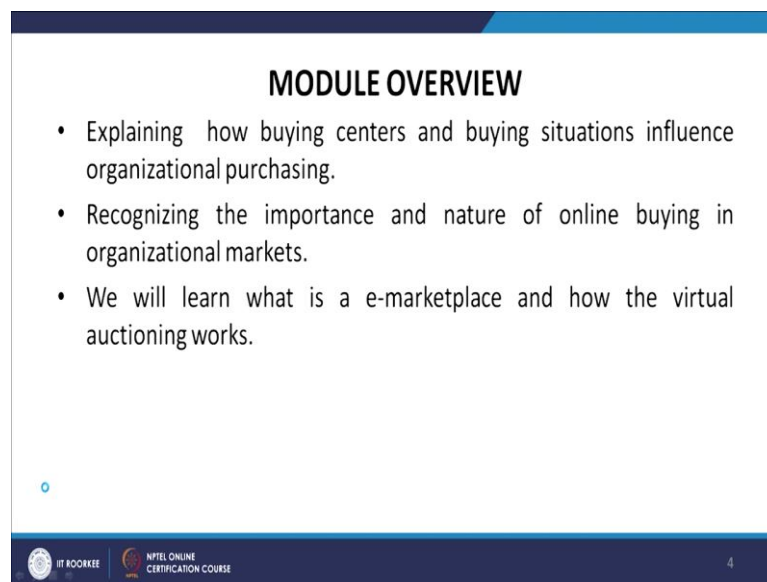


Introduction to Marketing Essentials
Prof. Zillur Rahman
Department of Management Studies
Indian Institute of Technology, Roorkee

Lecture - 11
Understanding Organizations as Customers – II

Welcome to Introduction to Marketing Essentials. Now, it is time to talk about module 11. Now, these 2 modules, module 10 and 11 they are dedicated to Understanding Organization as Customers and in the earlier 3 modules that is module 7, 8 and 9 we have talked about individuals as customers. So, we have talked about module 10. Now, let us start with module 11.

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MODULE OVERVIEW

- Explaining how buying centers and buying situations influence organizational purchasing.
- Recognizing the importance and nature of online buying in organizational markets.
- We will learn what is a e-marketplace and how the virtual auctioning works.

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In this module, we will explain how buying centers and buying situations influence organizational purchasing. Then, we will recognize try to understand and recognize the importance and nature of online buying in organizational markets. Then, we will learn what is a e-marketplace and how the virtual auctioning works. So, these are the three things that we will be talking about in module 11.

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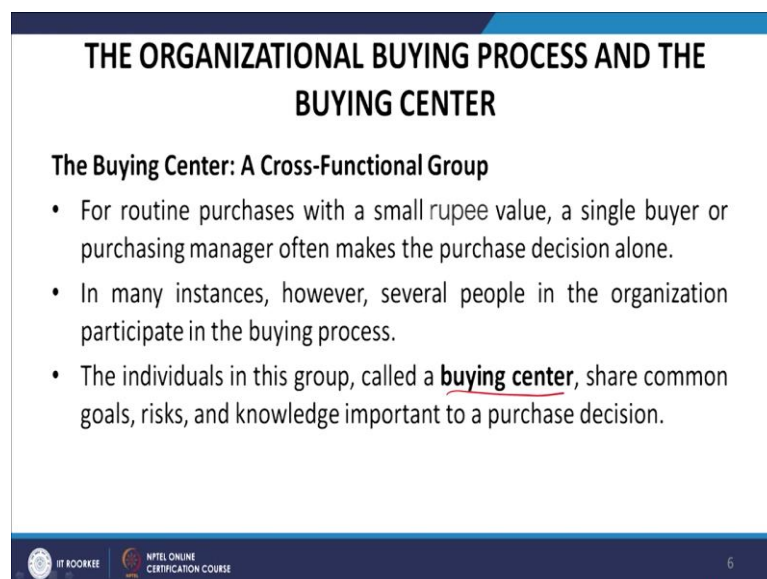
INTRODUCTION

- As discussed in the previous modules, some of the world's most valuable brands belong to business marketers: ABB, Caterpillar, DuPont, FedEx, GE, HP and Intel, to name a few.
- Many principles of basic marketing apply to business marketers.
- In this module we will see how business organizations buy and sell products in a virtual world.
- And what role E- marketplaces play in buyer–seller transactions.

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To introduce as we have discussed in previous modules, some of the world's most valuable brands belong to business marketers. For example, ABB, Caterpillar, DuPont, FedEx, GE, HP and Intel just to name a few. Many principles of basic marketing, they also apply to business marketers. In this module, we will see how business organizations buy and sell products in a virtual world and what role e-marketplaces play in buyer and seller transactions.

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THE ORGANIZATIONAL BUYING PROCESS AND THE BUYING CENTER

The Buying Center: A Cross-Functional Group

- For routine purchases with a small rupee value, a single buyer or purchasing manager often makes the purchase decision alone.
- In many instances, however, several people in the organization participate in the buying process.
- The individuals in this group, called a buying center, share common goals, risks, and knowledge important to a purchase decision.

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So, now let us look at the over organizational buying process and the buying center. So, what is the buying center and what role does it play? So, let us look at the buying center from a cross functional group. For routine purchases with the small rupee value, a single buyer or purchasing manager often makes the purchase decision alone. So, when that total value of order is less, then one person can make that purchase.

In many instances, however, there are several people in the organization who participates in this purchasing process, in this buying process. The individuals' various people in this group, they are called as a buying center. They share common goals, risks and knowledge important to that particular purchase decision. So, for a different kind of purchase decision, there may still be a buying center, but it may consist of different set of people.

