

INDUSTRIAL BUYER 'CHOICE CRITERIA' UNDER
DIVERSE INDUSTRIAL SETTINGS

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Abstract

While there is a great need, there is a general paucity of research dealing with inter-country studies in organizational behavior literature. This is especially so with regard to comparing the organizational buyers in diverse socio-economic and industrial settings. This paper analyzes and reports differences and similarities between the American and the Indian industrial buyers with regard to their 'choice criteria' in selecting vendors. Similarities and differences between the two groups of industrial buyers were statistically analyzed across sixty four vendor attributes and two product buying situations -- standard and special.

Introduction

Industrial buyer behavior studies have significance for both industrial purchasing management and industrial marketing. In studying industrial buyer behavior, identifying buyer 'choice criteria' will be of critical importance. Determination of buyer 'choice criteria' will also provide clues as to how industrial buyers initially evaluate, qualify the vendors, choose from satisfactory alternative vendors and perform on-going performance evaluation leading to retention or deletion decisions. Such 'choice criteria' can be expected to vary depending upon the buying situation, organizational environment, composition and dynamics of "buying center". It can also be postulated that the industrial buyer 'choice criteria' could vary depending upon the overall industrial setting in a country. From this perspective, differing socio-economic and technological settings in different countries can potentially affect the dimensions of buyer 'choice criteria'. Determination of such inter-country differences will have many significant implications for international industrial marketing. However, the industrial buyer behavior literature is generally devoid of such inter-country studies dealing with industrial buyer 'choice criteria'. In this paper it is attempted to determine industrial buyer 'choice criteria' in two countries with diverse socio-economic and industrial settings. In deriving and comparing industrial buyer 'choice criteria' in the two countries, two buying situations -- standard and special -- were simulated.

Background

During the past quarter century considerable progress has been achieved in the research dealing with organizational buyer behavior.

Although considerable conceptual and empirical work has been done(1), the field is still in the process of evolving a definitive theory of organizational buyer behavior. Some time back in a comprehensive review of research in organizational buyer behavior, Sheth emphasized the need for cross-cultural studies dealing with various aspects of organizational buyer behavior. He concluded:

"With the emergence of multinational corporations and global marketing activities, there will probably be systematic research undertaken to understand cross-cultural differences among the organizational buyers scattered across different socio-economic and political structures. While many multinational corporations provide training for their sales representatives in recognizing and adapting to cross cultural variations among industrial buyers, this training will be recognized as insufficient."(2)

In spite of such theoretical and practical significance of cross cultural research in organizational buyer behavior, there is very little systematic research in this topic area.(3) In this context the following comments by an author are worth noting.

"If the general behavior of managers in organizations is found to vary by culture, then it might follow that organizational buying behavior may vary by culture." However, as Wind and Thomas (1980) note: "the available research on organizational buying behavior in general -- let alone cross cultural comparative research -- must do some "catching up" to begin to provide users with meaningful information. That is, available research may not allow us to convincingly answer the questions of whether meaningful differences in organizational buying behavior exist across cultures."(4)

After reviewing the limited research in the cross-cultural organizational buyer behavior, the same author arrived at the following conclusion.

"Based on the limited research findings presented here, one might tentatively conclude that cross-cultural differences in buying behavior exist -- and also that similarities exist. Since an adequate body of published knowledge identifying these similarities and differences (by culture) is not yet available marketing managers have few generalizations to rely upon."(5)

Cross-cultural studies dealing with organizational buyer behavior in general and determination of buyers' 'choice criteria' in particular will be significant from several

perspectives. First, such studies provide a clear understanding of the choice behavior of industrial buyers in diverse socio-cultural and economic contexts. Second, investigation of the similarities and differences among the industrial buyers of different countries will be greatly useful for international marketers operating in diverse international markets. As the manufactured exports of industrial products constitute a major portion of the total world exports, understanding of cross-cultural differences (or similarities) would be significant for facilitating trade flows between countries. This aspect of world trade is particularly crucial with regard to industrial goods trade between the developed and the developing countries of the world. Finally, and most importantly, cross-cultural studies would facilitate the development of a definitive theory of organizational buyer behavior.

