

A THEORITICAL VIEW OF FACTORS AFFECTING BUYING ATTITUDES IN HEI's

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ABSTRACT

Many factors affect institutions and productivity of resources in an economy and movement of these factors are typically correlated with changes taking place in the educational system. Institutional buying (B2B) is a type of commerce transaction existing between the two parties (sellers & buyers) where seller party must understand buying firm behavior, because institutional buying process comprises of different phases, people, departments and objectives. This research paper highlights different factors affecting buying behavior of buyers in Higher Education Institutions in Khyber Pakhtunkhwa province. Theoretical model has been developed from existing research which will be tested empirically.

Keywords: *B2B, Buying Behavior, HEI's, Commerce & Theoretical View*

INTRODUCTION

Institutional buying is a recurring activity undertaken with the aim to meet institutional needs. Institutions face shortage of resources in fulfilling multiple needs that compel them to behave economically. Institutional buying behavior matters a lot in this regard to ensure best use of available resources. Institutional buying is a task engaging individuals from top management and other sections of institution. Institutional buying is a complex phenomenon and institutional buyers differ in their buying approaches due to level of risk associated with the buying situation. To make buying decision rapid and superfluous experts from different departments are called in for collective decision.

Higher educational institutions had been playing a key role for disseminating knowledge in an economy by positively influencing its growth, provide help for better education policies, enable people for sharpening their skills and make their living better than ever. From social perspective education is not secluded from an economy rather it functions for absorbing and reflecting values of that social context and help in growth and development of society and economy both. As a result of this social and economic systems both have been on the growing end comparing to previous periods (Ratchford, 2001; Laroche, Bergeron & Goutaland, 2003).

A belief regarding role of education in society growth and wellbeing has been held for long and in recent years, as the improvement of society has been more precisely defined at least in the economic dimension by governments, and peoples, explicitly seeking for raising their material standards of living, intuition, and acceptance of that notion have not been sufficient (Robinson, Faris & Wind, 1967). In daily life domains like cultural, political, economics & social/societal, education prepare masses for interaction and provide supportive help for existence in informative age of technology and innovativeness. And because of information and innovation people keep them involve in learning activities with respect to education that help in shaping societies and nations (Gordon, Cantone, Roger & Benedetto, 1993).

In Pakistan higher education is being restructured as a result of the neo-liberal reform currently in process and these reforms also influence ideas about the role of universities / HEI's and the policy framework underlying higher education. HEI's in both public and private sector meet their institutional needs by buying goods and services through 'Tender Process', however the two differs in their approaches towards tender processing for making purchases. Both sectors use Request for Proposal (R.F.P), as main document to attract bids and for government R.F.P has a standard format and structure, and require statutory documents. Government sector follow certain rules with respect to procurement of goods and services mentioned in Public Procurement Rules (P.P.R), 2004, in accordance with Public Procurement Regulatory Authority Ordinance (P.P.R.A), 2002 (XXII of 2002), set by Federal Government of Pakistan. There is central purchase committee and departmental purchase committee and Vice chancellor (head of the institution) is the competent authority in formulating the central purchase committee.

LITERATURE REVIEW

Buying behavior indicate decisions of people and businesses regarding purchase of goods / services for personal or business use. Several theories have been proposed for explaining, and predicting the buying behavior of both companies and individuals

Buying Behavior Theories

Rational Action Theory (RAT)

Gary Becker, a Nobel prize winner says regarding RAT that selection among alternatives is made on the basis of cost benefit analysis with the aim of achieving maximum benefit at least cost. Choice theory or rational action theory is about rational decision making where individuals select the best choice among the available alternatives on the basis of cost and benefit analysis, achieving maximum benefit at minimum cost (Baker, Hunt & Scribner, 2002). To determine & establish the dominance of modern mainstream economics 'rationality' is having a key role. The rationality of individual behavior is taking as unquestioned opening tip of economic analysis. The economic trend of rationality is a touch point to mainstream economist due to which they identify & recognize themselves and others (Barclay, 1991).