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THE ORGANIZATIONAL BUYING PROCESS AND THE BUYING CENTER

- For most large multistore chain resellers, such as Big Bazaar, Spencer's Retail, Reliance Retail, the buying center is highly formalized and is called a buying committee.
- However, most industrial firms or government units use informal groups of people or call meetings to arrive at buying decisions.
- The importance of the buying center requires that a firm marketing to many industrial firms and government units understand:
 - the structure, the technical and business functions represented, and the behavior of these groups.

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For most large multistore chain retailers such as Big Bazaar, Spencer's retail, Reliance retail, the buying center is highly formalized and is called a buying committee. However, most industrial firms or government units use informal groups of people or call meetings to arrive at a buying decision. The importance of a buying center requires that a firm marketing to many industrial firms and government units understand first the structure that technical and the business functions represented and the behaviour of these groups.

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THE ORGANIZATIONAL BUYING PROCESS AND THE BUYING CENTER

- Four questions provide guidance in understanding the buying center in these organizations:
 - Q 1. Which individuals are in the buying center for the product or service?
 - Q 2. What is the relative influence of each member of the group?
 - Q 3. What are the buying criteria of each member?
 - Q 4. How does each member of the group perceive our firm, our products and services, and our salespeople?
- Effective marketing to organizations requires an understanding of buying centers and their role in purchase decisions.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE | 8

Now four questions provide guidance and understanding the buying center in these organizations. The first question is which individual are in the buying center for a product or a service? The second question is what is the relative influence of each member of this group? The third question is what are the buying criteria of each member and the fourth is how does each member of the group perceive our firm, our products and services and our sales people? Effective marketing to organizations also requires an understanding of buying centers and their role in purchase decisions.

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THE ORGANIZATIONAL BUYING PROCESS AND THE BUYING CENTER

People in the Buying Center

- The composition of the buying center in a given organization depends on the specific item being bought.
- Although a buyer or purchasing manager is almost always a member of the buying center, individuals from other functional areas are included, depending on what is to be purchased.
- In buying a machine tool worth in millions, the president and the production vice president or manager would probably be members.

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Now who are the people in the buying center? The composition of a buying center in a given organization it depends on the specific item being bought. So, for different item, for another item there may be the composition of the buying center may be different. Although a buyer or purchasing manager is almost always the member of the buying center.

Individuals from other functional areas are also included depending on what is to be purchased. In buying a machine tool worth millions of rupees, the president and the production vice president or manager would probably be the members of that buying center.

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THE ORGANIZATIONAL BUYING PROCESS AND THE BUYING CENTER

- For key components to be included in a final manufactured product, a cross-functional group of individuals from research and development (R&D), engineering, and quality control are likely to be added.
- Still, a major question in penetrating the buying center is finding and reaching the people who will initiate, influence, and actually make the buying decision.

Handwritten annotations on the slide: A red bracket underlines the words 'initiate, influence, and actually' in the second bullet point. Below this bracket, the numbers '1', '2', and '3' are written in red, corresponding to 'initiate', 'influence', and 'actually' respectively. A red arrow points from the bracket down to the number '3'.

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For key components to be included in a final manufactured product, a cross functional group of individuals from research and development, engineering and quality control are also likely to be added. A still, a major question in penetrating the buying center is finding and reaching the people who will initiate, influence and actually make the purchasing decision, the buying decision. So, that is important reaching those people who will initiate 1st, 2nd then they will also influence and actually make the purchase decision.

So, there are several people, there may be several people involved in the buying center in that in the purchase of a particular item. But then, only some of them may have may play a bigger role, they may influence the decision to a larger extent.

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THE ORGANIZATIONAL BUYING PROCESS AND THE BUYING CENTER

Roles in the Buying Center

- Researchers have identified five specific roles that an individual in a buying center can play.
- In some purchases the same person may perform two or more of these roles.
- Users are the people in the organization who actually use the product or service, such as a secretary who will use a new word processor.

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Now, let us look at the roles in the buying center. A researcher has identified five specific roles that an individual in a buying center can play. In some purchases, the same person may perform two or more of these roles and in other situations some other situations; the same role may be performed by more than one person. So, the first role that is there in a buying center is that of a user. Users: they are the people in the organization who actually use the product or service such as a secretary who will use a new word processor.

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THE ORGANIZATIONAL BUYING PROCESS AND THE BUYING CENTER

- 2 • Influencers affect the buying decision, usually by helping define the specifications for what is bought.
 - The information technology manager would be a key influencer in the purchase of a new mainframe computer.
- 3 • Buyers have formal authority and responsibility to select the supplier and negotiate the terms of the contract.

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The second role that is there in a buying center is that of an influencer. They affect the buying decisions, usually by helping define the specification of what is bought. So, these people they help in defining the specifications of the item that is being bought. The information technology manager would be a key influencer in the purchase of a new mainframe computer. So, that is the 2nd type of people there.

The 3rd role is that of buyers. These buyers have formal authority and responsibility to select the supplier and negotiate the terms of the contract.

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THE ORGANIZATIONAL BUYING PROCESS AND THE BUYING CENTER

- 4 • **Deciders** have the formal or informal power to select or approve the supplier that receives the contract.
 - In routine orders the decider is usually the buyer or purchasing manager; in important technical purchases it is more likely to be someone from R&D, engineering, or quality control.
- 5 • **Gatekeepers** control the flow of information in the buying center.
 - Purchasing personnel, technical experts, and secretaries can all keep salespeople or information from reaching people performing the other four roles.

