
CHAPTER 3

BUSINESS BUYING BEHAVIOUR AND THE DECISION-MAKING PROCESS

3.1 INTRODUCTION

Roybal (2006:30) believes that a better understanding of the business decision-making process and the objectives that a business seeks will assist sports programmes towards creating sports sponsorship proposals and packages that meet their sponsors' needs and even exceed their expectations. Fullerton (2010:176) asserts that sports properties must make an effort to either convert a prospective business into a sponsor, or sign an existing sponsor to a new contract. To this end, the author continues that the key issues in marketing today are the acquisition of customers and customer retention.

Du Plessis and Rousseau (2003:4) explain that marketing is concerned with the orientation of products or services to the market; an important component of this process is associated with the buying behaviour of consumers in the target market. Fullerton (2010:176) emphasises that a sport property's target market consists of current and potential sponsors. Etzel *et al.* (2007:86) concur and state that a market consists of buyers and prospective buyers, and needs end-consumers and businesses in order to function as a market. According to McDaniel *et al.* (2008:146), consumer behaviour describes how consumers make purchase decisions and also refers to how they use and dispose of the purchased products and services.

The basic philosophy and practice of marketing are the same for business and end-consumers, although business markets have characteristics that are different from consumer markets (McDaniel *et al.*, 2008:194). Webb (2010:4) notes that marketers are not only interested in who actually buys their products and services, but also in who makes the actual buying decision and who has an influence on the process of decision-making.

Fullerton (2010:167) asserts that sports properties that seek a new or renewed sponsor need to direct and sell their sponsorship proposals to the prospective sponsor. Furthermore, the author explains that the prospective business that

receives the sponsorship proposal has to make a sponsorship decision; the business should explore and evaluate the current and available opportunities in the market and then decide with which sponsorship it wishes to engage.

In this chapter, the focus will be on the business decision-making process. The business decision-making process for selecting sports sponsorships will be discussed, specifically referring to the buying centre composition and selection criteria. In order to better understand the decision-making process, it is necessary to define consumer behaviour and to understand why the decision of a business to buy a sponsorship is important to the sphere of marketing.

3.2 CONSUMER BEHAVIOUR

Consumer behaviour can be defined as the study of individuals, groups, or businesses together with the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impact that these processes have on the consumer and society (Solomon *et al.*, 2009:149). Schiffman and Kanuk (2007:3), in turn, define consumer behaviour as the behaviour that consumers display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs.

Consumer behaviour involves more than only completing a transaction and the immediate antecedents and consequences of a purchase; it is the study of consumers and the processes involved in their search to purchase, use and dispose of products, services, ideas and experiences which they expect will satisfy their unique needs and desires (Solomon, 2009:34). Marketing involves a multitude of value-producing activities that facilitate exchange between buyers and sellers, including production, pricing, promotion, distribution, and retailing, which are all focused on providing value for customers (Babin & Harris, 2009:7).

Du Plessis *et al.* (2010:8) believe that an understanding of consumer behaviour is the basis for formulating a marketing strategy. A basic tenet of marketing is that an understanding of customers and their purchasing habits will allow marketers to

design an effective offering that will help them to achieve their marketing objectives (Cant *et al.*, 2006:1).

Wright (2006:7) asserts that the core of the marketing process entails an understanding as to why a customer or buyer makes a purchase. The author continues that the need to understand buyer- or consumer behaviour and reasons for purchase is central to the concept of marketing products or services to end-consumers or business consumers.

Taderera (2010:15) argues that it is imperative for marketers to know how the different market segments perceive the product, and what the values, needs and expectations of the consumer in these segments are. Pride and Ferrell (2009:171) note that marketers of successful businesses go to great lengths to understand their customers' needs and to gain a better understanding of customers' buying behaviour. Kotler and Armstrong (2010:159) concur that understanding buyer behaviour is the essential task of marketing management.

Du Plessis and Rousseau (2003:7) argue that buyer behaviour can explain how customers and businesses behave in buying situations. For the purpose of this study, the following definition of buying behaviour will be considered sufficient: Buying behaviour comprises the mental and physical activities (behaviour patterns) of decision units (individuals, families and businesses) which precede, determine and follow on the decision-making process for the acquisition of need-satisfying products, ideas and services (Du Plessis & Rousseau, 2003:9).

Burns and Bush (2004:8) propound that successful marketing is based upon the ability to help a customer resolve a problem. Fullerton (2010:169) suggests that an effort to sell a sponsorship is greatly enhanced when its potential to resolve a specific problem is apparent. The author continues that the sales effort of the sports property must demonstrate its understanding of the prospective sponsor's possible marketing objectives. Only then can the sports property compose a sponsorship proposal that addresses the needs of the prospective sponsor (Fullerton, 2010:169).

3.2.1 Business vs. end-consumer markets

Du Plessis and Rousseau (2003:7) explain that a 'buyer' can be an individual, a family or a decision-making unit in a business. In this regard, Schiffman and Kanuk (2007:3) describe two different kinds of consuming entities: the personal consumer and the business consumer.

Personal consumers are described as individuals who buy products and services for their own use, for the use of the household, or as a gift for someone. These individuals are referred to as end-users, end-consumers or ultimate-consumers (Schiffman & Kanuk, 2007:4). Business consumers include profit and non-profit businesses, government agencies and institutions, all of which must buy products, equipment and services in order to run their business.

Hut and Speh (2007:4) assert that business markets are markets for products and services, local and international, bought by businesses, government bodies, and institutions (such as hospitals) for incorporation (e.g. ingredient materials or components), for consumption (e.g. process materials, office supplies, consulting services), for use (e.g. installations or equipment), or for resale. These authors continue that the only markets that are not included in business markets are those that sell products and services that are directly focused on personal use or consumption. Solomon (2009:35) argues that in business markets one or several persons can make the decision involved in purchasing products that will be used.

Du Plessis and Rousseau (2003:136) are of the opinion that consumer strategies and techniques cannot be used in business marketing situations, because the application of marketing concepts and principles is distinctly different in these two markets. According to McDaniel *et al.* (2008:194), the basic philosophy and practice of marketing are the same whether the customer is a business or end-consumer, although business markets have characteristics that differ from end-consumer markets.

Mullins *et al.* (2005:132) assert that businesses buy the same products as end-consumers, but the major differences that distinguish these markets are the

motivations of the buyers, the benefits they seek to obtain and what they want to do with the product. The authors further state that the demographics of these markets differ drastically, and it follows that the nature of the purchasing process as well as the relationship between the buyer and the seller will be quite different.

The major differences between markets are, according to Du Plessis and Rousseau (2003:137), the purchasing of goods and services, selling- and buying influences, demand, purchasing, support activities, personal selling, advertising, distribution, price and market demographics. Kotler and Armstrong (2010:193) argue that business markets differ in many ways from end-consumer markets.

