LEARNING PLAN 2: THE MAJOR FORCES AND FACTORS IN MARKETING AND BUYING DECISIONS

COMPETENCIES

EXAMINE THE MAJOR FORCES IN THE ENVIRONMENT THAT AFFECT MARKETING.
EXPLORE THE FACTORS AFFECTING BUYING DECISIONS.

This learning plan addresses the following learning objectives to help you master the competency:

a) Describe ways environmental forces affect a company’s ability to serve its customers.
b) Describe ways today’s demographic and economic environments are changing.
c) Identify the major trends in a firm’s natural and technological environment using SWOT analysis.
d) Identify the key changes in today’s political and cultural environments using SWOT analysis.
e) Identify factors influencing customer buying behavior.
f) Describe the stages in the buyer decision making process.
g) Identify the factors influencing business buying behavior.
h) Distinguish between the key elements in the business buying process.

OVERVIEW

Reflect on the last time you made a purchase of over $100. How did you decide when and where to make the purchase? How did you decide on the brand? What about the last time you spent $10? Without an understanding of the environment, companies would make tragic mistakes leading to business failure. What if companies still made cassette tapes, or 3.5-inch floppy disks? What if the available work force in an area dropped by 15 percent? What would happen if a law was passed that prevented the sale of your product or service or that dictated safety features? What if we were in a recession instead of an economic boom? These are all questions business leaders must answer as they continue to do business. In this learning plan, we will discuss the environmental forces affecting our ability to serve customers as well as trends in demographics, economics, technology, politics, and culture.

It’s important to understand how customers or potential customers make decisions about purchases. This helps us meet their needs and get our products in the right place at the right time. This learning plan will provide you with all of the characteristics affecting consumer behavior, which are cultural, social, personal and psychological. You will explore the stages in purchasing decision-making: need recognition, information search, evaluation of alternatives, purchase decision and post-purchase behavior. You will also learn to identify the factors that influence business buying behaviors: environmental, interpersonal and individual factors. Finally, you will be provided with the stages of the business buying process: problem recognition, general need description, product specification, supplier search, proposal solicitation, supplier selection, order-routine specification and performance review.
LEARNING OBJECTIVE: DESCRIBE WAYS ENVIRONMENTAL FORCES ARE AFFECTING A COMPANY’S ABILITY TO SERVE ITS CUSTOMERS.

One of the main forces that affect meeting consumer needs and wants is the economy. Let’s discuss the economic geography of business as well as related topics to the economy and our ability to meet consumer demands.

ECONOMIC GEOGRAPHY

One of the primary roles of the marketing professional, as mentioned in Learning Plan 1, is to identify revenue-generating opportunities for an organization so that the organization remains a viable or healthy entity, producing stakeholder value, revenue streams, and social value in serving its customers and the community.

Identification of the economic revenue-generating capacity of a marketplace is among the most important of all of the marketing activities in business. Any market is composed of MICRO (immediate and industry-related) and MACRO (large and system-related) features that the marketing professional must become intimately aware of to connect with customer wants, needs, and demands. Let’s examine the micro-economic geography.

MICRO-ECONOMIC GEOGRAPHY

Characteristics of a Micro or Industry Competitive Analysis are identified by reviewing the specific industry or marketplace within which the organization does business or within the industry of a targeted product or service being reviewed for development and sale by the company. The groups affected by the impact of micro-environmental forces on a company’s ability to serve its customers are: THE COMPANY, SUPPLIERS, MARKETING INTERMEDIARIES, COMPETITORS, and BUYERS. Let’s take a few minutes and identify these terms.

The company has a moral responsibility to act in a particular manner. It also has a duty to render an account that will enable affected stakeholders to assess how well it has performed in relation to this responsibility.