Scope of the Research Study

In view of the general paucity of cross-cultural industrial buyer behavior studies in the literature, and the importance of 'choice criteria' based on vendor attributes to industrial buyer behavior theory and practice, the research reported in this paper compares the perceptions of the American and the Indian industrial buyers. Perceptual data were gathered for both the American and the Indian industrial buyers with regard to the importance attached to various vendor attributes in the selection of sources of supply in buying standard and special products. The decision to compare the American and the Indian industrial buyer behavior is based on several considerations. First, given the a priori differences in cultural and industrial development differences between these two countries, one may generally hypothesize significant differences between the two groups of industrial buyers. Second, in view of the increased international trade growth prospects, especially in industrial products, between the developed and the developing countries; the choice of one country from each is considered to be more appropriate. Finally, despite considerable diversity among the developed and the developing countries as distinct groups, it is felt that a comparison between the American and the Indian industrial buyers might yield research results which will be useful for international industrial marketers in general who are engaged in industrial trade between these two distinct groups of countries. More specifically the following are the major purposes of the research reported in this paper.

1. To compare the 'choice criteria' of the American and the Indian industrial buyers in the purchase of standard and special products.
2. To identify the significant differences and similarities on specific vendor attribute dimensions between the American and the Indian industrial buyers in the purchase of

standard and special products.

3. To explore and discuss the significance of the empirical research findings for international industrial marketing practice.

Research Methodology

Vendor Attributes Selection and Measurement:

One of the pivotal aspects of organizational buyer behavior is concerned with deriving 'choice criteria' based on vendor attributes. In explaining and predicting organizational buying decisions, vendor attributes provide the anchor points. Vendor attributes form the basis for qualifying, evaluating, selecting and retaining the sources of supply. Industrial marketers need to know the salient vendor attributes of their target-market buyers perceive and use as 'choice criteria' so that marketing strategies can be designed in accordance with the relative importance of those attributes.

For purpose of this research study a final list of 64 vendor attributes was employed. In developing this list two different methods were utilized. First, lists developed by other researchers were utilized.(6) Second extensive consultations between the researchers and a limited number of industrial buyers both in the U.S.A., and in India were utilized to finalize the list of attributes generated through secondary source research.

The 64 vendor attributes or characteristics were arranged in a structured questionnaire in first-word alphabetical order in an attempt to avoid clustering similar attributes. Directions for completing the questionnaire required the respondents to rate the importance of each characteristic when selecting vendors for standard products and special products. For purposes of this study two buying situations were simulated: one involved the purchase of standard products; the other was limited to the purchase of special products. The respondents to the questionnaire were provided with a seven point scale ranging from 1 through 7.

Two Field Studies:

To generate the research data two mailed questionnaire surveys were conducted -- one in the U.S. A., and the other in India. For both mail questionnaire surveys identical research instruments were utilized. Utilizing the procedure discussed earlier, an exhaustive list of 64 vendor attributes were generated. These attributes formed the core of a structured questionnaire which was pretested both in the U.S.A., and in India. The final questionnaire was mailed to the membership of one of the chapters of the National Association of Purchasing Management in the U.S.A. This resulted in 131 usable responses accounting for 28 percent response rate. In India the structured questionnaire was mailed to 500

randomly selected industrial buyers representing a cross section of the Indian industry and business. The mail questionnaire survey in India was carried with the support of a reputed institute of management education. 173 usable responses accounted for a response rate of 35 percent in the Indian survey.

Method of Analysis:

To achieve the overall research objective of identifying the relative importance of vendor attributes as perceived by the American and the Indian industrial buyers in the purchase of standard and special products buying, the data were analyzed on the following lines.