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Now, there is another role which is called as the deciders. They have the formal or informal power to select or approve the supplier that receives the contract. In routine orders, the decider is usually the buyer or purchasing manager in important technical purchases it is more likely to be someone from R and D, engineering and or quality control.

The next type of role that is there in a buying center is that of gatekeepers. The gatekeepers they control the flow of information in the buying center. Purchasing personnel, technical experts and secretaries can all keep salespeople or information from reaching people performing the other 4 roles.

So, these are the five types of roles that maybe there in a buying center. There may be less than 5 people playing these roles or there may be more than 5 people paying these 5 roles.

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THE ORGANIZATIONAL BUYING PROCESS AND THE BUYING CENTER

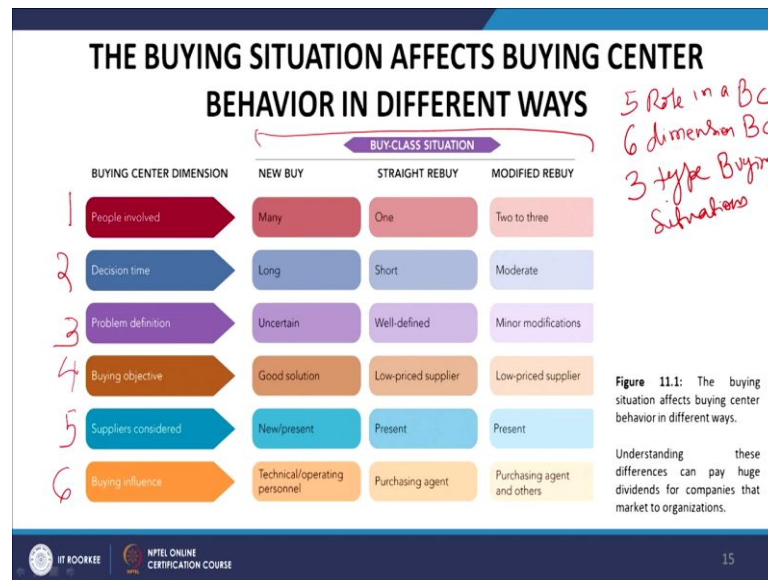
Buying Situations and the Buying Center

- The number of people in the buying center largely depends on the specific buying situation.
- Researchers who have studied organizational buying identify three types of buying situations, called buy classes.
- **Buy Classes** are three types of organizational buying situations:
 - 1 - New buy
 - 2 - Straight rebuy
 - 3 - Modified rebuy

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Now, let us look at the various buying situations that a buying center may face. The number of people in the buying center largely depends upon specific buying situations. Now researchers who have studied organizational buying, they have identified three types of buying situations which are called as buy classes. So, these buy classes they are of three types one is new buy new purchase, 2nd is straight rebuy or straight repurchased and the 3rd is modified rebuy or modified repurchase.

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Now, these are this figure it shows that on this axis, here we have these three types of buying situations new buy, straight rebuy or modified rebuy and these are the dimensions of a buying center the people involved, decision times, problem definition, buying objectives, supplier considered and buying influence.

So, now let us start with the 1st one the buying the first buying center dimension that is the people involved. In new buy situation, there can be many people involved. So, although there may be five roles that are to be played in a in a buying center, but when the situation is that of a new buy, then there may be more than 5 people playing those five roles in the buying center.

In a straight rebuy, there can be only 1 person responsible for the rebuy the repurchase. In modified rebuy, there may be 2 or 3 people involved and they may be playing those five roles in the buying center.

Now, let us look at the 2nd dimension that is the time decision time. Decision time that is the time taken to make this purchase decision. In new buy situation, the time taken can be long. In a straight rebuy as the name suggests it can be shot while in modified rebuy, it will be moderate that is between long and short depending upon the type of item that is being purchased.

Now the 3rd dimension of this buying center is problem definition. In new buy, when a company wants to buy a new thing which they are not certain about. So, in this case, the problem definition is uncertain. While in straight rebuy situation, it is well defined because they have been purchasing the same thing for quite some time so, they know every characteristics and qualities of that product.

So, that in this case, the problem is well defined. While in modified rebuy, there are some minor modifications in the specifications of the item that is to be purchased. So, the problem definition is in problem definition, there are some minor modifications.

The 4th dimension of buying center is the buying objective. When the company is in a new buy situation, then this buying objective is that a company is looking for some good solution to a problem that it faces. In a straight rebuy where by the type of the item that is purchase is not very important.

So, the company the buying objective of the company in a straight rebuy situation is that they look for low priced suppliers. Again, in modified rebuy also although some characteristics of the item that the company is buying, but then the major issue again here is to look for a low-priced supplier.

The 5th dimension of this buying center is the suppliers considered. In new buy situation, the company may consider new suppliers because it is a new buy or there can be, they can also consider some present suppliers for this new buy situation.

But very often, they may have to look for new suppliers because this is a new item that they want to buy and the old suppliers may not be capable of providing that kind of item. In straight rebuy situation, it is obviously, the present suppliers who are considered and again in modified rebuy, the present supplies are; obviously, given a priority over the new suppliers.

Now, the 6th dimension it is the buying influence. In new buy situation, the technical or operating personnel have more influence in the purchasing process. In straight rebuy situation, the purchasing agent has more influence over the buying process and in modified rebuy, the purchase agents and some other people in the buying center they have more buying influence.

So, now you see that that we have seen 5 roles in a buying center and then, we have talked about 6 dimensions of a buying center, there are 3 types of buying situations. So, these are the 3 things that we have talked about till now.

