

# A QUALITATIVE STUDY OF INTERNATIONAL ORGANIZATIONAL BUYER BEHAVIOR

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## ABSTRACT

*The primary goal of this qualitative research was to gather information from practitioners about the buying process used by companies in the United States and Germany when purchasing customized software. Before using a popular organizational buyer behavior process model for an international study the author believed it was important to examine whether companies in the countries in the study actually used each step of the model. A multiple-case study design was chosen, since it allowed both for a better understanding of the actual software buying process used by companies and for a comparison of buying processes between companies. The author observed and interviewed individuals at four company's corporate headquarters, two companies in the United States and two companies in Germany. The study found that both Americans and German companies do, to varying degrees, go through each stage of a widely used organizational buyer behavior model. It was also observed, however, that the amount of time and effort dedicated to different stages of the model varied by country. The study also identified differences between buyers in the United States and Germany in regard to the perceived importance of certain vendor selection criteria, which provides support for future empirical studies.*

**JEL:** M16, M31

**KEYWORDS:** International Organization Buyer Behavior, International Vendor Selection

## INTRODUCTION

This qualitative study examines the buying behavior of companies in the United States and Germany, to determine if companies in both countries engage in each step of a widely used organizational buyer behavior (OBB) model (the Robinson, Faris and Wind OBB Model, 1967). While this model is often cited in domestic buyer behavior studies, the appropriateness of using the model in an international trade setting has not been studied. The study of international trade has taken on increased importance as merchandise trade grew by 20% in 2011 (3.7% a year since 2005) and commercial trade grew by 11% in 2011 (WTO, 2012). The countries used in the study, the United States and Germany, are the two largest commercial services traders in the world (WTO, 2012), which is appropriate as the study examined the purchase of a commercial services product.

While the field of buyer behavior has flourished in respect to domestic studies, and to a lesser extent international consumer buyer behavior studies, there has not been a comparable development of international B2B buyer behavior research. After reviewing the literature in the area of international business exchange Liang and Parkhe (1999) concluded that “our knowledge in the area of importer behavior remains fragmented, nascent, and incomplete” (496). One of the weaknesses in studies comparing buyer behavior across countries is the use of different products in different countries. This study examined buyer behavior across countries when purchasing the same product (intellectual property software) to eliminate this weakness. Another important contribution of this research is addressing the question of whether companies in different countries follow the steps of an organizational buyer behavior model. It is critical to answer this question before using one of the popular organizational buyer behavior models in an international setting. Finally, any differences across countries in buyer behavior, such as differences in vendor selection criteria importance, supports future research to better understand these differences and the impact on international marketing. This paper will examine the organizational buyer behavior and international vendor selection literature relevant to this study, will discuss the data and

methodology used in the study, provide the study’s results, and will conclude with a discussion of the relevance and importance of the findings.

**LITERATURE REVIEW**

Three seminal works, by Robinson, Faris and Wind (1967), Sheth (1973), and Webster and Wind (1972), have been credited with laying “the conceptual foundation for the study of organizational buying behavior” (Johnston and Lewin, 1996). Each of these works incorporates middle range models, which have been described as helpful in organizing frameworks for empirical analysis (Wilson, 1996). Robinson, Faris and Wind (1967) developed the first of these models of organizational buying behavior (Kaufman, 1996; Johnston and Lewin, 1996), which is used as a framework for this study. This two dimensional model, called the Buygrid model, is a combination of the authors’ Buyphase and Buyclass models. The buyphase dimension represents the process of organizational buying, and reflects the stages of activities performed in a buying situation. These activities are detailed in Table 1 below.

Table 1: Robinson, Faris and Wind OBB Model Buyphase Dimensions

<b>Anticipation or recognition of a problem (need) and a general solution</b>
Determination of characteristics and quantity of needed items
Description of characteristics and quantity of needed item
Search for and qualification of potential sources
Acquisition and analysis of proposals
Evaluation of proposals and selection of suppliers
Selection of an order routine
Performance feedback and evaluation

