Manager (MPS) of GGNL following all terms and conditions in the tender document.
- The Purchase proposal should contain the brief background of the company; key points approved tender (especially the technical specification of the product, size of the order, summary of the recommendations of the EPPC, all amendments specified by the EPPC, price quotations, payment procedure, delivery mode, comments of the recommendations by MPS and all relevant dates including the NIT date and bid opening date).

Now, the preparation of purchase proposal. Generally, within seven to ten days of the receipt of report, the Material Purchase Section is supposed to prepare a purchase proposal in accordance with the approval of the General Manager of the Material Purchase Section following all the terms and conditions of the tender document. Whatever, was specified here.

The Purchase proposal should contain the brief background of the company who they are choosing; key points of the approved tender why it has been approved especially the technical specification and close it is with the benchmark, the size of the order, the summary of the recommendations why it has – this particular has been selected.

All the amendments if required if the company is required to amend in some of the technical attribute or financial issue then that the price quotations, payment procedure, delivery mode, comments on the recommendations by MPS and all the relevant dates including the NIT date and bid opening date.

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## Preparation of purchase proposal (contd)

- While preparation of the formal purchase proposal by the MPS, it should be taken into consideration that the following points are not missed anyway:
  - Validation of the reasons of selecting particular vendors
  - Order amount sanctioned for each and every vendor
  - Unit price as well as total price (with discounts, if any) of the push-button phones ordered,
  - Expected financial consequences of the proposal
  - If any advance payment is required,
  - Transportation cost from the vendors warehouse to GGNI's Head quarter
  - Details of vendor's proposed Bank Guarantee, consignee & paying authority.
- The proposal, thereafter, would be send to the General Manager(Finance) for the Finance Committee's approval

Now while preparing a formal purchase proposal by MPS, it should be taken into consideration that the following points are not missed anyway. The validation of the reasons of selecting the particular vendors as mentioned. Order amount, unit price, as well as the total price if any discounts is given to them of the push-button ordered telephones ordered. Expected financial consequences of the proposal.

If any advance payment is required. Transportation cost and details of vendor's proposed Bank Guarantee what they are giving, consignee and paying authority; who will be paying on their behalf, the proposal-- who is the financier rather. The proposal thereafter, because as I just dealt try to mention many time there can be some – this procuring this manufacturing company can also take some kind of bank loan to manufacture.

So in that case also who is paying actually, who is consignee, what kind of bank guarantee they are having, so everything has to be made announced. The proposal thereafter would be send to the General Manager Finance for the Finance Committee's approval.

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## Inspection and approval of Purchase Proposal by the Finance Committee

- The tender proposal which fulfills all the criteria specified by GGNL and quoting the lowest cost will be selected by the highest rating for the purpose of distribution of push –button telephones. The formula they would follow for the vendor rating is quite similar to that of BSNL, Indian telecom major; nonetheless the weightage of criteria varies with those of BSNL.

$$VR = 0.7 PR + 0.2 DR + 0.1 QR$$

Where

VR= Vendor Rating

PR = Price Rating

DR = Delivery Rating

QR = Quality Rating

And summation of weights is equal to 1.



Now, inspection and approval of purchase proposal by the finance committee, how that is done?

The tender proposal which fulfills all the criteria specified by GGNL and quoting the lowest cost will be selected by the highest rating for the purpose of distribution of push-button telephones.

The formula they would use the vendor rating is quite similar to that of BSNL, BSNL uses this kind of formula, so it just for example we have taken this.

Because BSNL is the Indian telecom major' so you assume that GGNL company is also using the criteria weightage as BSNL is using. So here VR that is the Vendor Rating depends on the Price Rating of the vendor and that is the highest weighted thing that is the tender value, tender amount price and this one is the Delivery Rating, how good it is in terms of Delivery Rating that is point two and this is the Quality Rating a point one and this comprises of total summation of weights is equal to 1.

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## Issue of APO

- After the approval of the finance committee and the proposal getting duly signed by the General Manager (Finance) and the Advanced Purchase Order (APO). The following points must be mentioned in the APO:

1. Number of push button phones with unit price
2. All the transaction dates, numbers and reference.
3. All marketing and financial terms and conditions mutually agreed upon.
4. Amount of Performance Bank Guarantee with all the details of bank guarantee provided by the vendor.
5. Delivery and advance payment schedule.
6. Time period to accept the APO and submission of the bank guarantee by the vendor. For GGNL it is 15 days from the receipt of APO by the vendor.



And then comes, the issue of APO. After the approval of the finance committee and the proposal getting duly signed by the General Manager Finance and the Advanced Purchasing Order. The following points must be mentioned in the APO. A, The number of push button phones with unit price. All the transaction dates, numbers and reference. All marketing and financial terms and conditions mutually agreed upon.

Amount of Performance Bank Guarantee with all the details of bank guarantee provided by the vendor. Delivery and advance payment schedule. Time period to accept the APO and submission of the bank guarantee by the vendor. For GSNL, it is 15 days from the receipt of APO by the vendor. So therefore, after approval of the finance committee, you know the advance purchasing order would be signed by the General Manager Finance.


And it will comprise of all these things. So should actually ensure that all these things are mentioned.

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### Submission of Performance Bank Guarantee by Vendors

- Once the APO is issued and the formal letter of intent is send to the vendor, the supplier has to hand over GGNL the bank guarantee on a percentage of total purchase order mutually agreed by both parties of within the stipulated time period mentioned in APO.




Then what happens, submission of performance bank guarantee by the vendors. Once the APO is issued which is signed by the general manager and where all these particular points has been mentioned. Then the formal letter of intent is send to the vendor, the supplier has to hand over GGNL the bank guarantee on the percentage of total purchase order mutually agreed by both parties of within the stipulated time period mentioned in the APO.

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### Placement of Purchase Order:

- Once the bank guarantee and the acceptance of APO by the vendor is received, the final purchase order is executed.



And then there is a placement of purchase order. Once the bank guarantee and the acceptance of APO by the vendor is received, the final purchase order is executed.

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## Finally..



The entire procedure should complete by a stipulated time period. For GGNL it is 100 working days. GGNL is a fictitious organization, but more or less any government organization, government undertakings and even private organizations follow the same organizational procurement process. This is just a simpler way to explain the most complex industrial procurement in India.



And therefore, finally, the entire procedure should complete by a stipulated time period. For GGNL it is 100 working days. The company must specify it from the beginning—I mean they may not write it in the tender but they should have a company policy of 100 days, 120 days and 150 days or whatever it is they have to mentioned it very clearly in their policy document. The GGNL is a fictitious organization as I said but more or less most of the government organization.

Government undertakings and even private organizations follow almost a similar kind of procedure. So I must say that this is a very simpler way to explain the most complex industrial procurement process in India. Thank you, thank you so much.