Suppliers provide the raw materials needed for the production of goods and services. An example of suppliers for Coca Cola are sugar, water, carbon dioxide, flavorings, etc., so that companies like Coca Cola can assemble them into a product or service for a consumer. Suppliers are critical to the development of a market for any company, because not only do they produce inputs to a business in
terms of raw materials to build products or perform services, they also represent a major factor in the cost of a product or service because of the price they charge for their own products and services as factors to a business operation. Understanding the control that suppliers have over your business through supplies or inputs to your business is of critical importance to the marketer. Marketing managers must watch supply availability so that customer satisfaction is not negatively affected by shortages, delays, labor strikes, etc.

The marketing intermediaries or DISTRIBUTION CHANNELS are the firms or individuals in a marketplace who help the company in the promotion, sale, and distribution of its goods. Market intermediaries include resellers, physical distribution firms, marketing service agencies, and financial intermediaries. Their role and responsibility is to move the product from the manufacturer or producer of a product to you as a consumer in the marketplace. Resellers are the distribution channels that help the company find customers or make sales to them. Physical distribution firms help the company stock and move goods from their points of origin to their destinations. Marketing services agencies are the marketing research firms, advertising agencies, media firms, and marketing consulting firms that help the company target and promote its products to the right markets. Finally, financial intermediaries include banks, credit companies, insurance companies, and other businesses that help finance transactions or insure against the risks associated with the buying and selling of goods.

Competitors are rivals that sell either similar products or services, or products or services that can be perceived by the customer as an ALTERNATIVE to the product or service offered. It is important for marketers to understand rivals for their size and aggressiveness in terms of the numbers and types of products and services they bring to market. It is also important to know how competitive firms exhibit characteristics of trends and patterns in the marketplace. This may offer immediate and important information to the marketer about the likely introduction of products and services by the competitor. One of the very best predictors of future performance is past performance. Understand your competition, and you have a tremendous advantage in reducing risk, creating opportunities and leading and managing your own company in its marketplace. With respect to competitors, a marketer’s task is to help the company in providing greater customer value and satisfaction than its competitors. The marketer’s role is to create a better relationship between the expectations of the customer and the ultimate experience the customer has as they engage with the product or service offering.

If a market is highly competitive with large and well-established firms that have strong BRAND AWARENESS, there may be barriers to entry into the market. In other words, it may not be possible for a new product or service, i.e. a new competitor, to gain a foothold, given the amount of competitive rivalry already existing in a marketplace.

Buyers have the ultimate control over the price they will pay for a product or service. The ability of a buyer to purchase a similar product or service is referred to in marketing as the ability to purchase an ALTERNATIVE or SUBSTITUTE product. Alternative products require the marketer to pay special attention to goods and services that look and feel like the product they are offering, but can be purchased more easily and less expensively by a customer who has a want or a need to fulfill. Deciding
on a substitute product may be something we experience each day at the grocery store, such as when we evaluate the purchase of margarine or butter for our morning toast. Cost, product features for health, and other factors go into our decision to purchase one or the other. The marketer needs to evaluate the impact of alternative products on the marketing program for any product or service.

In summary, then, a Micro or Industry Competitive Analysis of a marketplace covers:

Company, or the business that is marketing and selling a product or service in the marketplace.

Suppliers of goods and services as inputs to a business and how much control they have over the prices and offerings of various goods and services to a business.

Market Intermediaries who distribute the products and who are the resellers, marketing service agencies, and financial intermediaries, etc., in the marketplace.

Competition, or rivals in the marketplace; how big they are and what market share they hold.

Buyers and the ultimate control they have over the price they will pay for a product or service.

Macro-environmental Analysis and Economic Geography

Remember that MACRO refers to large and system-related. Therefore, the macro-environment deals with the BIG PICTURE—the larger influences on the business. The macro-environmental analysis is an important principle of marketing because there are many systemic and highly influential trends and events in the macro-environment, and thus any market that impacts customer activity. To understand these marketplace trends, the marketer needs to step back and evaluate the larger trends of the marketplace to design effective marketing campaigns to produce successful results for the organization.

Elements of the macro-environmental forces are characterized by the following domains or categories of analysis:
Each of these will be discussed in greater detail in the following sections.

LEARNING OBJECTIVE: DESCRIBE WAYS TODAY’S DEMOGRAPHIC AND ECONOMIC ENVIRONMENTS ARE CHANGING.