Solomon (2009:473) asserts that many factors distinguish business markets from end-consumer markets. The following discussion will be divided into three main sections, namely market structure and demand, nature of the buying unit and the types of decisions and the decision process. According to Du Plessis and Rousseau (2003:137), these characteristics essentially drive the overall differences in the decision-making process.

3.2.1.1 Market structure and demand

In order to gain a better understanding of the main differences between business and end-consumer markets, the market structure will be discussed in terms of market demographics, followed by the nature of demand or the motives for purchase in business markets.

- Market demographics

Major differences between end-consumers and business markets are the number, size and geographical dispersion of the consumers (Mullins *et al.*, 2005:133). According to Hut and Speh (2007:4), the total rand value of products being sold through the business-to-business decision-making process is four times greater than the total rand value of products being sold to the end-consumer. A small number of business consumers often account for more than half of the supplier's volume, which

gives the business buyers a great deal of influence over the supplier (Solomon, 2009:473).

Business markets contain fewer, but larger buyers (Kotler & Armstrong, 2010:193). McDaniel *et al.* (2008:194) highlight that business markets buy in much larger quantities than end-consumers. Du Plessis and Rousseau (2003:140) concur that the size of each individual purchase tends to be much larger for business markets, even if the same product is purchased, and even though the number of business consumers is far less than end-consumers.

The advantages of fewer business consumers are numerous (McDaniel *et al.*, 2008:195). These authors state that it is easier to identify prospective buyers, monitor current customers' needs and levels of satisfaction, and to personally attend to existing customers. The main disadvantage of having only a few business consumers is that each one of these is crucial to the survival of the supplying business. McDaniel *et al.* (2008:196) also note that business consumers tend to be more geographically concentrated than the end-consumer.

- Purchase motives – demand

Mullins *et al.* (2005:132) indicate that the end-consumer buys products and services for his or her own personal use, while businesses buy for three main reasons: to facilitate production, for use by the business' employees or for resale. They authors further explain that given the reasons for business purchases, a business' demand for products and services is, in most cases, derived from the underlying consumer demand.

McDaniel *et al.* (2008:194) propound that business markets' demand is derived, inelastic, joint and fluctuating. Du Plessis and Rousseau (2003:137) concur that business-to-business markets have a derived demand. They explain that **derived demand** means that it is entirely dependent on the demand from the end-consumer. Kotler and Armstrong (2010:193) accordingly state that business consumers' demand is derived from the end-consumer's demand.

McDaniel *et al.* (2008:194) argue that businesses must therefore carefully monitor their customers' forecasts, because derived demand is based on expectations of future demand for those customers' products.

Demand in many business markets is fairly **inelastic**, which means that it is not influenced as much in the short run by price demands (Kotler & Armstrong, 2010:193). McDaniel *et al.* (2008:195) assert that an increase or decrease in price of the product will not significantly affect demand for the product by the end-consumer.

McDaniel *et al.* (2008:195) explain that **joint demand** occurs when two or more items are used together in a final product. In this instance, the sales of the two products are directly linked. Pride and Ferrell (2009:205) affirm that marketers need to realise that when a customer begins to purchase one of the jointly demanded items, a good opportunity exists to sell related products.

Demand in business markets can **fluctuate** more frequently and much faster than in consumer markets (Kotler & Armstrong, 2010:193). The demand for business products tends to be less stable than the demand for end-consumer products (McDaniel *et al.*, 2008:195). These authors continue that a small increase or decrease in consumer demands can produce a much larger change in demand for the facilities and equipment needed to produce the consumer products.

3.2.1.2 Nature of the buying unit or decision-making unit (DMU)

The decision-making unit is a term that embraces all the people who might be involved in some way or another in the buying process (Wright, 2006:446). Business purchases involve a large number of buyers (Kotler & Armstrong, 2010:193). Solomon (2009:473) concurs that purchase decisions made by businesses involve many people, including those who do the actual buying, those who indirectly or directly influence this decision, and the employees who will actually use the product or service.

According to Wright (2006:446), the decision-making unit in a business is larger and more complex than the end-consumer decision-making unit, and could involve

employees across the whole of the business. The author continues that these are all professional people, buying for functional reasons. Solomon (2009:473) argues that businesses do not feel an urge to spend, because buyers are more professional and base their decisions on past experiences and therefore carefully weigh the alternatives. Kotler and Armstrong (2010:193) concur that business who buy constitute a more professional purchasing effort.

Du Plessis and Rousseau (2003:141) agree and further state that many business purchasers have qualifications in various forms of purchase management; this means that they are trained in the techniques used by salespeople and know how to counter these techniques. McDaniel *et al.* (2008:196) concur that business purchasing agents are trained and spend their entire careers purchasing a limited number of products, and as such, they get to know the products and suppliers well. The authors elaborate that experts from fields as varied as quality control, marketing, and finance, as well as professional buyers and users, may be grouped in the business buying centre.

Business purchasers can choose to buy from their own customers, a practice known as reciprocity (McDaniel *et al.*, 2008:197). The authors further note that this is neither unethical nor illegal, unless one party intimidates the other and the result is unfair competition. Du Plessis and Rousseau (2003:144) are of the opinion that moral persuasions in negotiations are indeed used, which often entail that 'we buy from you and therefore you should buy from us'. These authors further explain that many holding companies require the companies in which they have a certain percentage shareholding to purchase from other companies within the group.

Business-to-business marketing often involves more emphasis on personal selling than on advertising and other forms of promotion (McDaniel *et al.*, 2008:196). These authors elaborate that businesses focus particularly on personal selling when the products or services are expensive custom-designed, when large volumes are to be sold, or when negotiations are needed. In the case of business buying, buyers and sellers work fairly closely together and build close long-term relationships (Kotler & Armstrong, 2010:193).

3.2.1.3 Types of decisions and the decision-making process

The decision-making process for a business is almost similar to the process for end-consumers, except for the fact that behaviour can be much more complex and drawn out over long periods of time, depending on the value of the goods and services being purchased and the importance thereof to the business (Wright, 2006:447). Therefore, business buyers tend to face more complex buying decisions (Kotler & Armstrong, 2010:193). These authors indicate that the business buying process is also more formalised. Solomon (2009:473) claims that the business decision is more risky than end-consumer decisions to purchase, because the buyer's career may depend on the judgement of the decision to purchase.

It is important for suppliers of products and services to understand this decision-making process. It is a process that might vary for different products and services, but a proper understanding will mean that purchase behaviour can be understood and beneficially influenced (Wright, 2006:447).