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THE ORGANIZATIONAL BUYING PROCESS AND THE BUYING CENTER

New Buy

- Here the organization is a first-time buyer of the product or service.
- This involves greater potential risks in the purchase, so the buying center is enlarged to include all those who have a stake in the new buy. *reduced*
- Procter & Gamble's purchase of a multimillion-dollar fiber-optic network from Corning, Inc., for its corporate offices in Mumbai, represented a new buy.

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Now let us look at what this new buy is. Here the organization is a first-time buyer of a product or service. This involves greater potential risk in the purchase because they are buying it for the first time so, the buying center is enlarged to include those who have a stake in the new buy. So, when those people are including at the when those people who have a stake in the new buy are included in the buying center, the idea here is that this potential risk is reduced.

Procter and Gamble purchases of a multi dollar fiber-optic network from Corning, Inc for its corporate office in Mumbai represent a new buy. Because obviously, Procter and Gamble do not keep on buying fiber-optic cable all the time. So, this was one situation where they had to purchase this. So, that was a new buy for them.

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THE ORGANIZATIONAL BUYING PROCESS AND THE BUYING CENTER

Straight Rebuy

- Here the buyer or purchasing manager reorders an existing product or service from the list of acceptable suppliers, probably without even checking with users or influencers from the engineering, production, or quality control departments.
- Office supplies and maintenance services are usually obtained as straight rebuys.

Rate contract

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Then any company it faces this straight rebuy situation many times in a day. Here the buyer or purchasing manager reorders an existing product or service from a list of acceptable suppliers that is the company may have a rate contract with these; with these suppliers probably without even checking with users or influencers from the engineering, production or quality control departments.

Office supplies and maintenance services are usually obtained as straight rebuys. So, that they keep on buying all the time for example, papers for the printers and cartridges for the printers and cartridges for the photocopiers. So, they have rate contract with several suppliers and then they keep on purchasing it all the time just re buying what they purchased last time.

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THE ORGANIZATIONAL BUYING PROCESS AND THE BUYING CENTER

3 Modified Rebuy

- In this buying situation the users, influencers, or deciders in the buying center want to change the product specifications, price, delivery schedule, or supplier.
- Although the item purchased is largely the same as with the straight rebuy, the changes usually necessitate enlarging the buying center to include people outside the purchasing department.

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The situation between a straight rebuy and a new buy is called as modified rebuy. So, this is the 2nd and this is the 1st. In this buying situation, the users influence or deciders in the buying center want to change the product specifications, prices, delivery schedule or supplier.

Now, you see that in straight rebuy, all these things were the same while in new buy, all these things were different. Now, in between comes this modified rebuy. So, now, the people in the buying center they want to change 1 or 2 of these 4 characteristics. So, they may want to change the product specifications, they may want to change the price, they may want a different delivery schedule or they are looking at a different supplier.

Although the item purchased is largely the same as with the straight rebuy, the changes usually necessitate enlarging the buying center to include people outside the purchasing department.

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ONLINE BUYING IN ORGANIZATIONAL MARKETS

- Organizational buying behavior and business marketing continues to evolve with the application of Internet Technology.
- Organizations dwarf consumers in terms of online transactions made, average transaction size, and overall purchase volume.
- In fact, organizational buyers account for about 80 percent of the global dollar value of all online transactions.

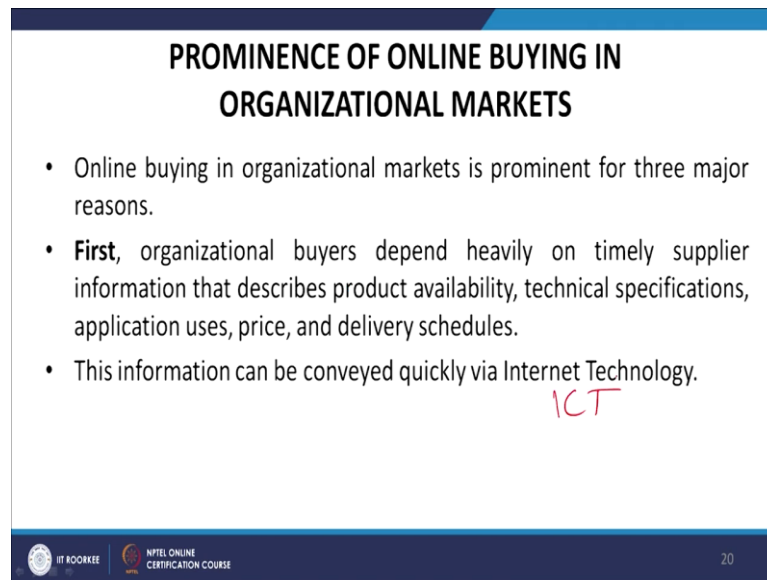
IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 19

Now, let us look at how this online buying happens in organizational markets. Organizational buying behaviour and business markets continues to evolve with the application of internet technologies. Organizations they dwarf consumers in terms of online transactions made, average transaction size and overall purchase volume.

So, you see that thousands of consumers they are buying and selling things online, but organizational buying is much bigger in terms of the number of transactions, the average transaction size and overall purchase volume.

In fact, organization buying accounts for 80 percent of the global dollar value of all online transactions. So, now, you see that how big this organizational buying and organizational markets are 80 percent of the global dollar value it comes from online transactions from organizational buyers rather than individual buyers.

