

## **Industrial Buying Decision Process**

It is also known as organizational buying process or business buying process. Industrial purchasing decision making involves more physical and observable stages. There are many decision makers involved in each of the eight stages as elaborated by the buy grid framework.

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## Phase 1 – Recognition of a problem

The purchasing /buying process begins when someone in company recognizes a problem or need that can be met by acquiring goods or services. The common events that lead to this phase could be – a machine break down and require replacement or new parts, company decides to diversify or expand business, the company decides to develop new products.



## Phase 2 – Description of the need

This phase involves determination of the characteristics and quantity needed of them. The general characteristics could be reliability , durability , price etc. and the marketer along with the purchasing manager ,engineers and users can describe the needs. The question can arise like – what type of goods /services should be considered, what quantities should be needed, what performance specification need to be met.

## Phase 3- Product specification

Obtaining the input from the second phase , the buying organization has to develop the technical specifications of the needed items. In this phase, the product is broken down into items. The specification about product and items are listed. Companies do not encourage the supplier participation at this stage.

## Phase 4 – Supplier Search

This phase pertains to the search for the qualified suppliers among the potential sources. The marketer has to ensure that he is in the list of potential suppliers. For this to happen , he has to make periodic visits to all potential companies and create awareness. Brochures have to be circulated and advertisements placed in specific media like trade journals. This phase only involves making a list of qualified suppliers.



## Phase 5- Proposal Solicitation

The list of qualified suppliers are now further shortened based on some critical factors. Then the purchasing departments ask for proposals to be sent by each supplier. After evaluations , base on specified criteria , some firms are asked to come over for formal presentations. The proposal must include all specification like price , delivery period , charged taxes, and so on. For technically complex product and services , a lot of time spent in analyzing proposals in terms of comparison on product services , deliveries and the landed cost.

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## Phase 6- Supplier Selection

Each of the supplier's presentation are rated according to certain evaluation models. The buying organization may also attempt to negotiate with its preferred suppliers for better prices and terms before making a final decision. Various parameters like reliability , delivery ,flexibility, price, service etc. are used for supplier selection and their rating.

## **Phase 7- Order Routine Specification**

After the suppliers have been selected , the buyer negotiates the final order, listing the technical specifications , the quantity needed , the expected time of delivery etc. Buyers are increasingly moving towards Blanket contracting rather than periodic purchase orders.



## Phase 8- Performance Review

The final phase in the purchasing process consists of a formal or informal review and feedback regarding product performance as well as vendor performance. The buyer may contact the end user and ask for their evaluations which are in turn given to the supplier or he may rate the supplier on several criteria using a weighted score method. The performance review might lead to the buyer to continue , improve or drop a supplier