3.3 BUSINESS BUYER BEHAVIOUR

The business decision-making process is typically referred to as business-to-business buying behaviour, business buying behaviour or industrial buying behaviour (Du Plessis & Rousseau, 2003:136). Business buying entails the buying of products and services for the use in a business' activities (Cant *et al.*, 2006:221). Businesses buy products and services for use in production; or the products and services are sold, rented or supplied to others (Kotler & Armstrong, 2010:192). The authors note that in the business buying process, business buyers determine which products and services their business needs to purchase and then find, evaluate, and choose among alternative suppliers and brands.

Business-to-business marketers must understand business markets and business buying behaviour (Kotler & Armstrong, 2010:192). Cant *et al.* (2006:221) argue that the stereotype of business buying behaviour as a cold, efficient, economically rational process is far from the truth. They continue that business buying behaviour is as human and individual as household buying behaviour. Pride and Ferrell

(2009:196) conclude that business products can be technically complex, and the market consist of sophisticated buyers.

3.3.1 Types of business buyers

The business market consists of four major categories of customers namely producers, resellers, governments and institutions (McDaniel *et al.*, 2008:191).

3.3.1.1 Producers

The producer segment of a business includes profit-orientated individuals and businesses that use purchased goods and services to produce other products, or to incorporate into other products, or facilitate daily operations of the business (McDaniel *et al.*, 2008:191). Dwyer and Tanner (2009:13) believe that producers of products and services can include the products they have purchased in their manufacturing process or service delivery. Perreault *et al.* (2008:142) assert that producers can include manufacturers, farmers, real estate developers, hotel operators, bankers, and even doctors and lawyers.

3.3.1.2 Resellers

Resellers include all businesses that acquire goods for the purpose of reselling or renting them for a profit (Du Plessis & Rousseau, 2003:145). According to McDaniel *et al.* (2008:191) as well as Perreault *et al.* (2008:142), resellers include retail- and wholesale businesses that buy finished goods and resell them for a profit. A retailer usually sells to the end-consumer and wholesalers sell to retailers or other businesses. Fill and Fill (2005:9) clearly define the benefits of resellers as providing customers with form-, time- and place utility. They continue that resellers or distributors facilitate the transfer of products through the marketing channel to add value, by providing added value such as providing credit facilities, storage or service support.

3.3.1.3 Governments

Government businesses include government bodies at all levels namely, national-, provincial-, and local buying units (McDaniel *et al.*, 2008:191). These authors note that government businesses make up the largest market for products and services in the world. Kotler and Armstrong (2010:206) argue that business and government buying are similar in many ways, but there are a number of differences that should be clearly understood by businesses wishing to sell to government businesses.

Contracts for government purchases are often put out for tender (McDaniel *et al.*, 2008:192). These authors indicate that interested vendors submit bids, and the lowest bidder is awarded the bid, or otherwise clear evidence must be presented to justify the decision. Du Plessis and Rousseau (2003:146) add that this tender process is typically very complex and long-winded. According to Kotler and Armstrong (2010:206), governments tend to favour domestic suppliers over foreign suppliers.

3.3.1.4 Institutions

Institutions seek to achieve other goals than the standard business goals of profit, market share and return on investment (McDaniel *et al.*, 2008:192). These authors state that this segment includes schools, hospitals, colleges and universities, churches, labour unions, civic clubs, foundations and not-for-profit businesses. According to Kotler and Armstrong (2010:206), institutional markets are characterised by low budgets and captive patrons.

Fill and Fill (2005:14) note that institutions have purchasing systems of varying levels of complexity, and are often financially constrained. These authors continue that such businesses adopt some of the characteristics associated with both commercial and government markets. Kotler and Armstrong (2010:206) highlight that marketers usually set up separate divisions to meet the special characteristics and needs of institutional buyers.

3.3.2 Types of buying decisions

McDaniel *et al.* (2008:201) argue that businesses must decide whether to make something or buy it from an outside supplier. These authors believe that if businesses decide to buy a product instead of making it, the purchase will be a new task buy, straight rebuy or modified rebuy. According to Cant *et al.* (2006:222), the business buyer faces a wide range of decisions when buying a product or service.

The number and nature of the decisions depend on the buying situation, therefore closer investigation should be given to these types of buying situations (Cant *et al.*, 2006:222). Pride and Ferrell (2009:203) argue that each type of decision is subject to different influences and thus requires business marketers to modify their selling approach appropriately. Etzel *et al.* (2007:130) assert that there are three buy classes, namely new task buying, straight rebuy and modified rebuy.

3.3.2.1 New task buying

In a new task buying situation, a customer is buying something he or she has never bought before, and the problem or need is completely different from previous buying experiences (Cant *et al.*, 2006:222). Pride and Ferrell (2009:203) define a new task buy as the initial purchase of an item to be used to perform a new job or solve a new problem.

The decision-makers will need a significant amount of information to enable them to explore alternative ways of solving the problem and to assist in the search for suppliers (Cant *et al.*, 2006:222). These authors emphasise that this is the most complex buying situation and involves several people; the risks can be high and therefore a high information need arises. Perreault *et al.* (2008:149) concur that in a new task buying situation customers are likely to seek information from a variety of sources.

McDaniel *et al.* (2008:201) feel that the new task buying situation represents the optimum opportunity for new vendors, and because no relationship has been established for this product, specifications may be fluid and buyers are generally

more open to try new vendors. Pride and Ferrell (2009:203) believe that a new task buy will require development of product specifications, vendor specifications, and procedures for future purchases of the product.

3.3.2.2 Straight rebuy

The straight rebuy occurs when the business buys more of the same products that it has bought before. Usually this is a routine decision associated with low involvement buying and with minimal information needs (Cant *et al.*, 2006:223). Mullins *et al.* (2005:137) clarify that a straight rebuy purchase is handled routinely by the purchasing department with little or no involvement by other departments. A straight rebuy purchase is a situation most suppliers prefer (McDaniel *et al.*, 2008:202). These authors explain that a straight rebuy is routine, because the terms of purchase have been agreed upon in previous negotiations.

A common instrument used in straight rebuy situations is the purchasing contract (McDaniel *et al.*, 2008:202). These authors further state that the advantage for the buyer in a straight rebuy situation is that a quick, confident decision can be made. Furthermore, the advantage of a straight rebuy for a salesperson is reduced or limited competition (McDaniel *et al.*, 2008:202). Even so, when large quantities are involved, the need for quality assurance, parity pricing and on-time delivery with a view to minimise inventory will require a competent sales force to help maintain a continually satisfying relationship with the buyer over a period of time (Mullins *et al.*, 2005:137).

McDaniel *et al.* (2008:201) assert that a straight rebuy relationship should not be taken for granted, and that it is important to remember that retaining existing customers is much easier than attracting new ones. Pride and Ferrell (2009:204) elaborate that suppliers will most likely try to set up an automatic reordering system to make reordering easy and convenient for the business buyer. For straight rebuy purchases, businesses can also use the internet to streamline the buying process (Cant *et al.*, 2006:223).