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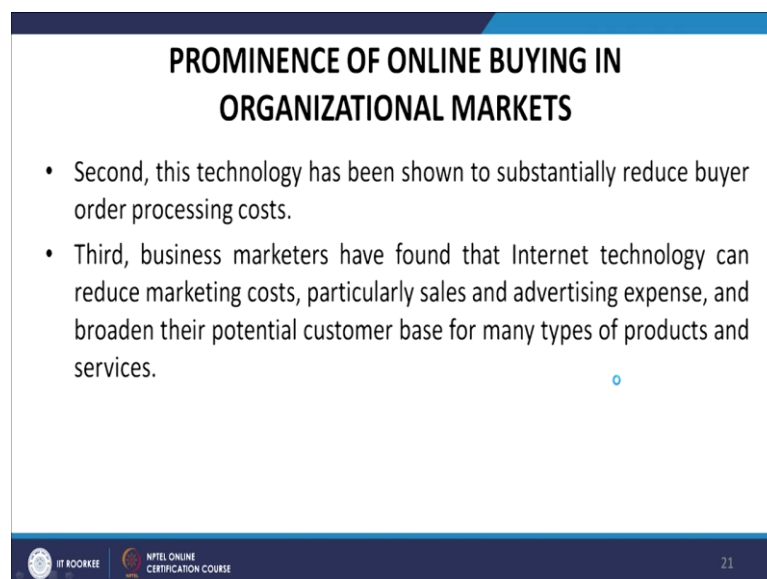
PROMINENCE OF ONLINE BUYING IN ORGANIZATIONAL MARKETS

- Online buying in organizational markets is prominent for three major reasons.
- **First**, organizational buyers depend heavily on timely supplier information that describes product availability, technical specifications, application uses, price, and delivery schedules.
- This information can be conveyed quickly via Internet Technology. *ICT*

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Now, let us look at the prominence of online buying in organizational markets. Online buying in organization market is prominent for three major reasons first; the organizational buyers depend heavily on timely supplier information that describes product availability, technical specifications, application use, price and delivery schedule. Now, this information can be easily and quickly conveyed via the internet technologies or ICT.

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PROMINENCE OF ONLINE BUYING IN ORGANIZATIONAL MARKETS

- Second, this technology has been shown to substantially reduce buyer order processing costs.
- Third, business marketers have found that Internet technology can reduce marketing costs, particularly sales and advertising expense, and broaden their potential customer base for many types of products and services.

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Second reason is this technology has shown to substantially reduce buyer order processing cost and the third reason is business marketers have found that internet technology can reduce marketing cost, particularly sales and advertising expense and broaden their potential customer base for many types of products and services.

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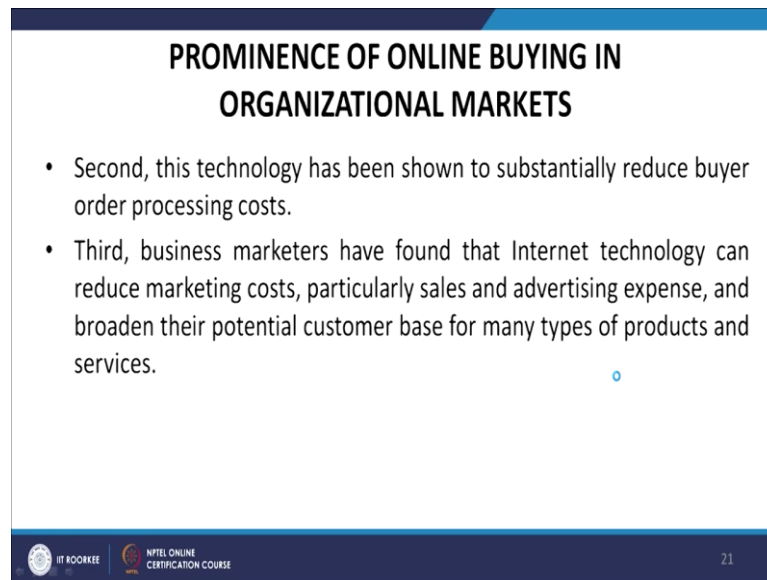
PROMINENCE OF ONLINE BUYING IN ORGANIZATIONAL MARKETS

- For these reasons, online buying is popular in all three kinds of organizational markets.
- For example, airlines electronically order over \$400 million in spare parts from the Boeing Company each year.
- Customers of W. W. Grainger (a large U.S. wholesaler of maintenance, repair, and operating supplies) buy more than \$425 million worth of these products annually online.

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Now for these reasons, online buying is popular in all three kind of organization markets. Buying situations that is the straight rebuy and modified rebuy and new buy for example, airlines electronically order over dollar 400 million in spare parts from the Boeing corporation every year. Customers of W.W Grainger a large US wholesaler of maintenance, repair and operating supplies buy more than dollar to 425 million worth of these products annually online.

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PROMINENCE OF ONLINE BUYING IN ORGANIZATIONAL MARKETS

- Second, this technology has been shown to substantially reduce buyer order processing costs.
- Third, business marketers have found that Internet technology can reduce marketing costs, particularly sales and advertising expense, and broaden their potential customer base for many types of products and services.

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Second, this technology has been shown to substantially reduce buyer order processing cost.

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E-MARKETPLACES: VIRTUAL ORGANIZATIONAL MARKETS

- A significant development in organizational buying has been the creation of online trading communities, called e-marketplaces.
- **e-marketplaces** are online trading communities that bring together buyers and supplier organizations.
- These online communities go by a variety of names, including **business- to-business (B2B) exchanges and e-hubs**, and make possible the real-time exchange of information, money, products, and services.

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Now, let us look at the e-marketplaces: virtual organizational markets. So, these are called as e-marketplaces, they are also called as virtual organizational markets. A significant development in organizational buying has been the creation of online trading communities called e-marketplaces. So, they are called as e-marketplaces.

