

# Buyer Purchase Decisions II

## *The details of buyer behavior*

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In an article titled, "Buyer Purchase Decisions" business and consumer behavior was discussed in general terms. This article delves into the details of purchase decisions by outlining the general purchase decision process for businesses and consumers.

## **Business Purchase Decisions**

Typically businesses purchase services based on a desire to increase profit, reduce costs or to satisfy other social or legal obligations. Not surprisingly, the dollar size of the contract and the number of steps employed are closely related. In their book Industrial Buying and Creative Marketing, Robinson, Faris, and Wind identified eight "buyphases". These "buyphases" are as applicable to purchasing services as they are to industrial equipment. The number of phases will vary depending on the size of the contract. For smaller contracts some steps may be skipped entirely. For larger purchases each phase may become very rigorous and complex. The eight "buyphases" are,

1. **Problem Recognition** – A business owner recognizes a problem or need that can be met by acquiring a product or service. For example, a tax filing schedule or situation that requires more resources than a bookkeeper can provide, but fewer resources than a large accounting might want to deploy.
2. **General Need Description** – The business determines the general characteristics of the service. This may be based on level of expertise, level of service, breadth of services, or price.
3. **Product or Service Specification** – The business develops the detailed specifications necessary for the product. Often this is where businesses need the expertise of third parties. *Ironically, by helping a client work through the issues to determine the specifications, you increase your chances of winning the contract.*
4. **Supplier Search** – Once the service is specified, the business must identify the most appropriate supplier. Businesses can examine publications, or talk to other businesses to find out their experiences. *In addition the Internet is rapidly replacing the Yellow Pages and other print media as a potential source for acquiring information and services.*
5. **Proposal Solicitation** – The business announces it is accepting proposals from suppliers and issues an invitation to bid. Typically know as a Request for Proposal (RFP), the RFP may be issued publicly or to a set of suppliers already established with the buyer.
6. **Supplier Selection** – Once the RFP responses have been received and reviewed, suppliers are selected based on a ranking of the specifications determined in buyphase 3.
7. **Order Routine Specification** – After selecting the supplier, the buyer negotiates the final contract. The contract includes technical specifications, service levels, expected delivery time, and for products, any return policies or warranties. Often a long-term contract is established where the supplier agrees to provide services over a specified period of time for a specified price. Buyers prefer this arrangement because it can reduce transaction costs. *Suppliers prefer this arrangement also since it tends to increase a company's single source buying and often leads toward buying additional services from the same supplier.*
8. **Performance Review** – Periodically (annually or quarterly) the business must assess the supplier's performance. Businesses use a variety of methods to assess suppliers. These may be based on predetermined service levels, or other value criteria. Remember that the buyer will use this information to continue, re-negotiate, or terminate the contract. Understand what criteria the buyer is using and monitor those same variables to optimize your performance.

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## *Consumer Purchase Decisions*

For consumer many factors influence purchase behavior. However, all consumers go through a similar