3.3.2.3 Modified rebuy

Mullins *et al.* (2005:138) argue that a modified rebuy purchase occurs when the business' needs remain unchanged, but the buying centre members are not satisfied with the product or the supplier they have been using. With a modified rebuy purchase, the buyer wants to modify product specifications, price terms or suppliers, and/or re-evaluate the suppliers from time to time (Cant *et al.*, 2006:223). McDaniel *et al.* (2008:202) argue that because the parties are familiar with each other and credibility has been established, the buyer and the seller can focus on the specifics of the modification.

The purchaser can use the modified rebuy purchase to ensure that the new terms are competitive by opening the bidding to other suppliers to examine the price- and quality offerings of several suppliers (McDaniel *et al.*, 2008:202). Table 3.1 depicts how buy classes affect buying centre tendencies in different ways (Kerin *et al.*, 2007:131).

Table 3.1 **How the buying situation affects buying center behaviour**

Buying centre dimension	Buy-class situation		
	New Buy	Straight rebuy	Modified rebuy
People involved	Many	One	Two or three
Decision time	Long	Short	Moderate
Problem definition	Uncertain	Well defined	Minor modifications
Buying objectives	Good solutions	Low-priced suppliers	Low-priced suppliers
Suppliers considerations	New/present	Present	Present
Buying influence	Technical/operating personnel	Purchasing agent	Purchasing agent and others

Source: Kerin *et al.* (2007:131).

3.3.3 The buying centre

It is helpful to think of a buying centre as all those people who participate in or influence a purchase (Perreault *et al.*, 2008:145). In the business decision-making

process, one person or a group decides on behalf of a larger group (Solomon, 2009:472).

Kerin *et al.* (2007:128) note that for a small financial value, a single buyer or purchasing manager makes the purchase alone, but for larger purchases several people within the business participate in the decision to purchase. The authors continue that the individuals in this group, called the buying centre, share common goals, risks and knowledge that is important to the purchase decision.

Robert and Steiner (1961:61) found that there are four questions that provide guidance in understanding the buying centre. These authors continue that it is important to understand which individuals are in the buying centre, what the influences of each member of the group are, what the buying criteria of each member are, and how each member of the group perceives the business and their salespeople.

3.3.3.1 People in the buying centre

Who makes up the buying centre in a given business depends on the specific item or service being bought (Kerin *et al.*, 2007:129). Kotler and Armstrong (2010:198) note that the buying centre is not a fixed and formally identified unit within the business; rather, it is a set of buying roles assumed by different people for different purchases.

Kerin *et al.* (2007:129) state that although a buyer or purchasing manager is almost always a member of the buying centre, individuals from other functional areas are included depending on what is to be purchased. A major challenge is to find the precise composition of the buying centre and reaching the people who will initiate, influence and actually make the buying decision (Kerin *et al.*, 2007:130).

3.3.3.2 Roles in the buying centre

Kerin *et al.* (2007:130) indicate that researchers have defined five roles that individuals in a buying centre can play. The authors elaborate that in a purchase the same person may perform two or more of these roles. In both a family and a

business the individuals participating in the decision plays various roles (Solomon, 2009:472). Also, Solomon (2009:472) explains that depending on the situation and the decision, all or only a few of the roles may be present in the decision. The author further elaborates that these roles can be described as the initiator, gatekeeper, influencer, buyer and user.

- Initiator

The initiator is the person who brings up the idea or identifies the need (Solomon, 2009:472). Du Plessis and Rousseau (2003:142) argue that the initiator is the person or group of people that initiate the evaluation process by identifying a perceived need. The initiators may be members of the decision-making unit or other members in the business (Fill & Fill, 2005:115).

- Gatekeeper

The gatekeeper is the person who conducts the information search and controls the flow of information available to the group (Solomon, 2009:472). In the business context, the gatekeeper identifies possible suppliers and products for the rest of the group to consider (Solomon, 2009:472). Fill and Fill (2005:116) assert that the gatekeeper has the ability to manage the type and flow of information to the business and the members of the decision-making unit.

- Influencer

The influencer is the person who tries to sway the outcome of the decision (Solomon, 2009:472). This can be any individual who have a direct or indirect influence on the buying decision (Cant *et al.*, 2006:227). Du Plessis and Rousseau (2003:142) assert that external consultants or technical people within the business can try to persuade the final decision. Some people may be more motivated to get involved and participants also have different levels of power to persuade and influence the final decision (Solomon, 2009:472).

- Buyer

The buyer is the person who actually makes the purchase; the buyer may or may not be the actual user of the product (Solomon, 2009:472). Dwyer and Tanner (2009:99) suggest that the purchaser is the person or group of people with the formal authority to purchase the product. Cant *et al.* (2006:227) concur that the buyer has the authority to select suppliers and sign contracts.

- User

The user is the person who will be using the product (Solomon, 2009:472). Du Plessis and Rousseau (2003:143) argue that the user is in most cases also the initiator. Cant *et al.* (2006:227) concur that the user usually also initiates the act of buying and therefore plays an important role in defining the various buying specifications. Accordingly, Hut and Speh (2007:5) assert that the user's influence on the purchasing decision may be minor to extremely significant.

3.3.4 Influences on business buying behaviour

Kotler and Armstrong (2010:199) argue that marketers assume that the major influences on business buyers are economical, but that they actually respond to both economical and personal factors. They identify four major categories of influences on business buyers, namely environmental, business, interpersonal and individual. Table 3.2 depicts the influences on business buying behaviour. These influences will consequently be discussed.

3.3.4.1 Environmental influences

Business buyers are heavily influenced by factors in the current and expected economic environment, such as the level of primary demand, the economic outlook and the cost of money (Kotler & Armstrong, 2010:199). Pride and Ferrell (2009:208) state that environmental factors include competitive and economical factors, political, legal and regulatory forces, technological changes and social cultural issues.

Table 3.2 Forces shaping business buying behaviour

INFLUENCES ON BUYING BEHAVIOUR			
Environmental	Business	Interpersonal	Individual
• Level of demand • Economic outlook • Interest rates • Exchange rates • Technological change • Regulations • Competitors • Cultural values • Environmental issues • Social responsibility	• Objectives • Policies • Procedures • Business structures • Systems	• Interest • Authority • Status • Empathy • Persuasiveness	• Age • Education • Job position • Personality • Risk orientation • Culture

Source: Adapted from Cant *et al.* (2006:224); Pride and Ferrell (2009:207); Kotler and Armstrong (2010:200).

Another environmental influence is shortages in key materials (Kotler & Armstrong, 2010:199). Environmental concerns can also lead to a situation in which a buyer switches to suppliers that offer environmentally friendly products (Cant *et al.*, 2006:224).