Let’s examine the demographic and economic environments in detail and discuss their impact on marketing objectives.
DEMOGRAPHIC FACTORS

Demographic factors refer to the study of human populations. The marketer is interested in understanding the population of the marketplace: How many consumers/customers there are; how educated they are; what they are eating; how they are living; how old they are; and what their cultural orientations are, all of which will impact their buying behaviors and decisions.

This is a highly specialized area of marketing intelligence and one that requires the marketer to carefully think through the types of information that he or she needs to know about the marketplace and its consumers. Firms specializing in consumer research are often engaged for their deep databases and their understanding of how to elicit this necessary information for a thorough connection to the market and its consumers.

ECONOMIC FACTORS

Economic factors refer to factors that affect the costs and political realities of doing business in markets. Some industries are more prone to INFLATION. Inflation is the steady increase in prices. In other words, as the cost of money rises, increased pressure on profits is a risk businesses assume when doing business in that industry. There are also curious relationships in some industries between trends and patterns of the market and the realities of doing business. Some industries are prone to RECESSION or contraction, which has little to do with the way the marketer is managing the business but rather has to do with the larger and systemic factors of the industry infrastructure and its competitiveness, or with the nature of regular cycles of the marketplace that impact the revenue streams planned for by the marketer. One such relationship is the relationship between the cost of money, or INTEREST RATES, established in the U.S. by the Federal Reserve Bank and the housing industry. The higher the cost of money or interest, the greater the negative impact on the number of new home starts in the housing industry. Each marketplace has curious patterns like this that the marketer needs to know and understand to avoid risk and to capture business opportunities.

LEARNING OBJECTIVE: IDENTIFY THE MAJOR TRENDS IN A FIRM’S NATURAL AND TECHNOLOGICAL ENVIRONMENTS USING A SWOT ANALYSIS.

An important tool in identifying changes surrounding the market is a SWOT analysis. SWOT refers to Strengths, Weaknesses, Opportunities, Threats. Taking the time to identify these items for your company is crucial in remaining competitive. There are many factors that exist that can impact a business both negatively and positively, but only if you know and understand these factors through a SWOT analysis. SWOT will be discussed further in another learning plan; but we can better understand the environmental, natural, and technological environments through SWOT.
ENVIRONMENTAL OR NATURAL RESOURCE FACTORS

Environmental or natural resource factors are becoming more and more critical to the business practitioner with each passing year. Many of our resources are nonrenewable or are under deep ecological attack. Examples of nonrenewable resources are oil, coal, and forests. Understanding the issues surrounding air pollution, noise pollution, water pollution, degradation of the forests, nonrenewable resource depletion must be understood to protect environmental and natural resources because they cannot be replaced. This understanding also helps with innovation. Innovation is the creative and technological thinking that creates new ideas.

TECHNOLOGY

Rapid innovation exists in most industries today because of the introduction of technological advances. It is important that the marketer understands the trends of change and the driving force of technological developments in his/her marketplace to plan for these changes to lead product innovation in the market and capture the imagination and interest of the consumer, resulting in sales.

Technological and innovative product decisions are very critical decisions of position and image in a marketplace because the marketer decides how he or she wants the organization and its products to be seen and remembered by the customer. If a marketer wants the organization that he or she serves to be seen as an innovator, then leading with new product innovation or service enhancements will be an important characteristic of product planning and research. Or if the organization wants to be seen as a fast follower, then this is yet another position and image the marketer can foster so the market knows what to expect from the organization in serving needs, wants, and consumer demand.

LEARNING OBJECTIVE: IDENTIFY THE KEY CHANGES IN TODAY'S POLITICAL AND CULTURAL ENVIRONMENTS USING A SWOT ANALYSIS.