*This table shows the Robinson, Faris and Wind Model Dimensions.*

The second dimension of the Buygrid Model is the Buyclass model. The Buyclass model incorporates the important element of the buying situation into the Buygrid framework. There are three buyclasses: new task, modified rebuy and straight rebuy. The buyclasses “represent a continuum ranging from the purchase of products the firm has not previously purchased (new task) to products the firm buys regularly in routine fashion (straight rebuy)” (Bellizi and McVey, 1981, p. 57). The Buyclass concept is seen as critical to the Buygrid model since the three types of buyclasses impact the number of stages undertaken and the intensity of effort expended in those stages when purchasing a service or good. It has been found that in situations where the modified rebuy involves a more expensive/complicated purchase buyers will proceed through each of the stages of the model, similar to a new task purchase (Bellizi and McVey 1983). Intellectual property software would be considered an expensive, complicated purchase by most companies. Johnson and Lewin (1996) examined the organization buying behavior research published in six leading marketing journals during the twenty five years following the works of Robinson, Faris and Wind (1967), Webster and Wind (1972) and Sheth (1973). They located 165 articles dealing directly with organizational buying behavior and concluded that “much of the variation in organization buying behavior appears to be related to the levels of risk associated with a given purchase situation.” (Johnson and Lewin, 1996, p8). Due to the cost and risk (the potential to lose valuable intellectual property rights) involved in the purchase of intellectual property software there is potential for differences to be seen in the purchase of organization buyer behavior across countries.

One area of difference in buyer behavior that has been identified by earlier studies is the importance placed on various vendor selection criteria by buyers. As important as it is to identify similarities in buyer behavior across countries, it is also critical to identify differences. As the service trade expands internationally it will be helpful for exporters to understand what vendor selection criteria are perceived by purchasers as being the most important in different markets. There have been a limited number of studies that have looked at importer vendor search behavior in different countries, and those countries include: Israel (Ghymn and Jaffe, 2003), Sweden (Ghymn K., Mattsson and Cho, 2001), Australia

(Ghymn, Liesch and Mattson, 1999), Japan (Ghymn and Jacobs, 1993), China (Ghymn, Johnson and Zhang, 1993), Thailand (Ghymn, Srinil and Johnson, 1993), United States (Ghymn and Jacobs, 1983), Canada (Thaver and Wilcock, 2006).

Each of the studies conducted by Ghymn (in conjunction with other researchers) were similar in nature. The studies involved surveys containing lists of vendor, regulation and product variables; and purchasers were requested to rate the importance of each variable to their buying decision. While there were differences identified in the perceived importance of vendor selection criteria across countries, there were also close similarities between certain countries. The exact buying situation and product under consideration were often not mentioned in the studies, as the main focus was to determine the perceived importance of various import decision variables to managers. Several of the studies cited the need for additional research examining differences in import decision variables across countries, regions and industries (Ghymn, Liesch and Mattsson, 1999, Ghymn and Jaffe, 2003, Ghymn and Jacobs, 1993). The Thaver and Wilcock (2006) study examined the perceived importance of vendor section criteria of Canadian industrial buyers when purchasing overseas. The buyers rated 16 different criteria used to select overseas vendors. Three of the top six criteria involved pricing. In order of perceived importance the criteria rated highest were: competitive prices, quality of samples, willingness to negotiate prices, delivery, prompt quotations and effective communications.

Rao and Seshadri (1996) identified differences across countries (India and Nigeria) in the importance placed on selected supplier-attributes by industrial buyers. The results of the study supported the hypothesis that there were differences in the importance placed on supplier-attributes by industrial buyers across the two countries. In addition, it was discovered that Nigerian buyers placed a higher importance on a greater number of attributes overall. Two U. S. based studies, by Scully and Fawcett (1994) and Alguire, Frear and Metcalf (1994), examined organization's motivation for sourcing internationally. The interesting finding was that the only purchasing factor emphasized in both studies was price. Few companies mentioned quality or better technology as potential benefits for sourcing abroad. Differences across countries were found in the perceived importance of vendor selection criteria in these earlier studies. However, there were limitations in the research that make it impossible to conclude with certainty that these differences in the perceived importance of vendor selection criteria were related to country differences. The reason for this uncertainty is that the studies examined different products (or unidentified products) in different countries, used different types of contact lists and data was often gathered during different time frames. These OBB differences do, however, provide incentive for further studies using the same product across countries, as has been suggested in the literature (Ghymn, Liesch and Mattsson, 1999, Ghymn and Jaffe, 2003, Ghymn and Jacobs, 1993).