New Institutional Economics (NIE)

According Mitchell (1998), it is an attempt for extending economics to have focus on social and lawful norms and rules underlying economic activity and analyzing beyond institutional and neo classical economics. This theory emphasizes the economic perspective of institutions and organizations in buying decisions, where institutions devise rules and regulations by keeping in the economy as well as the social norms of the organization (McQuiston, 1989). Institutions consider various processes and attend many aspects of social structure that help in establishing guidelines for social behavior with respect to rules; norms; schemes; & routines (Shostack, 1977).

Process Theory (PT)

In Process Theory, events are considered as a result of an input leading to certain outcome or output resulting from a process. The main concern of this theory is 'how motivation occurs?' (Lachance, Pierre & Jean, 2003).

Goal Theory (GT)

Edwin Locke (1968) proposed that motivation and performance will be high where individuals set specific goals, which are challenging but accepted and where feedback is given on performance.

Institutional Buying Behavior

In institutional buying individual characteristics like income, education, age etc. affect his buying behavior. Buying process also get affected by interpersonal factors like power, position etc. because of more than one person involvement in the process. Marketers should keep focus on interpersonal and individual factors

when working on strategies building (Kotler & Armstrong, 2008). Institutional buying is a task engaging individuals from top management and other sections of institution. Buyer behaviors in institutions differ because of level of risk associated with purchase situation for rapid decision making. Evaluation of buying process consists of certain stages in business set up (Shostack, 1977).

Institutional members of buying team who are regular participants of institutional purchases are referred as buying center. They acquire goods and services in a certain process. Buying roles remain same whereas participants do change. Individual role or say in decision affect one's participation in buying process (Robinson et al., 1967). Institutional buying is highly objective and focuses mostly from seller perspective while organizing marketing efforts. Buyers make purchases in risky situations (Anderson, Engledow & Becker, 1980; Blair & Innis, 1996; Brown & Dacin, 1997). The variation in organizational buying behavior is related to the level of risk related with purchase situation that appears to be function of purchase importance; purchase complexity; outcome uncertainty; reaching for quick decision (Robinson et al., 1967).

Brand and B2B perspective

Brand is “a name, term, sign, symbol, or design, or combination of them which is intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors.” It is an identifier of some entity, allowing consumers to confidently identify one product from another (Kotler, 1991). Brand is a typical identity, differentiating a pertinent & believable promise of value connection with product; service or firm indicating the promise source while ‘brand equity’ is the incremental usefulness &/or value addition to product through its brand name (Murray & Schlacter, 1990).

Brand sensitivity construct has resulted from a comparison study of ‘national brands and private brand/no brand. A need was felt for measuring the variation of brand importance in moving from one category to another & from buyer to buyer (Kapferer & Laurent, 1988). The impact of a brand on purchase decision indicates branding significance. A psychological construct relating brands to decision making process is ‘brand sensitivity’ (Katz & Robert, 1978). Branding strategies will increase success likelihood where individuals come across problems in judging quality of product and linking them to products that affect their identities. Brand sensitivity is a psychological construct relating brands to individual

decision making process and brand impact on purchase decision signify branding significance (Hawes & Barnhouse, 1987).

Organizational Factors

Psychological risk of high level can be offset by structured buying procedures. Structured procedures with regard to purchases will offset psychological risk of high intensity. By following established procedures, buying center feel low risk and pursue clear decision making practice that help in reducing brand sensitivity level in comparison with informal buying centers (Olson & Jacoby, 1972). Managers who are regularly involved in purchase decisions and they are apart from purchase staff, are recognized as buying center (Hawkins, Roger & Kenneth, 2004). The term buying center was first used by Robinson et al. (1967) recognizing that a number of managers other than the purchasing staff were regularly involved in buying decisions. The institution structural characteristics may affect market orientation because these characteristics can affect brand orientation (Kohli & Jaworski, 1990). While evaluating relationships between various aspects of buying process it was imagined that procedural control has a key role in guiding for purchase evaluation in terms of well-set policies; methods and practices (Hunter, Gary, Michele & Perreault, 2006).