Cant *et al.* (2006:224) assert that business buyers actively monitor economic, technological, political, regulatory and competitive developments. These authors elaborate that the economic factors that they observe are the level of production, investment and customer spending, as well as interest rate and exchange rate movements.

3.3.4.2 Business influences

Each business has its own objectives, policies and procedures, structures and systems, and the business marketer must understand these factors well (Kotler & Armstrong, 2010:200). According to Pride and Ferrell (2009:209), business factors include the business' objectives, purchasing policies, resources as well as the size and composition of the buying centre. Cant *et al.* (2006:224) explain that as is the

case with each business function, purchasing is affected by the business' general policies, objectives and strategies. Furthermore, even if the policies and objectives are broad, these will still affect the buying task and decision.

Cant *et al.* (2006:225) are of the opinion that marketers of products and services that are directed at businesses, need to be aware of certain trends and the influences of these on buying behaviour. They elaborate that these trends are the upgrading of buying departments, centralised buying, buying on the internet, signing long-term contracts, buying-performance evaluation and lean production methods.

3.3.4.3 Interpersonal or group influences

The buying centre includes many participants who influence each other (Kotler & Armstrong, 2010:200). The authors elaborate that it is often difficult to determine the specific roles that each member plays in the group. The concept of a buying centre as discussed in section 3.3.3 above provides insight into the role of group forces in business buying behaviour.

3.3.4.4 Individual influences

Each participant in the buying decision brings personal motives, perceptions and preferences with him or her (Kotler & Armstrong, 2010:200). The authors further explain that these factors are influenced by personal characteristics such as age, income, education, professional identification, personality and attitudes towards risk.

Also, Kotler and Armstrong (2010:199) argue that buyers have different buying styles: some may be technical types who make in-depth analyses of competitive proposals before choosing a supplier, and others may be more intuitive negotiators. Cant *et al.* (2006:226) note that the individual evaluation criteria of each individual will influence the final decision of the group. They also include certain risk-reduction strategies used by each individual as a key influencer, where each individual differs in his or her approach in order to reduce the level of risk in a buying decision.

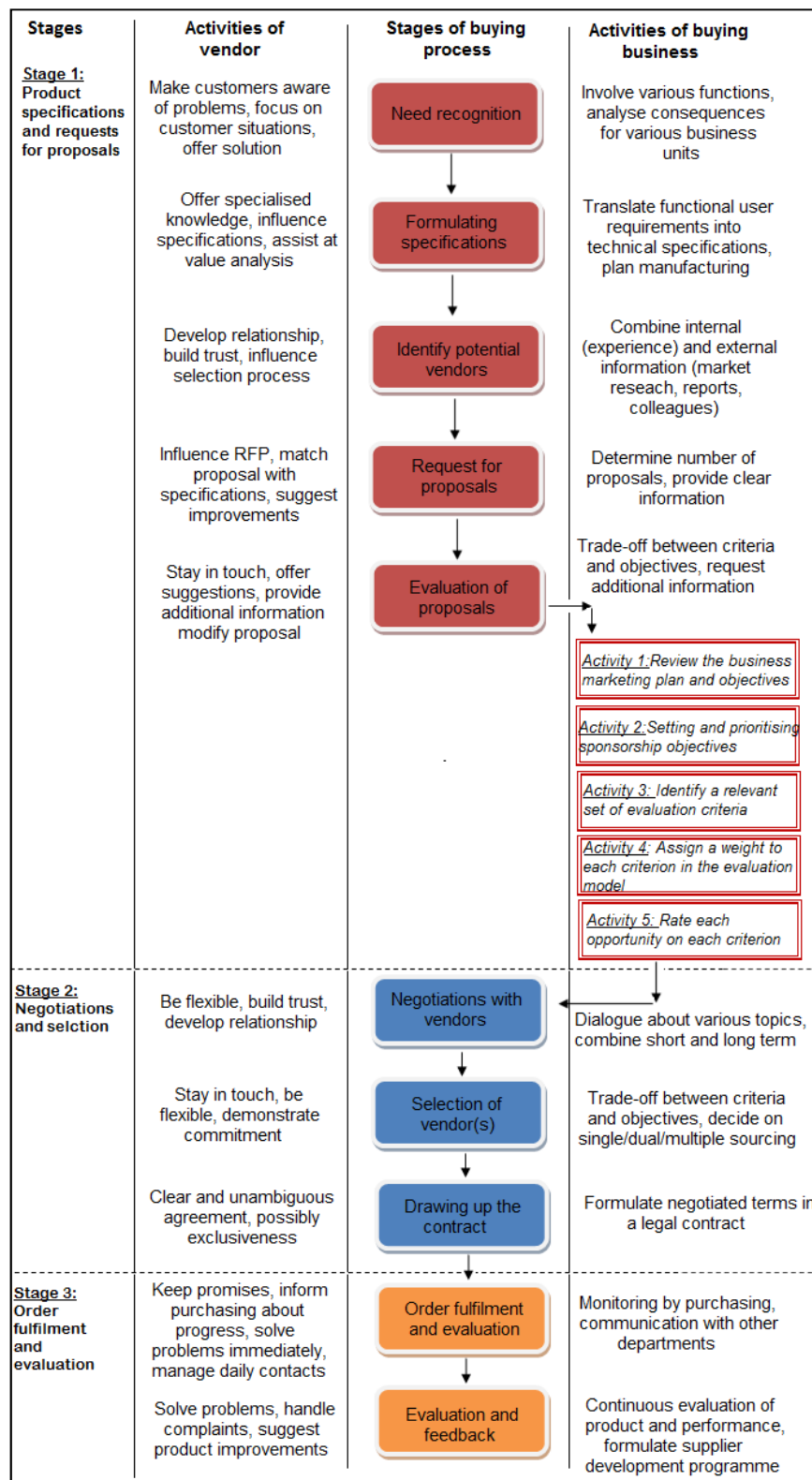
3.4 THE BUSINESS BUYING PROCESS

When describing the business buying process, Kotler and Armstrong (2010:200) specify that businesses that face a new task buying situation usually proceed through all the stages of the buying process, whereas businesses that face a straight or modified rebuy situation may skip some of these steps. Fill and Fill (2005:121) note that these stages are peculiar to the new task situation, and many of these stages are frequently ignored or compressed according to the complexity of the purchase.

Hoffman *et al.* (2005:218) concur that the business buying process involves several stages and activities that each requires a decision. Biemans (2010:42) proposes an extended business buying process, as shown in figure 3.1 below. This author groups the series of activities into three stages, namely the product specifications and request for proposals as stage one; negotiations and selection as stage two; and order fulfilment and evaluation is stage 3. Only stage one will be investigated for the purpose of this study and specific attention will also be paid to the evaluation of proposals, specifically referring to sports sponsorship proposals.