## **DATA AND METHODOLOGY**

A multiple-case study research methodology was used for the qualitative study. The four companies included in the study had recently purchased, or were in the process of purchasing, intellectual property (IP) software. The multiple-case study design was chosen since it allowed for both a better understanding of the actual software buying process used by companies and for a comparison of buying processes between companies. The researcher visited and observed individuals at the four company's corporate headquarters during the summer of 2009. Two of the companies were headquartered in the United States and two were headquartered in Germany. Interviews were conducted with the individuals responsible for the purchase of the IP systems, as well as with other individuals in the legal departments. Follow-up telephone calls and emails were used when necessary to gather additional information, including emails generated by respondents as they recalled additional details. Respondents were encouraged with open ended questions to slowly walk through the IP software buying process undertaken by their company. To begin each interview, respondent were asked to "Please describe in detail how you went about the purchase of your IP software, from the time you first discovered a need for software until it was installed

and evaluated". However, an interview protocol was also used to assess whether each stage of the buying process was used, and to collect additional information such as what caused the respondents to believe their organization needed a new system. As the respondents were users of legal software, not organizational buyers, it was important to give respondents the time and probing necessary to fully recall their buying process. The same protocol was used with each organization.

A weakness in earlier studies of international organizational buyer behavior is that buyer behavior was being observed when different products were being purchased in different countries. It is difficult to evaluate, and make conclusions, about buyer behavior across countries when different products are being purchased in each country. Therefore, for this study it was decided organizational buyer behavior would be observed across countries when companies were purchasing a nearly duplicate product. The product being purchased in this study is IP software. IP software is used by corporations to track their portfolios of patents and trademarks. A key function of the software is the generation of due dates for patents and trademark around the world, as every country has its own patent and trademark laws.

The software is a high involvement purchase situation, as the software helps safeguard a company's patent and trademarks rights, these rights are often among a company's most valued assets. Companies do have the option of developing the software internally, but due to the lack of internal intellectual property knowledge and the cost of development, this option is rarely chosen. There are four primary suppliers of IP software, along with several smaller suppliers. Employees responsible for the purchase, or future purchase, of IP software were interviewed and observed at two companies in the United States and two companies in Germany. Each of the participating companies was given a pseudo name. GER1 Corporation is a large German chemical company, while GER2 Corporation is a pharmaceutical company headquartered in Germany. USA1 Corporation is a defense contracting and technology services company based on the east coast of the United States, and USA2 Corporation specializes in designer clothes and accessories. Following is an overview of the information gathered from individuals at each of the participating companies in regard to the buying process they used in their latest purchase of IP software.

Individuals in the IP department at GER1 Corporation realized they had a need for a new system when they were considering adding new features to their existing system and noticed that currently available systems had many new desirable features available. At this point they decided it made sense to purchase a new system, as opposed to continuing to modify their old software. At the time of the interview GER1 Corporation was undergoing the process of purchasing a new system and had formally planned out each step of the process. Rather than develop specifications, and then examine what was available in the marketplace to meet their needs, it was decided that GER1 Corporation would look at the systems available from each of the major system suppliers and then develop specifications. This approach had the advantage of allowing the company to see the features available in each system and deciding which features would be most beneficial to the company.

The company developed its list of potential IP software providers from several sources, including prior internal knowledge, IP law conventions, trade journals and the internet (although their internet search provided no new vendors). At the time of the interviews GER1 Corporation had been in contact with each of the companies it believed to be a qualified supplier and had obtained system information. Based on a review of the system information, it was anticipated that each of these top five or six vendors would be invited to corporate headquarters for the opportunity to demonstrate its software. Each of the major suppliers offers evaluation systems, which GER1 planned to have installed at their headquarters location. Based on these evaluations the company will develop a needs document, which will detail the features desired in the new software. The requirements in the needs documents will be used to develop a request for proposals, which will be sent to each of the vendors.

The final phase includes evaluating the proposals and the selection of a vendor. In addition, the timing of the purchase also has to be determined. If the cost of the software is higher than the amount budgeted for the system acquisition, the purchase would be postponed until the following year when additional funds for the software could be included in the budget.