E-marketplace are online trading communities that bring together buyers and supplier organization. So, like in physical marketplaces, buyers and suppliers they come together similar is the situation on e-marketplaces so, they are online trading communities whereby the buyers and suppliers they come together.

These online communities go by variety of names including business to business exchanges or and e-hubs and make possible the real time exchange of information, money, products and services.

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E-MARKETPLACES: VIRTUAL ORGANIZATIONAL MARKETS

- E-marketplaces can be independent trading communities or private exchanges.
- Independent e-marketplaces act as a neutral third party and provide an Internet Technology trading platform and a centralized market that enable exchanges between buyers and sellers.

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E-marketplaces can also be independent trading communities or private exchanges. Independent e-marketplaces they act as a neutral third party and provide and information technology trading platform and a centralized market that enable exchanges between buyers and sellers.

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E-MARKETPLACES: VIRTUAL ORGANIZATIONAL MARKETS

- Independent e-marketplaces charge a fee for their service and exist in settings that have one or more of the following features:
 - 1. Thousands of geographically dispersed buyers and sellers,
 - 2. Volatile prices caused by demand and supply fluctuations,
 - 3. Time sensitivity due to perishable offerings and changing technologies, and
 - 4. Easily comparable offerings between a variety of sellers.
- Examples of independent e-marketplaces include, Amazon, Alibaba eBayBusiness etc.

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Independent e-marketplaces they charge a fee for their service and exist in settings that have one or more of the following features. The first feature is thousands of geographically dispersed buyers and sellers. Second is volatile prices caused by demand and supply fluctuations and the Third is time sensitivity due to perishable offerings and changing technologies and the fourth one is easily comparable offerings between a variety of sellers. Examples of independent e-marketplaces including Amazon, Alibaba and eBay business etcetera.

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E-MARKETPLACES: VIRTUAL ORGANIZATIONAL MARKETS

- Small business buyers and sellers, in particular, benefit from independent e-marketplaces.
- These e-marketplaces offer them an economical way to expand their customer base and reduce the cost of products and services.
- Large companies tend to favor private exchanges that link them with their network of qualified suppliers and customers.
- Private exchanges focus on streamlining a company's purchase transactions with its suppliers and customers.

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A small business buyers and sellers in particular benefit from these independent e-marketplace. These e-marketplace they offer them and economical way to expand their customer base and reduce the cost of products services. Large companies tend to favour private exchanges that link them with their network of qualified suppliers and customers. Private exchanges they focus on streamlining a company's purchase transactions with its suppliers and customers. So, the focus here is on streamlining a company's purchase transactions.

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E-MARKETPLACES: VIRTUAL ORGANIZATIONAL MARKETS

- Like independent e-marketplaces, they provide a technology trading platform and central market for buyer–seller interactions.
- They are not a neutral third party, however, but represent the interests of their owners.
- For example, Agentrics is an international business-to-business private exchange. It connects more than 250 retail customers with 80,000 suppliers.

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Like independent e-marketplaces, they provide a technology trading platform and central market for buyer-seller interactions. They are not a neutral third party, however, but represents the interest of their owners. For example, Agentrics is an international business to business private exchange. It connects more than 250 retail customers with 80000 suppliers.

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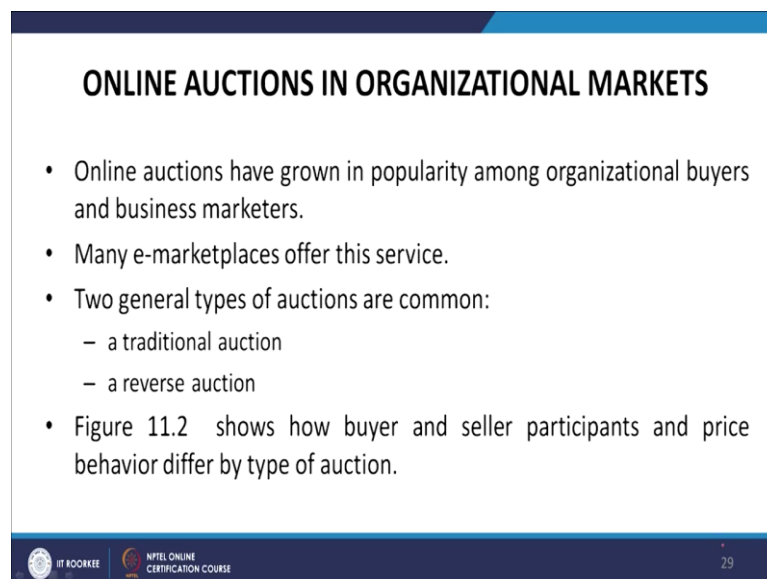
E-MARKETPLACES: VIRTUAL ORGANIZATIONAL MARKETS

- The Global Healthcare Exchange engages in the buying and selling of health care products for over 3,900 hospitals and more than 300 health care suppliers, such as Abbott Laboratories, GE Medical Systems, and Johnson & Johnson.

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The Global Healthcare Exchange engages in the buying and selling of health care products for over 3900 hospitals and more than 300 health care suppliers such as Abbott laboratories, GE medical systems and Johnson and Johnson.

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ONLINE AUCTIONS IN ORGANIZATIONAL MARKETS

- Online auctions have grown in popularity among organizational buyers and business marketers.
- Many e-marketplaces offer this service.
- Two general types of auctions are common:
 - a traditional auction
 - a reverse auction
- Figure 11.2 shows how buyer and seller participants and price behavior differ by type of auction.