As we have mentioned, the SWOT analysis is used to identify factors that impact business. SWOT can also be used to identify political and cultural strengths, weaknesses, opportunities, and threats.
POLITICAL, LEGAL, AND REGULATORY FACTORS

Political, legal, and regulatory factors are those government influences that impact an industry in some way. For instance, the FAA (Federal Aviation Administration) grants licenses to fly in certain airspace. Airport commissions decide which and how many carriers will have “gate” exposure at their airports. Pilots have certain rules and regulations for the number of hours they can fly, and the requirements of licensure for certain abilities and knowledge as commercial pilots. Each industry has specific rules and regulations that govern it and that change. Changes in government regulations, laws, and policies by governments or professional governing bodies can impact any organization. Part of a good macro-analysis takes these systemic and impact rules and regulations into account for business planning and implementation.

In summary, the macro-analysis includes demographics, economics, political, legal, and regulatory, environment, or natural resource and technological factors that allow a marketer to use knowledge of the marketplace and perform subsequent planning activities for their business.

Together, the micro-analysis of the industry and the macro-analysis of the systemic forces that impact markets prepare the marketing professional with specific and general knowledge about trends and patterns in the market. With such information, the marketing professional is armed with the knowledge required to avoid risk and to capitalize on opportunities for existing and future revenue streams.

OVERVIEW

It’s important to understand how customers or potential customers make decisions about purchases. This helps us meet their needs and get our products in the right place at the right time. This part of the learning plan will provide you with all of the characteristics affecting consumer behavior, which are: CULTURAL, SOCIAL, PERSONAL, and PSYCHOLOGICAL. You will explore the stages in purchasing decision-making: need recognition, information search, evaluation of alternatives, purchase decision, and post-purchase behavior. You will also learn to identify the factors that influence business buying behaviors: environmental, interpersonal, and individual factors. Finally, you will be provided with the stages of the business buying process: problem recognition, general need description, product specification, supplier search, proposal solicitation, supplier selection, order-routine specification, and performance review.
LEARNING OBJECTIVE: IDENTIFY FACTORS INFLUENCING CUSTOMER BUYING BEHAVIOR.

Understanding the factors that influence customer buying behaviors is a major activity of the professional marketer. As the marketer becomes more aware of the characteristics of the consumers in a particular marketplace, the consumers’ needs and wants, and ways to generate consumer demand, marketing efforts become more successful. What exactly influences customer buying behavior?

CULTURE

The cultural factors have the deepest influence on consumer behavior. To more fully understand the impact of culture; let’s define the following cultural terms:

**Culture:** The system of shared beliefs, values, customs, behaviors, and artifacts that is used by the members of a society to cope with their world and with one another, and that is passed from generation to generation.

**Subculture:** A social group within a larger culture that has distinctive patterns of behavior and beliefs.

**Social Class:** A social class refers to a large group of people who rank close to one another in wealth, power, and prestige.

Cultural backgrounds are a decisive ingredient in the introduction of a product or service, as well as in the profitability of a product line or service in an industry. Each culture and subculture has unique characteristics, interests, ethical stances, etc., that impact the buying characteristics of the consumer within those cultures and subcultures. We can see an example of this today in the growth of the Latino population in Florida. A marketer must be sensitive to capturing an understanding of the social differences and language connotations that define this unique culture. Even within the Latino population itself, there can be subcultures. Subcultures can include diversities in nationalities, religions, and racial groups.

SOCIETY

Social factors also have influences on consumer behavior. No matter what the group is, it is a social entity and serves as a point of reference in forming a person’s attitudes and behaviors. Like groups, the family is perhaps the most common and most important consumer-buying organization in American society. You can see how groups, and thus families, influence a person’s buying behavior. Further influence is often the result of role and status, which define the position a person holds within his or her social group, and the esteem (status) given to that person’s role by society.
PERSONAL CHARACTERISTICS

Personal factors include a consumer’s age, life cycle stage, occupation, economic situation, lifestyle, personality, and self-concept. All of these things can influence a person’s behaviors. For example, older individuals are rarely as attracted to the fads that are so common to teenagers. Lawyers may have a more important status and economic situation in society and will likely be influenced to wear name-brand clothes and drive expensive cars. People who want a simple lifestyle are usually more interested in the functionality of the clothes or vehicle and not the name brand.