During the first stage of the business buying process, product specifications are formulated and vendors are invited to submit proposals (Biemans, 2010:43). The author further notes that this stage consists of five individual activities or steps.

Figure 3.1 Extended business buying process



Source: Adapted from Biemans (2010:42); Fullerton (2010:189); Irwin & Asimakopoulos (1992:45).

3.4.1 Step 1: Need recognition

The business decision-making process starts when someone in the business recognises a need that can be satisfied by buying products or acquiring services (Mullins & Walker, 2010:132). According to Biemans (2010:43), the business buying process starts with acknowledging and defining the specific need for a product or service. It has also been argued that problem recognition can result from internal or external stimuli (Kotler & Armstrong, 2010:200). These authors continue that the business may decide, internally, to launch a new product or campaign and from here a need may arise for a specific product or service. Furthermore, external stimuli may come from a proposal, a trade show or a sales pitch.

Fullerton (2010:183) asserts that in the case of sponsorships, many businesses will initiate their decision-making process because of the increasing numbers of sponsorship proposals they receive annually. Mullins and Walker (2010:133) in turn argue that in some cases need recognition may be almost automatic, as when a computerised inventory system reports that an item has fallen below the reorder level. These authors continue that changes in the business' operations, objectives, resources, market conditions, government regulations, or competition can also create new needs.

Biemans (2010:43) concludes that current vendors have an advantage because they already have a relationship with the customers and are thus in a better position to learn about new opportunities at an early stage.

3.4.2 Step 2: Formulating specifications

Product specifications need to be clearly defined according to the specific need of the buying business (Mullins & Walker, 2010:134). Functional specifications describe what the product needs to do, while technical specifications define the product's characteristics in detail (Biemans, 2010:43). Solomon *et al.* (2009:199) concur that a written description of the quality, size, weight, colour, features, quantity, training, warranty, service terms and delivery requirements of the purchase must be prepared.

Cant *et al.* (2006:228) assert that the ability of marketers to influence these specifications can give the supplying business an advantage at later stages of the decision-making process. The authors further explain that it follows that the marketer must persuade the buying business to specify features that only their product or service possesses, or that fit their product features and advantages. Therefore, marketers aim to ensure that the sale are almost closed at this stage.

3.4.3 Step 3: Identify potential vendors

In the third step, the business searches for suppliers that can offer the products or services need (Kotler & Armstrong, 2010:201). These authors continue that the buyer can now compile a list of suitable suppliers. Cant *et al.* (2006:228) note that the buyer will consequently identify the most appropriate suppliers.

Biemans (2010:43) notes that the business' purchasing department plays a key role at this point because of their knowledge of, and their relationship with potential vendors. Kotler and Armstrong (2010:201) mention that the newer the buying task and/or the more complex and costly the item, the greater the amount of time would be that the buyer will spend searching for suitable suppliers. Similarly, Cant *et al.* (2006:228) also note that less energy will be spent on the search for cheaper and less important items and in cases where the buyer possesses a great deal of information.

According to Kotler and Armstrong (2010:201), it is the supplier's task to get listed in key directories and to build a good reputation in the marketplace. These authors continue that the salespeople of suppliers should watch out for businesses that are in the process of searching for suppliers and ensure that their products or services are considered above those of their competitors.

3.4.4 Step 4: Request for proposals

In step four, the buyer will invite qualified suppliers to submit proposals (Kotler & Armstrong, 2010:202). Biemans (2010:43) explains that after a number of potential

vendors have been identified, only a number of them are asked to submit a detailed proposal. The author further notes that the request for proposals contains detailed product specifications and background information. Potential suppliers must realise that a proposal is an important means of communication, and a professional layout with superior grammatical construction of the content accompanied by an explicit link between the required specifications and offered characteristics will contribute to the success of a proposal (Biemans, 2010:43).

Suppliers can only send their catalogue or a salesperson, but in the case of some complex products and services, a proper sales proposal is necessary (Kotler & Armstrong, 2010:202). Furthermore, presentations should be marketing documents, not just technical documents (Kotler & Armstrong, 2010:202). The sales proposal must inspire confidence and should make the marketer's business stand out from the competition. Cant *et al.* (2006:229) indicate that suppliers can even be invited to make a formal sales presentation at this stage of the decision-making process.

3.4.5 Step 5: Evaluation of proposals

Before selecting a supplier, the buying centre will specify the qualities they want in a supplier and each quality's relative importance (Cant *et al.*, 2006:229). Kotler and Armstrong (2010:202) agree that the members of the buying centre now review the proposals and then they will select a supplier or suppliers. Solomon *et al.* (2009:200) concur that the buying centre will assess the received proposals at this stage of the decision-making process.

During the supplier selection process, the buying centre will usually draw up a list of the desired supplier attributes and their relative importance (Kotler & Armstrong, 2010:202). Such attributes include product and service quality, reputation, on-time delivery, ethical corporate behaviour, honest communication and competitive prices (Kotler & Armstrong, 2010:202). The members of the buying centre will rate suppliers against these attributes and identify the most suitable supplier (Kotler & Armstrong, 2010:202).

Regardless of the situation faced by the prospective sponsor, the reason for pre-event evaluation remains the same: marketers have a wide array of sponsorship opportunities available to them, and must be able to differentiate among them (Fullerton, 2010:189). The author continues that the decision to invest in a sponsorship is driven by the contributions that the sponsorship can make towards helping the marketer to achieve a variety of objectives. The author elaborates that in order to assess the opportunities available to the business; the marketer must formulate a set of relevant criteria that will facilitate a systematic, objective evaluation of each sponsorship opportunity which is to be considered.

There is also a need to establish a set of objectives to be achieved upon the selection of the events and properties deemed most appropriate to the sponsor (Fullerton, 2010:189). As such, the author suggests there are six activities in the pre-event evaluation process that have been designed to provide guidance to the potential sponsor to choose the right sponsorship opportunity. Irwin and Asimakopoulos (1992:45) propose a similar model for screening of sponsorship proposals. These are set out below.

3.4.5.1 Activity 1: Review of the business marketing plan and objectives

The first activity is to identify the broad marketing objectives as articulated by the potential sponsor. This assessment focuses primarily upon the marketer's overall objectives (Fullerton, 2010:190). As with any other communication planning process, a review of the business marketing plan and objectives is always the first action to be taken (Ensor, 1987:40).

Irwin and Asimakopoulos (1992:44) believe that when evaluating a sponsorship proposal, it is of primary importance to examine the business' marketing plan and objectives in order to assess how well the sponsorship packages correlate with the business' current objectives. A business' marketing objectives focus on future performance of the business as a whole; these objectives are broadly stated and not specifically aimed at any particular sponsorship opportunity (Fullerton, 2010:190). The author emphasises that not all of these objectives can, however, be reached through a sponsorship.