Respondents at GER1 Corporation mentioned three points related to the purchase of new software: 1) All vendors would be considered equally, meaning the current vendor would not begin the process with an advantage over the other vendors, 2) The best company would be selected, no preference would be given to the geographical location of a vendor, and 3) The company providing the highest quality software and support would be selected. The long term cost, not purchase price, of the software is a secondary consideration. The respondents had already begun collecting information on the perceived quality of the vendor's offerings through informal discussions with peers at other large German companies. The purchase decision discussed with IP professionals at GER2 Corporation was the acquisition of a new IP software system several years earlier. The need to obtain a new software system became evident when users of the system realized their existing system did not provide certain desired functionality and they became aware that those functionalities were available on newer IP software offerings. A needs document was developed, which included system requirements along with "nice to have" items.

Four vendors were invited to visit and present their systems and company philosophy at GER2's corporate headquarters in Ingelheim, Germany. The primary purchaser felt that the competing systems were very similar. To obtain a better understanding of the systems in use, and the company support behind the systems, the purchaser visited and spoke with several large corporations to obtain their opinions. These companies included Bayer, Schering-Plough, Novartis, and Henkel. Based on the combination of the vendor demonstrations, responses to the needs document and peer input, a system was selected. The respondent mentioned that the initial cost of the system was not a great consideration. However, the ongoing cost of system support, or the even greater cost of poor system support, was a major consideration. Therefore, the opinions of other companies in regard to the quality of the competing systems and their support services, was important to GER2 Corporation. The respondent also stressed that the system is continually evaluated, as are other available systems, to see what improvements can be made to improve the department's productivity.

USA1 Corporation's need for a new system became apparent when there became a strong desire among employees to be able to access the companies IP portfolio from remote sites. Their six year old IP system did not have this capability, but it was now available from IP system vendors. The current system, which had been slightly modified, was reviewed and a needs document was developed which included similar modifications. The respondent knew of the major vendors in the marketplace, and had perceptions about the quality and pricing of each. However, only the current system supplier was invited to corporate headquarters to demonstrate its latest system. The vendor was provided a copy of the needs document and responded with a proposal that was accepted. In describing the buying process, the respondent mentioned that the decision was easy because USA1 Corporation was satisfied with its current vendor, the decision was very time efficient for her, the systems could be delivered quickly and the cost was under budget. It was also mentioned that it was less expensive to migrate from their current system, than to purchase a new system from a different vendor.

Due to the increased workload caused by a corporate merger, USA2 Corporation decided that there was a need to purchase its first IP software system. Although several individuals attended the system demonstrations, one individual had responsibility for scheduling the demonstrations and ultimately selecting a system. The primary decision maker had knowledge of the four major IP system vendors, and also knew of a smaller New York based system supplier. No search was conducted to locate any other potential vendors. The five software vendors were invited to demonstrate their systems in New York City and each participated. Based on the demonstrations a Request for Proposal was developed and sent to

each of the system vendors. Since each of the systems was perceived as being similar in functionality, the decision maker indicated that price and the impression left by the vendor played a large role in USA2's final vendor selection decision. By "impression", what the respondent from USA2 Corporation said she meant was that the company was looking for a vendor with a positive attitude that would fit with the culture at USA2 Corporation. In regard to price, the respondent mentioned it was not just the initial price that was a factor, but potential ongoing costs were a concern as well. USA2 Corporation did not contact any references for information, although several vendors provided reference contact information with their proposal. The IP vendor who was selected had the second lowest price, but, in the opinion of USA2, had the highest quality system.

## RESULTS

The qualitative study did identify similarities and differences between companies located in the United States and Germany in their organizational buying processes. The finding that each of the companies did, to at least some degree, proceed through each of the stages of the Robinson, Faris and Wind (1967) Organizational Buyer Behavior Model was among the most important similarities identified. That said, the companies did vary in areas such as the intensity, order, and time spent on various steps of the organizational buying process. Three of the companies, one in the United States and two in Germany, perceived a need for a new system that was caused by a desire for features that were available in the marketplace, but were not a part of their current system. The remaining USA based company had a need for a new system based on an increased IP workload. Every company developed specifications, did at least an internal search for potential sources, acquired proposals and selected a vendor. However, the order of these steps varied among companies.