PSYCHOLOGY

Finally, psychological factors include motivation, perception, learning, beliefs, and attitudes. For the motivation factor, you can review the motivational theories proposed by Freud and Maslow, which are offered in your reading list below.

Research on the purchasing decision-making process has been developing over the past 30 years. We have a clear understanding of the thought processes used by an individual who is considering a purchase decision. The thought frames discussed below offer the marketing professional a significant amount of information about how to influence an individual to make a purchase decision.

To understand how consumers make purchasing decisions, we need to understand the five components that make up the process. The following graphic may help you understand the process as we discover each component.

STAGES IN THE BUYER PURCHASING DECISION-MAKING PROCESS

1. **Need Recognition and Problem Awareness.** The first stage, *Need Recognition*, comes when the buyer recognizes the problem or need. This need may be triggered by internal or external stimuli. Think about a time when you were reading a newspaper or walking through a shopping mall and something caught your eye. What caused you to stop and look at an advertisement or pick up a product and analyze it? More than likely, it was that you had been thinking about something similar or that the view of a product or service caused you to remember a need you had for something. Now, think about your activities at that point. Did you want to know more about the product or service? Did you find yourself evaluating the product or service for a function it would perform for you specifically?

2. **Information Search.** Once you determine you have a need for a product or service, the next step is to gather information. Information searches are accomplished through personal, or word-of-mouth, sources as well as commercial and public sources—any or all of which are designed by a firm’s marketing professionals to capture your attention and to influence you to make a purchase.
Let’s define what we mean by each of these terms:

**PERSONAL SOURCES** or **WORD-OF-MOUTH SOURCES** are very valuable to us as consumers, and marketers work hard to gather **TESTIMONIES** of individuals who have experienced a product or service. Marketers can then personalize the experience of the consumer to a potential buyer. Think of a time you had a friend refer a product or service to you, and you had a good experience. How many others did you tell of the product or service?

**COMMERCIAL SOURCES** are companies that possess specialized knowledge. Identifying these commercial sources and understanding what special information they have, will help consumers use their knowledge in a particular field. What commercial sources offer specialized electronics information?

**PUBLIC SOURCES** include organizations such as research universities, government agencies and regulatory bodies, which collect information of interest to most organizations. Understanding the types of information that these various agencies and organizations hold can be of great value in determining product improvements and safety initiatives to improve overall product performance and customer satisfaction.

Once you begin the information-gathering phase, you will immediately move into the next of the buying-decision activities: Evaluation.

3. **Evaluation.** Evaluation of alternatives occurs when the consumer is actually processing information, ranking brands, and arriving at a brand choice. Once the information has been gathered, a consumer will evaluate the information to determine what is most reliable, which product may meet his/her needs best and rank them in order of preference. **BRANDING** may be a key factor in determining which brand a consumer chooses. Branding refers to the characteristics of a product or service that form in the mind of the consumer over time. Brand characteristic is an important concept for the marketer, because the more aware we are of the product and its capabilities, the more likely we are to choose that brand and less likely to switch to another similar or alternative brand. We will discuss branding further in a later Learning Plan.

Now that the customer has evaluated the product or service, he or she is ready to engage in a purchasing decision.

4. **Purchase Decision.** The needs and wants of the consumer have been identified and information has been gathered and evaluated. Now the consumer is ready to engage in a purchase decision. The consumer is ready to fulfill the **DEMAND** characteristic discussed previously.

The consumer will almost always make his or her purchase decision in favor of the most preferred brand, that being the brand that most fulfills his or her needs and wants.
experience of the consumer concerning the product or service will be paramount in the post-purchase behavior of the consumer relative to the purchase.

5. **Post-Purchase Behavior/Evaluation.** Post-purchase behavior varies, depending on the consumer’s satisfaction or dissatisfaction with the product or service. When the product or service falls short of the customer’s fulfillment expectations, the consumer is disappointed. Here the organization may experience negative feedback on customer satisfaction surveys. If negative feedback is received, the marketing professional will begin an investigation into how customer perceptions lead to a negative experience.

