

## Chapter 2

Multiple roles

Buying Centre

Risk-Reduction strategies

Sources of risk

### Buying centre roles

- Insights into group forces in buying behaviour
- Individuals participate in purchasing decision and share goals/risks from decision
- Buying centre includes 4+ people per purchase

### (BUDIG) Buying centre different roles throughout procurement process

#### Buyer

- Selects supplier/ Implement procurement procedures to secure the product

#### User

- Personnel uses product, important influence on purchase decision, users initiate purchase action by requesting product and even product specification of item and description

#### Decider

- Makes buying decision whether or not authority to do so, developing specifications.
- Manager of firm makes the decision

#### Influencer

- Affects purchasing decision by providing internal/external info
- Engineering, quality and R&D control influence on purchase decision

#### Gatekeeper

- **Controls info reviewed** by members of **buying centre**

Such as controlling which salesperson speaks to which individual in the buying centre (Diff areas)

(HELLO DID YOU WANT TO BUY THE TPG BUNDLE?) ← Buying centre

(HELLO THIS IS SUPPORT) ← Email centre

### Identifying powerful Buying centre members

- Isolate personal stakeholders- Personal stake in decision, more influence than other members of buying centre. E.g. (Selection of production equipment for new plant)

#### Follow information flow

- Buying centre is important to information flow regarding to buying decision

#### Identify experts

- Buying centre members with most knowledge and experience asking questions of salesperson most influential (Learn from the pros)

#### Trace connections to top

- Powerful pro buying centre members have valuable information enhances status and influence of buying centre members below

#### Understand purchasing roles

- Purchasing is dominant in repetitive buying situations of expertise, knowledge of supplying and working relationships with suppliers

### Recommendations to buying centre

- Which individuals of the buying centre are more influential for purchasing decision (Engineers+Manufacturing= most influential in product selection decisions)  
Purchasing is most influential in supplier selection

### **Individual forces**

- Each member of buying centre has experience, organization function, understanding of how to achieve both personal and organization goals.

### **Risk-Reduction strategies**

- Individuals reduce risk in purchase decisions

#### **Sources of Risk include 2 components:**

- 1. Uncertainty about outcome of decision (Uncertain of Results)**
- 2. Consequences from making wrong choice**

Risks include **Licensing, Contracting, Strategic alliance, Joint ventures, Export, Multi-domestic, Direct Investment (LCSJEMD)**

**Licensing-** Allowing use of manufacturing (Serving Alcohol)

**Contracting-** Management and manufacture contracting (MM)

**Strategic Alliance-** Business relationship between 2+ firms same mutual need and sharing risk

**Join venture-** Firm buys/joins Coca-Cola's company to create new entity (Mount franklins)

**Export-** Sell domestically produced products to buyers in other countries  
(Fuji Xerox from Japan to Aus.)

**Multi-domestic-** Companies work together to find balance of local and global adaption and optimization

**Direct Investment-** Active ownership of foreign company  
(Japanese Coca-Cola and Korea Coca-Cola actively invested)

#### **Managing risk factors**

- Gain local expertise advice
- Being cautious and keep watch
- Think long-term and assuring 2 way communication

New-task (Understands the problem/ Different from previous experiences= Need info to solve problem and search for different suppliers)

- Individual decision making occurs in organization buying for straight rebuy/modified rebuy when risk is low

Managing risky purchase decisions

#### **Risk with organization purchase decision increases these occur:**

- Buying centre becomes larger with members with high level organisation status and authority (Pros at top level to manage risk with purchase decision) RISKY PURCHASE DECISIONS
- Buying centre invest more effort into more careful purchase process
- (Suppliers with track record with firm are favoured) Familiar supplier reduces perceived risk

Price, Product, Quality & After-sale service (Warranties)

- Most important to organization buyers when facing risky decisions
- Introduce new product/ Approach new customers= Marketing strategy should evaluate effect of strategies on known risk

#### **Marketing strategy for business market**

- Competing in business environment requires B2B companies to meet low growth and high growth markets while differentiating offerings from foreign and local competitors

## **Multi-domestic strategy**

Multinational companies to compete independently in different country markets such as Coca Cola in U.S.A and in Japan.

## **Global marketing strategy- Unique competitive position**

**(Achieve competitive advantage with operations across different countries)**

### **1. Build unique competitive position**

When achieving international competitive success, firm must have **advantage on cost or differentiation**

- Firm must perform activities at lower cost than rivals or perform activities in unique way that creates customer value.

E.g. Novo achieved high level of differentiation= Strong competitive position in health-care market

### **2. Emphasize consistent positioning strategy**

By maintaining consistent position, firm strengthens distinctive strategy and focuses on international opportunity.

### **3. Establish Home base for each business**

Home base= Business location where strategy is set, product and technology is created and production and service activities belong to that 1 permanent location.

E.g. Japan's Honda home base for both motorcycles and cars.

- Home base should be located in country with most access to inputs (Square Enix) Accesses all input to Final Fantasy games.

- Home base should also be at central point for activities and have worldwide responsibility for the business unit (Toyota) creates all their cars and distributes to other countries.

### **4. Product-line home Base at different locations**

- Honda created product-line home base for Honda 9000 in U.S.A (Creating products at a different location)

- HP making computers, printers have many product-line home bases in U.S.A, Australia, Japan.

### **5. Extending Homebase competitive advantages**

- Home base= Core activities concentrated.

Potential opportunities should include:

#### **Competitive advantages in purchasing**

- Inputs purchased from most cost-effective location Fuji Xerox buys from Japan's home-based company

#### **Improving market access**

- Honda invested \$2billion in facilities in U.S.A (Able to buy Honda cars from America)

- Intel invested facilities in China (Able to buy Intel products from China)

#### **Competitive advantages in other locations**

Honda gains expertise from America and design from Korea through design centres that transfer knowledge back to Japanese home base. (Improves skills and technologies and gain innovation ideas)