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Now, let us look at online auctions in organizational markets. Online auctions have grown in popularity among organizational buyers and business marketers. Many e-marketplaces they also offer this service. Two general type of auctions are common first is the traditional auction and then the second is a reverse auction. So, this figure will

show how buyer and seller participants and price behave differ by different type of auction.

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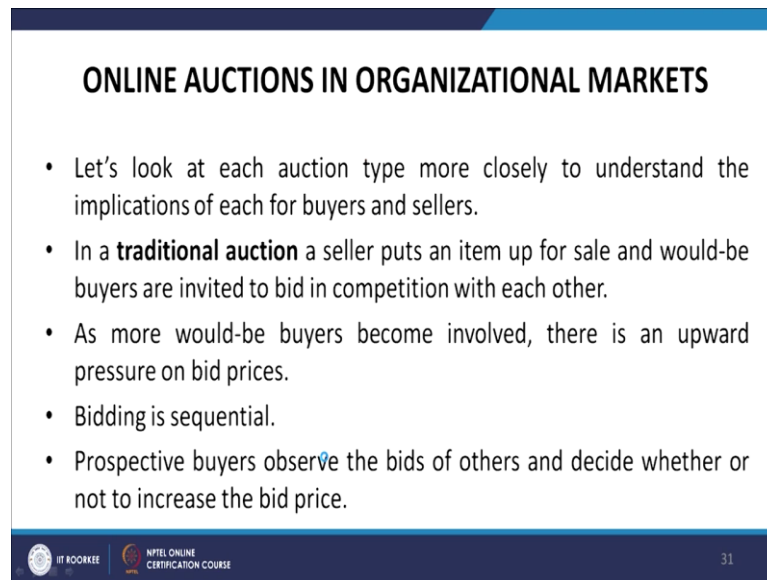


So, this is the traditional auction on x axis you have number of buyers and then the price. So, as the number of buyers goes up, the prices goes up. So, here it is one seller, there are many buyers so, obviously, the prices go up.

Now, here you have a reverse auction. This reverse auction is opposite of traditional auction. Now, here you see there is one buyer while there are many sellers. So, in this case, the supply was limited and demand was high. While in this reverse suction you see that, the demand is limited while the supply is high. So, there are many sellers trying to sell the one thing to one buyer. So, now, look at this it is inverted.

So, the price it with number of sellers the prices they keep on increasing. When the number of sellers is high the prices low, when the number of sellers is less the price goes up.

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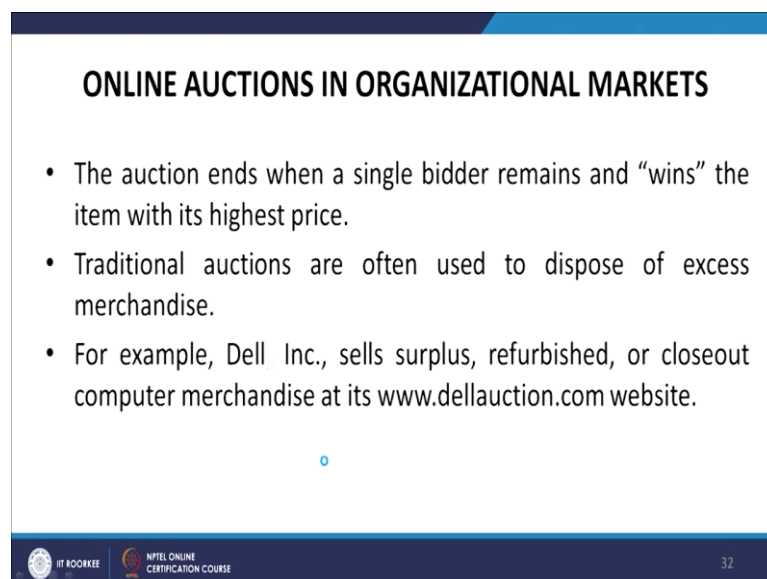
ONLINE AUCTIONS IN ORGANIZATIONAL MARKETS

- Let's look at each auction type more closely to understand the implications of each for buyers and sellers.
- In a **traditional auction** a seller puts an item up for sale and would-be buyers are invited to bid in competition with each other.
- As more would-be buyers become involved, there is an upward pressure on bid prices.
- Bidding is sequential.
- Prospective buyers observe the bids of others and decide whether or not to increase the bid price.

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Let us look at each auction type more closely to understand the implications of each for buyers and sellers. In a traditional auction a seller puts an item up for sale and would be buyers are invited to bid in competition with each other. As more would be buyers become involved, there is an upward pressure on bid prices. Bidding is sequential. Prospective buyers observe the bids of others and decide whether or not to increase the bid price.

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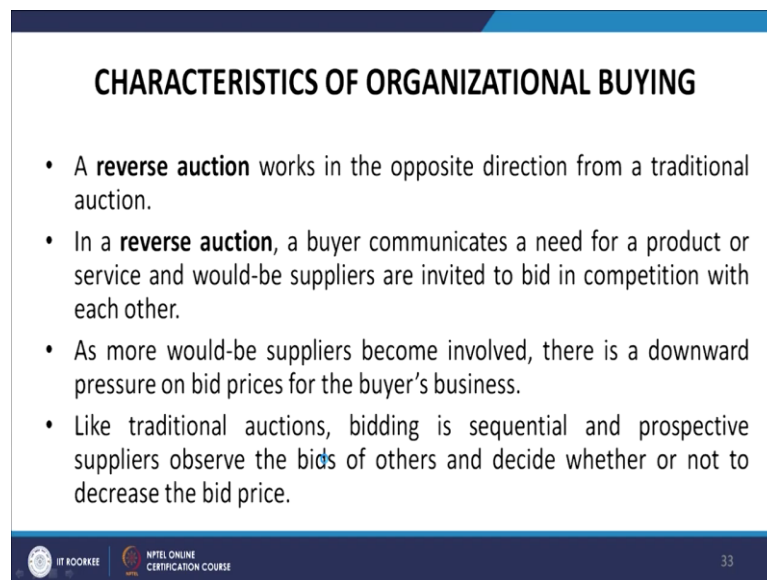
ONLINE AUCTIONS IN ORGANIZATIONAL MARKETS