When the product or service meets a customer’s expectations of his or her needs and wants, the consumer is satisfied. The marketing professional is likely to see a generous amount of positive feedback with regard to the experience the customer had with the product.

Remember, however, that the actual experience of the customer is directly related to the **ANTICIPATED** benefit the customer would experience in terms of the fulfillment of his or her needs and wants. You can begin to understand how important it is for the marketing professional to understand the needs and wants of a consumer group to be able to craft the marketing in the development stages of the product or service toward those needs and wants of the customer. Often, companies are not engaged enough in this deep understanding of the market to produce products and services that are of interest to consumers. The work of the marketing professional is to make **DATA-DRIVEN DECISIONS** based on facts gathered directly from the customer.

When the product or service exceeds consumer needs and wants, the consumer is more than satisfied. *(REMEMBER OUR KANO’S MODEL FROM LEARNING PLAN 1.)* The greater the linkage between expectations and fulfillment of expectations, the more significant is the enthusiasm of the consumer, and the greater the chance that the consumer will return for additional products and services. In addition, this consumer is likely to send other consumers to the company for the purchase of the product or service as a result of their extreme satisfaction.

**SOURCE:** [HTTP://WWW.TUTOR2U.NET/BUSINESS/MARKETING/BUYING_DECISION_PROCESS.ASP](HTTP://WWW.TUTOR2U.NET/BUSINESS/MARKETING/BUYING_DECISION_PROCESS.ASP)

The following graphic begins to discuss yet another principle of marketing:

**THE RELATIONSHIP BETWEEN COST AND BENEFIT**

As mentioned above, we have described that satisfied customers have had their needs and wants fulfilled, resulting in a high degree of satisfaction. However, in this graphic, we are beginning to add yet another dimension to the customer-satisfaction equation: cost of the product, or what we refer to as **PRICE IN MARKETING.**
The implications of this graphic are clear. If the cost of the product is out of balance relative to the benefit to the customer, the buying decision or the consumer experience of the product may be affected adversely or positively, depending on the circumstances.

The work of the marketing professional is to:

1. Find a balance between the benefit to the consumer and the price paid for the product or service as part of the overall customer satisfaction equation.
2. Create a better relationship between the expectations of the customer and the ultimate experience the customer has as he or she engages with the product or service offered.
3. Help the company provide greater customer value and satisfaction (including numbers 1 and 2) than its competitors. This is a matter of strategic thinking. The greater the connection between the customer’s needs and wants and the ultimate experience of the customer in the fulfillment of those needs and wants, the greater the customer experience, and the greater the likelihood the customer will return to purchase another product or service, or tell others about his or her experience.

LEARNING OBJECTIVE: IDENTIFY THE FACTORS INFLUENCING BUSINESS BUYING BEHAVIOR.

As a marketer, we must not only think of individual consumers, but we must also consider the needs of businesses because, like individuals, businesses need to make purchases. The same factors influencing individual consumers to buy are not the same as those affecting businesses. The factors influencing business buying behavior include environmental, organizational, interpersonal, and individual.

ENVIRONMENTAL FACTORS:

- Economic
- Technological
- Political/Regulatory
- Competitive
- Cultural

As the environmental factors influence the buying-decision process, a number of institutions could be considered to be of significance in understanding these environmental forces. These include professional groups, government, suppliers, customers, etc. For international markets, deep knowledge
about a country’s environment is essential, because those factors could significantly vary among
different countries and could particularly affect those companies that are active in the global markets.

**ORGANIZATIONAL FACTORS:**

- Objectives
- Policies
- Procedures
- Organizational structure
- Systems

The most important organizational factors influencing the buying decisions on an organizational level can be recognized in organizational structure, organizational goals and tasks, a company’s objectives and policies, and internal procedures and systems. For many companies, one person called the purchasing agent makes purchasing decisions for the company. This is often done when experts or users of the product make recommendations on the product to purchase. These people in the company that make or influence purchases are called the Buying Center. The company’s objectives may dictate the types of purchases they make, such as low-cost purchases in order to save money, or perhaps luxury furnishings to convey a sense of quality among clients or customers. It’s important to understand these factors when marketing to business consumers. If we don’t market to their needs, we’ll miss a big opportunity of gaining a business from a customer.