The two main considerations during the review of the business' marketing plan are the business' marketing objectives and the budgetary considerations that direct the business' allocation of resources (Fullerton, 2010:190). Irwin and Asimakopoulos (1992:45) propose that the first two dimensions of the proposed screening process, namely budget- and event management considerations, as well as the subsequent evaluation criteria, can be deduced at this point.

- Budget/Cost Considerations

Fullerton (2010:191) asserts that marketers should always be realistic and remember that they do not have unlimited resources for their strategic initiatives. Therefore, they must develop a budget for their promotional activities. Irwin and Asimakopoulos (1992:45) warn that initially the sponsorship budgetary demands, cost effectiveness and potential tax benefits should be thoroughly investigated. Funding limitations, which may preclude the affordability of certain sports sponsorships, may require the evaluation of alternative types of sponsorships (Meenaghan, 1983).

- Event Management Considerations

Various elements related to the management of a sponsored event should be scrutinised during the evaluation process (Irwin & Asimakopoulos, 1992:45). Firstly, it is recommended that one should pay attention to the event organising committee's competence and ability to administer a successful event (Du Plessis *et al.*, 2010:287).

Businesses should also investigate the business status and management ability of the sports governing body that may oversee the sponsored activity (Du Plessis *et al.*, 2010:319). Furthermore, the event profile (which includes the history and growth of the event, the number of competitors, current and/or previous sponsors, logistic complexity, timing, and location of the property), should be evaluated (Ensor, 1987:41). The event timing is critical in order to avoid conflicts with other major events that can lead to lower audience attendance and less media interest (Stotlar, 2004:62).

Du Plessis *et al.* (2010:290) argue that sponsorships provide opportunities for enhancing the type of objectives included in any marketing strategy. Wilmshurst (1993:377) propounds that elements of both advertising and public relations can be found in the objectives of sponsorship. The author continues that sponsorship is usually undertaken with a view to encourage more favourable attitudes towards the sponsoring company or its products within a relevant target audience, such as end-consumers, trade consumers, employees or the community in which it operates. Du Plessis *et al.* (2010:290) in turn indicate that sponsorship objectives aim to enhance relationship building with a diverse set of target audiences and stakeholders.

According to Fill (2005:715), there are primary and secondary objectives associated with using sponsorship. The author continues that the primary reasons in this regard are to build awareness, developing customer loyalty and improving the perception (image) of the brand or business. Secondary reasons for using sponsorship is to attract new users, to support dealers and to act as a part of staff motivation and morale builder (Fill, 2005:715).

Fullerton (2010:190) asserts that it is important to identify the role of marketing communication in the development of the marketing strategy directed towards achieving the business' objectives. Also, the author emphasises that an integrated marketing communications plan is a fundamental element of every marketing strategy (this was discussed in chapter two). The author continues that no single element of the promotional mix can be expected to lead to the achievement of all of the business' objectives; therefore sponsorship must be integrated in an integrated marketing communication plan.

Furthermore, clear communication objectives must be set in light of the initial corporate objectives. Broad-based communications objectives include increased awareness, enhanced consumer perceptions, stronger brand loyalty, increased sales and positive public relations (Fullerton, 2010:191).

3.4.5.2 Activity 2: Setting and prioritising specific sponsorship objectives

The second step involves the identification of specific objectives that the marketer will seek to achieve through its selected sponsorships (Fullerton, 2010:191). Furthermore the author suggests that marketers should prioritise their objectives in order of importance, noting that some events may be effective in the task of achieving certain objectives but not in others. Sponsorship objectives are very important as a guideline for the entire sponsorship management decision-making process (Bouwens, 2009:32).

In this way, the marketer will have a better understanding of what must be achieved with the sponsorship programme. Ultimately, the task is to select a sponsorship opportunity based upon its congruence with these objectives and the priorities that have been articulated (Fullerton, 2010:192). The most frequent objective for sports sponsorship is to increase corporate image (Bouwens, 2009:32).

According to Fullerton (2010:109), there are a number of objectives that may be sought by the sponsor, but these can be organised to identify five broad objectives. According to the author, these objectives are to: drive sales, improve image, create awareness, provide hospitality opportunities and enhance employee morale.

Previous research indicates that the most influential variables in a business' decision to enter into a sponsorship agreement are corporate objectives such as increasing public awareness of the brand or product; reinforcing or altering corporate and brand image; advertising or reaching a specific target market; sampling and promotion opportunities; increasing sales and market share; gaining a competitive advantage; becoming involved with the community and cause-related programmes; and receiving hospitality benefits such as tickets (Apostolopoulou & Papadimitriou, 2004:188; Berrett & Slack, 2001:29).

Some authors do not identify categories of sponsorship objectives, but they do list individual sports sponsorship objectives (Lough & Irwin, 2001:207; Bouwens, 2009:33; Rolling, 2010:18). The range of identified objectives was first fitted into the

four main categories, mainly by Shandler and Shani (1993:38) and Pope (1998:2), namely objectives of marketing, corporate, media and personal nature.

Supporting this categorisation Lantto and Wehlen (2003:8) and also Lee (2008:21) used these broad groupings as a foundation for their studies. Other authors have categorised sports sponsorship objectives as being either corporate or product-related (Irwin & Asimakopoulos, 1992:46; Tripodi, 2001:4; Fullerton, 2010:192).

Van Heerden and Du Plessis (2003:25) experienced difficulty categorising the objectives identified by these different sources, and these authors concluded that the previous groupings of sponsorship objectives should be expanded to create five main categories of sports sponsorship objectives. They propose an extended range of sponsorship objectives that includes corporate objectives, product/brand/service-related objectives, sales objectives, media objectives and guest hospitality, as seen in table 3.3.

The marketing grouping as defined by Shandler and Shani (1993:38) and Pope (1998:2) was split into two new groupings (product/brand/service) and sales (Van Heerden & Du Plessis, 2003:24). These authors further suggest that hospitality should be removed from the corporate category and included as a separate category.