- The auction ends when a single bidder remains and “wins” the item with its highest price.
- Traditional auctions are often used to dispose of excess merchandise.
- For example, Dell Inc., sells surplus, refurbished, or closeout computer merchandise at its www.dellauction.com website.

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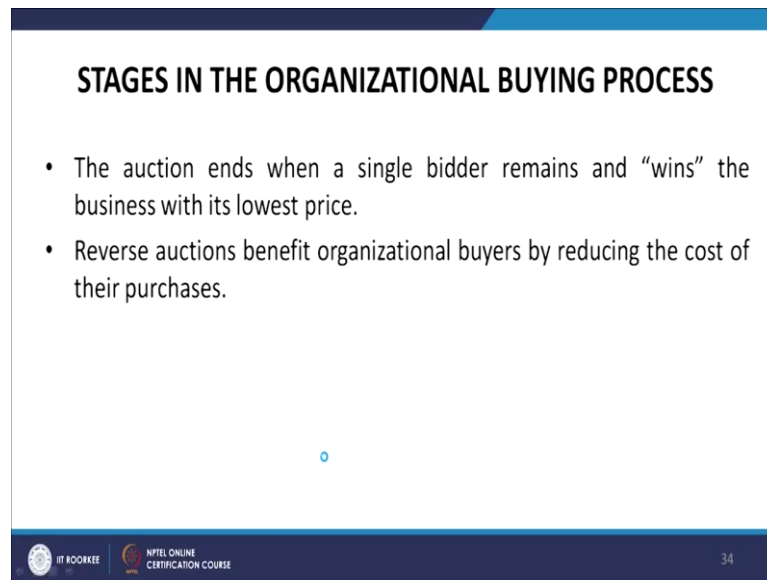
CHARACTERISTICS OF ORGANIZATIONAL BUYING

- A **reverse auction** works in the opposite direction from a traditional auction.
- In a **reverse auction**, a buyer communicates a need for a product or service and would-be suppliers are invited to bid in competition with each other.
- As more would-be suppliers become involved, there is a downward pressure on bid prices for the buyer's business.
- Like traditional auctions, bidding is sequential and prospective suppliers observe the bids of others and decide whether or not to decrease the bid price.

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Now, let us look at the reverse auction. It works in the opposite direction from a traditional auction. In a reverse auction, a buyer communicates a need for a product or service and would-be suppliers are invited to bid in competition with each other. As more and more would-be supplier become involved, there is a downward pressure on bid prices for the bias business. Like traditional auctions, bidding is sequential and prospective sellers observe the bid of others and decide whether or not to decrease their bid price.

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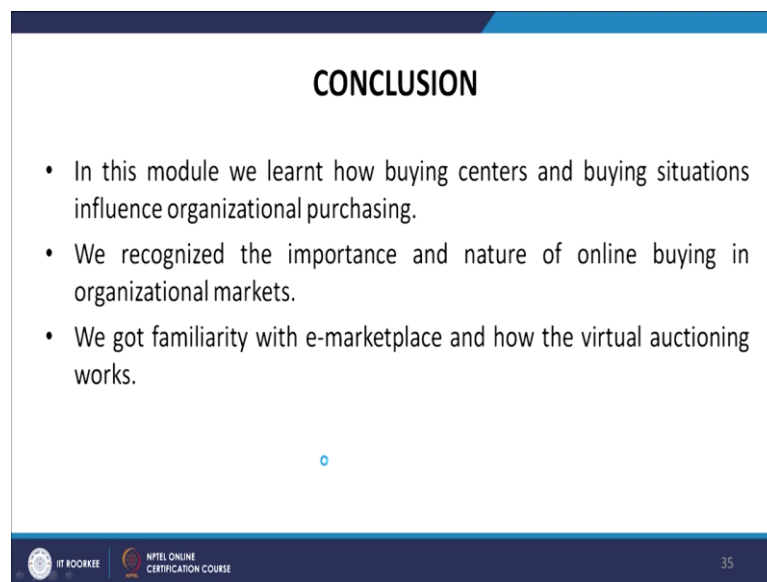
STAGES IN THE ORGANIZATIONAL BUYING PROCESS

- The auction ends when a single bidder remains and “wins” the business with its lowest price.
- Reverse auctions benefit organizational buyers by reducing the cost of their purchases.

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The auction ends when a single bidder remains and wins the business with its lowest price. Reverse auction benefits organizational buyers by reducing the cost of their purchase.

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CONCLUSION

- In this module we learnt how buying centers and buying situations influence organizational purchasing.
- We recognized the importance and nature of online buying in organizational markets.
- We got familiarity with e-marketplace and how the virtual auctioning works.

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So, to conclude in this module, we have learnt how buying centers and buying situations influence organizational purchases. Then, we have recognized the importance and nature of online buying in organizational marketplaces. We got familiar with e-marketplace and

how the virtual auctioning works. These are the 3 books from which the material for this module was taken.

Thank you.