**INTERPERSONAL FACTORS:**

- Authority
- Status
- Empathy
- Persuasiveness

The interactions among people in the buying center often influence one another until the purchase is completed. If the buying center is informally organized, or if it is not clear who the key decision-maker is, interpersonal relationships might be of decisive importance. That is why business strategists must take into consideration personal factors when developing an appropriate approach toward the customer. The most common interpersonal factors influencing buying decisions are authority and status within the organization, empathy, and persuasiveness.
INDIVIDUAL FACTORS:

- Age
- Education
- Job Position
- Personality
- Risk Attitudes

Individual factors differ for everyone involved in the buying-decision process. For example, an older executive may make different buying decisions than a younger assistant. An outgoing person may make riskier purchases or more trendy purchases than someone more reserved. Think about a purchase you have made recently. How did those influences mentioned above impact your buying decision in favor of or against the purchase? Would these factors influence you if you were to make a purchase for a business?

LEARNING OBJECTIVE: DISTINGUISH AMONG THE KEY ELEMENTS IN THE BUSINESS BUYING PROCESS.

Organizations exhibit the same kind of decision-making structure as mentioned above, with slightly different orientations.

1. **Problem Identification.** During the first stage of the organization’s decision-making process, the organization will identify a problem. Problem recognition occurs when the company identifies a problem or need. Just as in the buyer purchasing decision-making process, problem recognition results from internal or external stimuli.

2. **Problem Definition.** A general need description will occur when the company determines the characteristics and quantity of the needed item or service. You can see much of the same language being used for an organization’s needs and wants as it is for the consumer’s needs and wants.
3. **Solution Specification.** This stage occurs when the company develops a specific definition for the needs and wants of the organization. The need or want is delineated for specific technical product specifications, or the organization conducts a cost/benefit value analysis, clarifying the qualities of the product or service and the overall benefit to the organization. Organizations often are a bit more specific about these data-driven qualities in the decision-making process, because they usually have to justify cost expenditure for decisions made.

4. **Supplier Search** Assuming that the cost/benefit analysis suggests that the organization should proceed with the buying decision (benefits outweigh the costs), a supplier search begins. The organization then requests bids. This is when the company solicits qualified businesses, or vendors, to make an offer for supplying a product or service to the company, usually with specified costs and timeline. The request for bids will usually have a stated time period.

5. **Assessment of Vendors.** Once the time period for accepting bids is over, key decision-makers will evaluate the bids. The company will assess which vendor best fulfills the cost/benefit specifics identified for the fulfillment of the organization’s needs and wants.

6. **Supplier Selection.** After the vendors or suppliers have been assessed, supplier selection occurs when the company chooses the best bidder and enters into a binding contract. This initiates the formal relationship between the buyer and seller.

7. **Agreement.** During this phase, the company and the supplier establish the formal contract. Usually, specifications as to product quality and delivery are identified within the formal contract, as well as many other important clauses to protect both the buyer and supplier.

   An important element in this phase is contract law. Contract law governs the relationship between the supplier of a product or service and the company that seeks the product and service. Rules of law for specific states require that business agents understand the regulations in the country or state within which they are doing business. This is of increased importance in international settings. Lawyers are an important resource in contracts and should be consulted on legal matters such as these.

8. **Monitoring and Review.** This stage is marked by the overall performance evaluation of the supplier. This is similar to the post-purchase behavior in the buyer purchasing decision-making process, where there are discussions of the strengths and the development needs, and where the customer and supplier identify deficiencies or satisfactions. Just like post-purchase behavior for consumers, businesses may not make repeat purchases if they are not satisfied.

Depending on the product, business purchasing decisions can take an extensive period of time. Unlike individual consumers, the number of people involved in business purchasing decisions may result in decisions taking weeks, months, or even years.