1. First, to determine the relative importance of each variable (vendor attribute), mean scores were computed for the American and the Indian industrial buyer samples.
2. The sixty-four vendor attributes are subjectively grouped under six broad categories. These categories are:
 - a. Convenience-related attributes
 - b. Economic-financial attributes
 - c. Caliber-capability attributes
 - d. Image-dependability attributes
 - e. Intercorporate relations attributes
 - f. Service-related attributes
3. To observe whether the perceptions of the American industrial buyers are significantly different from those of the Indian industrial buyers, a two tailed 't' test was utilized. This was done for the data on both the standard and special product buying situations.
4. Finally, the perceptual similarities and differences of vendor attributes between the American and the Indian industrial buyers were summarized under the six attribute categories mentioned above. These summary data were utilized to observe inter-attribute category differences between the two groups of industrial buyers.

Interpretation of Research Results

In order for the vendor selection, evaluation and source loyalty systems to be effective operational tools, industrial buyers across diverse cultures either explicitly or implicitly use a set of salient vendor attributes. These attributes along with the relative importance assigned to each by the industrial buyers, provide a decision framework for the various vendor-related decisions in industrial buying. Such decision frameworks need to be ascertained under diverse cultural settings and for diverse buying situations so that similarities and significant differences may be delineated across cultural settings and buying situations.

In this research the perceived importance of each of the sixty-four vendor attributes was measured using an importance rating scale of 1 through 7. These measurements were obtained for the American and the Indian industrial

buyers for two simulated buying situations -- standard and special. The mean ratings were computed for each attribute, for each industrial buyer group (American and Indian) and for each buying situation standard and special. By utilizing a two-tailed 't' test, the differences between the American and the Indian industrial buyers were determined for both the buying situations. If the 't' test resulted in a significant difference between the two mean values at .05 significance level, it was denoted by 'D'. Alternately, a difference that was not statistically significant was denoted by 'S' to denote similarity. The resulting data for standard product buying situation is presented in Table I and for special product buying situation in Table II. Summary data of the perceptual similarities and differences of vendor attributes for the two industrial buyers groups are presented under six broad attribute categories in Table III.

On the basis of the data analyses, the following conclusions were drawn.

First, perceptual similarities and differences were compared between the American and the Indian buyers for the top ten most important attributes as reflected in the mean importance ratings. Based on the detailed data presented in Tables 1 and 2, the following are the top ten important vendor attributes for both the industrial buyer groups under the standard and special product buying situations.

Attribute	Standard Products		Similar/ Different
	Mean Rating American	Mean Rating Indian	
1. Reliable in quality	6.54	6.50	S
2. Reliable in delivery	6.46	6.43	S
3. Is fair and honest in dealings	6.21	6.42	S
4. Regularly meets quality specifications	6.14	6.25	S
5. Delivers without constant follow-up	6.00	6.20	S
6. Has competitive prices	5.98	6.10	S
7. Helps in emergency situation	5.86	6.26	D
8. Keeps promises	5.79	6.19	D
9. Can deliver quickly	5.78	6.14	D
10. Answers all communications promptly	5.50	5.84	D

Special Products			
1. Reliable in quality	6.67	6.62	S

2. Reliable in delivery	6.53	6.50	S
3. Regularly meets quality specifications	6.57	6.22	D
4. Is fair and honest in dealings	6.47	6.16	D
5. Helps in emergency situations	6.38	5.83	D
6. Has technical ability and knowledge	6.22	5.99	S
7. Keeps promises	6.29	5.85	D
8. Delivers without constant follow-up	6.22	5.95	S
9. Advises of potential trouble	6.39	5.60	D
10. Answers all communications promptly	6.00	5.86	S