The selection of an order routine was similar for each of the companies, in that a deposit would be required and the balance would be due upon a successful installation of the system. Each company had plans to test the new software to insure the software met the system specifications in their signed agreements. Each of the three companies that already had their system installed expressed satisfaction with their IP system and vendor. A surprising similarity that was discovered was that there was one individual that was primarily responsible for the purchase decision at each company, whereas buying centers often are considered being responsible for major business purchases. However, this finding supports previous research by Patton (1997), whose study involving 431 industrial buyers found that a majority of industrial vendor selection decisions are made by individuals, as opposed to buying centers.

Areas of differences between the companies included price and quality perceptions. Price was mentioned as a key factor by both U.S. based companies in selecting a vendor. USA2 Corporation, which was looking at systems for the first time, mentioned that price and vendor attitude were important since they found the systems quite similar. The other U. S. company said the "existing client" discount they would receive if they purchased from their existing vendor was a major factor in their system selection. The two German companies indicated that price was not one of the more important variables in selecting a system. The difference in the importance attributed to price can also be reflected in the relationship to company's budgets. For instance, one of the German companies mentioned that if the system selected did not fit within the department's budget this year, they would wait a year until they had a larger budget. Whereas, one of the U.S. companies mentioned that one of the reasons it selected a system from its existing vendor was that it enabled the company to get a system within that year's budget.

Identifying a difference in the perceived importance of quality does not indicate that any company did not want to purchase a high quality system, just as a difference in the perceived importance in price does not indicate any company believed price was not important. The differences in the emphasis on quality was based on observations such as the German companies willingness to spend as many months or years as it would take until they believed they had identified the highest quality system, and their insistence that

their existing vendors would be treated no differently than other vendors (even if purchasing from an existing vendor would lead to a significantly less expensive system) The two U.S. based company purchasers mentioned a more balanced approach, looking more for the best combination of quality, price and delivery schedule. The emphasis on quality by the German companies was also reflected in both companies visiting other companies (including competitors) to see various systems in use and to obtain opinions on systems and vendors. While both of the US based competitors obtained reference contact information, they did not contact any of the vendor's references.

## **CONCLUSION**

The goal of this study was to determine if companies in different countries, in this case the United States and Germany, engage in each step of a widely used organizational buyer behavior (OBB) model. This question is important to answer before using such a model in an international setting. A multiple-case study research methodology was used for the qualitative study. Individuals at four companies that had recently purchased, or were in the process of purchasing, IP software were interviewed. Two of the companies were headquartered in the United States and two were headquartered in Germany. All interviews were conducted in the legal departments located at the company's headquarters.

While this research is only an initial exploratory study into the buying behavior of four companies it does provide preliminary support for using an organizational buyer behavior model, such as the Robinson, Faris and Wind (1967) Organizational Buying Behavior Model, in an international setting. Though companies varied across countries in regard to the timing of when they completed stages and the emphasis placed on various stages, every company in the study worked through each stage of the model. Beyond this critical similarity there were also differences found across countries, such as the importance placed on different vendor selection criteria. The importance of pricing was one difference that was identified between the respondents in each country. The initial price of the IP software was mentioned as being of importance by individuals at both U.S. based companies, whereas the purchasers at the Germany based companies said it was of little importance (apart from meeting their budgetary requirements).

Individuals at all the companies mentioned the importance of locating a high quality IP system. However, whereas the German respondents stressed the importance of taking their time in locating the highest quality IP system, the U.S. respondents focused on the price and time advantage an existing vendor would have in meeting their needs. Although the paper did support the use of a popular OBB model in an international setting there are several limitations of the research that need to be considered. An important limitation to be noted is the study included organizations located in the United States and Germany. Therefore, the results of the study cannot be generalized to other countries without further research. Another limitation to take into consideration is that the buying behavior being studied involves the purchase of IP software. Although it can be suggested that similar results would be obtained when examining other high involvement purchase decisions, it cannot be assumed that the results of the study can be applied to other services without future research. This paper highlights the need for additional research in several areas. First, the limitations of this research can be addressed by expanding the research to additional countries and by observing international buying behavior in relationship to different services and goods. Another interesting area for further research is the exploration of the organization buyer behavior differences across countries that were observed. While differences across countries were identified in this qualitative study, the reasons for these differences have not been identified.

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