Table 3.3 The extended range of sports sponsorship objectives

Group categories for objectives	Specific objectives
1. Broad corporate objectives	• To attain positive public relations • To alter public perceptions • To enhance the business' image • To enhance the business' involvement in the community (social responsibility) • To improve relations with intermediaries • To enhance employee morale • To enhance employee relations • To enhance stakeholder relationships • To cut through advertising clutter • To overcome advertising restrictions (e.g. such as for cigarettes) • To assist in staff recruitment • To gain a competitive advantage through exclusivity • To connect the business to a successful team or event

**Table 3.3 The extended range of sports sponsorship objectives
(continued)**

2. Product/brand/ service-related objectives	• To explore new market segments • To reach niche segments (to target specific corporate audiences) • To launch a new product/brand/service, and use the sponsorship in the process to introduce it. • To integrate an existing product/brand/service with the sponsorship • To increase brand/product awareness in your target markets • To influence consumer attitudes within the target market • To build an image within the target market (positioning) • To increase your market share • To increase distribution opportunities (selling the product/brand/service at the event) • Increase the brand's visibility in the marketplace • To strengthen brand preference
3. Sales objectives	• To facilitate sales-force prospecting opportunities • To gain new customers • To aid sales promotion • To strengthen relationships with current customers • To increase short-run sales • To increase long-run sales
4. Media coverage	• To get pre-event media coverage • To get media coverage during the event • To get post-event media coverage • To get coverage in a diverse range of media • To increase overall publicity
5. Guest hospitality	• To get entertainment facilities • To entertain current customers • To entertain prospective customers • To entertain suppliers • To entertain staff • To entertain intermediaries
6. Personal	• To be actively practicing a hobby or interest • To get free tickets to the event for family and friends • To be at a social event • To support the athletic programme • To improve the athletic programme • To show loyalty towards the specific property • To create an opportunity for networking

Source: Adapted from Van Heerden and Du Plessis (2003:25); Fullerton (2010:192); Irwin and Asimakopoulos (1992:45); Pope (1998:2); Shandler and Shani (1993:38).

3.4.5.3 Activity 3: Identify a relevant set of evaluation criteria

Step three begins with the actual process of evaluating the available sponsorship opportunities (Fullerton, 2010:192). The author explains that each criterion must be subjected to scrutiny using a systematic process. It is this process that allows each alternative to be compared to the all other criteria (Fullerton, 2010:192). Furthermore, the author explains that criteria must be identified that will be used to assess the array of alternatives from which the prospective sponsor will select. The nature of each objective determines the criteria used to evaluate the sponsorship opportunities (Brendt & Koekemoer, 2001:13).

This process begins by identifying broad categories of evaluation criteria (Fullerton, 2010:193). This author also states that the ultimate goal is to evaluate the fit between the marketer and each property or event that is under consideration. Given the progression and objectives, the business must be confident that the selection criteria will serve to differentiate between good and poor opportunities before progressing to the next step (Fullerton, 2010:193).

The author is concerned that these criteria are not sufficiently comprehensive, and he argues that there can be other criteria that could be used to assist in the decision-making process. However, a number of these criteria can be considered irrelevant to some businesses. The identification of specific criteria that reflect the broad category to be used in the assessment process represents the final task of this step (Fullerton, 2010:194). The author elaborates that the criteria must be objective, and the parties involved should not underestimate the critical nature of this aspect.

3.4.5.4 Activity 4: Assign a weight to each criterion in the evaluation model

The fourth step is to assign a weight to each element of the evaluation model, as seen in table 3.2. The initial task involves determining the aggregate sum of the weights to be utilised in the actual measurement process (Fullerton, 2010:194). The author proposes that usually a total of 100 points is used to be distributed among the criteria in order of importance. These points should now be allocated to each broad category that will be considered in the evaluation (Fullerton, 2010:195).

Categories with no importance will receive a zero weight, which will exclude them from the evaluation (Irwin & Asimakopoulos, 1992:49; Fullerton, 2010:195). These authors further note that this step progresses by reallocating the weights assigned to each broad category to the specific elements within each category. The only difference is that the sum of the weights to be allocated is not the aggregated value (100); rather, it is the portion of the points allocated to the specific broad category (Irwin & Asimakopoulos, 1992:49). These authors continue that upon completing the prioritisation and weighting process, the formal evaluation of the sponsorship may be initiated.

3.4.5.5 Activity 5: Rate each opportunity on each criterion

After having completed the fifth step, the potential sponsor will have a single numeric value that will be used to assess the viability of each potential sponsorship opportunity (Fullerton, 2010:197). This author asserts that the first decision that must be made is the type of rating scale that will be used to evaluate the criteria. The scale must have sufficient measuring points to ensure that there is no discrimination, but few enough to allow the difference between each point to have a significant meaning (Fullerton, 2010:197).

One of the most commonly used scales is the Likert scale with seven points (Fullerton, 2010:197). Kent (2007:135) reports that a Likert scale is used when one needs respondents to indicate their degree of agreement or disagreement with a series of criteria. Once the number of points has been determined, the next task is to specify the precise numeric scale to be used (Fullerton 2010:197). The author notes that for the seven-point scale, there are two numeric scales that are commonly applied. Firstly, the scale from 1 to 7, with four representing the middle; the second is a scale from negative three to positive three, with a midpoint of zero (Fullerton, 2010:197; Kent, 2007:135).

Once the rating process has been completed, the potential sponsor will utilise the results in one of two ways: selecting the appropriate opportunities and rejecting those that fail to meet the standards (Fullerton, 2010:201). The author further notes

that the sponsor can compare alternative opportunities with each other, or compare individual opportunities with an established benchmark. Du Plessis *et al.* (2010:290) assert that is important for these objectives to include benchmark measures such as desired behavioural change and a specific time period.

Fullerton (2010:203) notes that when benchmarking, the marketer is comparing the overall rating scales of each event or property with a specific standard. Also, the author explains that the benchmark value represents the minimum value for an alternative to receive any consideration for funding. Duncan (2005:180) defines a benchmark as a quantifiable measure of the current situation. The author further reflects that businesses are not willing to spend the money required to determine the necessary benchmarks. These values can represent management's expectations; alternatively it can be derived from previous successful or unsuccessful sponsorships undertaken by the marketer (Fullerton, 2010:203).

3.5 Conclusion

This chapter explored the notion of buyer behaviour by first giving an introduction to consumer behaviour. Consumer behaviour can be briefly summarised as the study of individuals, groups, or businesses and the process they use to choose products or services in order to satisfy their needs, and the impact that these processes have on the consumer and on society. The differences between end-consumers and business consumers were highlighted; the main differences include geographical dispersion and the decision-making unit involved in the decision.

Business buyer behaviour was further discussed in terms of the different types of business consumers and types of decisions that can be made by a business. The buying centre and the role-players within a business' decision-making unit were examined in more detail. The business decision-making process was the main focus of the chapter and specific attention was paid to step 5, which entails the evaluation of proposals. The evaluation of proposals consists of five activities that a business can follow when setting out to choose the best option according to the business' specifications. This step in the decision-making process has not received much

attention in recent research; therefore the discussion was based on a limited number of sources.

Chapter four will present a discussion of the research methodology that was followed during this study. A theoretical discussion of some methodological and statistical concepts that have not been used during the statistical analysis of this study will also be provided. This is because it is important to understand all statistical and methodological concepts, in order to better comprehend why certain methods were not followed.