From the above listing of the ten most important attributes as perceived by the American and the Indian industrial buyers in the purchase of standard and special products, some very interesting trends can be observed. In the case of standard product buying, the importance attached to the top six attributes by the two groups of buyers is similar. Thus, with regard to the key vendor attributes dealing with quality, delivery, pricing and reliability aspects, while both groups of industrial buyers have assigned greater importance, their perceptions are similar. This is reflected in the similarities on the first six of the top ten attributes for standard product buying. On the basis of this research finding it may be concluded that on key factors the expectations of both the groups of industrial buyers will be the same. However, significant differences can be observed for the last four of the top ten attributes in the purchase of standard products. These four attributes are concerned with service aspects of the vendor. On these four attributes the mean ratings assigned by the Indian industrial buyers are consistently higher than those of the American buyers. This finding seem to indicate that the Indian industrial buyers expect greater service from their vendors compared to their American counterparts.

With regard to the top ten attributes in the purchase of special products, one may note both differences and similarities, but without a consistent pattern as in the case of standard product buying. In summary, for five of the top ten attributes perceptions between the two groups of buyers are similar and for the remaining five attributes significant inter-group differences and be observed. For all the top ten attributes it is interesting to note that the mean importance ratings for the American industrial buyers are consistently higher than those for their Indian counterparts. This seems to indicate that in the purchase of special products the American industrial buyers' expectations of vendor performance are likely to be more exacting than those of the Indian buyers.

Based on data presented in tabled I and III, the following conclusions can be drawn with regard to the purchase of standard products.

From the detailed data presented in Table 1, it is evident that for many of the 64 attributes the Indian industrial buyers have assigned higher importance ratings than the American buyers. With few exceptions this trend can be observed to a large extent in the case of service-related attributes and convenience related attributes. The same trend can be observed to some extent with regard to economic-financial, image-dependability and caliber-capability attribute categories. Thus, a comparison across all 64 vendor attributes in the purchase of standard products seems to indicate that in general, Indian buyers attach greater significance to many of the vendor attributes than their American counterparts. This finding leads to the conclusion that, in general the expectations of the Indian industrial buyers are likely to be more exacting than the American industrial buyers when dealing with their respective sources of supply.

From the summary data presented in Table III it can be observed that for standard product buying statistically significant differences occurred in 39 of the 64 attributes. In most of these cases, the Indian industrial buyers assigned higher importance ratings than the American buyers.

With regard to the special product buying situations, the following conclusions can be drawn on the basis of the data presented in Tables II and III.

In general, the American buyers assigned higher importance ratings than the Indian industrial buyers. This trend is consistent with the data analysis for the top ten attributes discussed earlier. From these data analyses it may be concluded that in general, in the purchase of special products, American buyers' expectations are likely to be more exacting than those of the Indian buyers.

Summary analysis of the data presented in Table III revealed that in the purchase of special products for 41 of the 64 attributes there were no statistically significant differences. Only for 23 attributes statistically significant differences occurred. Thus, in an overall sense, one may conclude that there are more perceptual similarities between the American and the Indian industrial buyer behavior with regard to the purchase of special products.

Summary and Conclusions

Cross-cultural research in industrial buyer behavior is needed for effective international industrial marketing. However, at present research in this area is very limited. This paper presented empirical research dealing with a comparison of perceptual similarities and

differences between the American and the Indian industrial buyers. Perceptual similarities and differences are investigated in the context of standard and special product buying situations. The following are major conclusions based on the research reported in this paper.

1. For standard product buying situations the Indian industrial buyers' expectations of vendor performance are more exacting. Whereas in the case of special products buying situations, in general, American buyers' expectations of vendor performance are more exacting than for the Indian industrial buyers.
2. Perceptual differences between the American and the Indian industrial buyers are more pronounced in the case of standard product buying situations than for special product buying situations.
3. Across the cultures industrial buyers exhibit both similarities and differences in their behaviors. Such knowledge of industrial buyer behavior similarities and differences will be significant for international industrial marketers for developing and implementing appropriate marketing strategies to suit to each cultural context.

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Note: Data tables can be obtained from the authors.

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