Situational Factors

Selling firm efforts in building brand equity may be affected by product specific factors (i.e. assumed risk; time stress; and purchase kind etc.) that are connected with purchase situation (Hutton, 1997). The importance and uniqueness of purchase complexity of purchase situation are the two commanding determinants in decision making practice of a buying centre (Johnston and Bonoma 1981). Purchase importance is “the impact of purchase on organizational profitability and productivity” (McQuiston, 1989). Industrial buyers due to purchase importance are anticipated to be different from final/end consumers in level of involvement, and frequency of (strategically important) purchases (Kim, Reid, Plank & Dahlstrom, 1998).

Product Factors

Customers show loyal attitude toward supplier because of frequent patronage for optimizing satisfaction and strengthening relationship (Zeithaml, 1981). Brand-loyalty and firm loyalty are synonymous in B2B settings where company repute matters a lot in branding strategy (Moller, Kristian & Laaksonen, 1986). Company positive standing can positively influence its buyer’s buying decision

and give a good consideration chance in early stages of decision making and may affect new products early adoption. The evaluation basis for relationship supplier is honesty; consistency; corporate reliability; and firm market standing. Whereas evaluation basis for non-vendors and / or transaction supplier are product value in terms of its price; produce presentation with respect to its function; and product attributes with respect to tangible service (Lehmann & O'Shaughnessy, 1974).

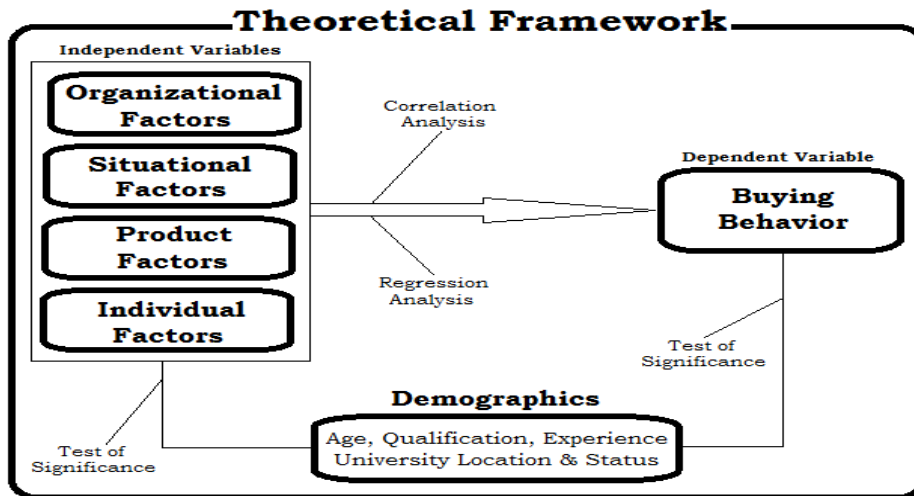
Individual Factors

Consumer brand knowledge refers to personal meaning stored in consumer memory for particular brand (including all descriptive and evaluative brand-related information), because buyers before going for purchase decision confirm need through research & make product evaluation (Olson and Jacoby, 1972). Consumers having low product knowledge may not be in a position to perform trade-off contrast due to computational work which requires some minimal level of knowledge and ability. Institutional buyers go for familiar brands because of brand sensitive nature where consequences of risk (personal & institutional) are high (Hutton, 1997). Perceived risk has been categorized further into five different types namely physical; financial, effort; time; and social risks. Further it has been clarified that three of the above risks (time; effort; and financial) are considered as economic risks in broader perspective relating to waste and/or inefficiency (Hawkins, Best and Coney, 2004).

Demographic Factors

Individual demographics has a key role in shaping behaviors towards purchases in consumer and business set up and number of research efforts have been carried out for measuring the effect of demographic attributes. There are certain internal factors influential to buying behavior that affect consumer choices in decision making and they are age, gender, marital status, occupation and income. Our living patterns are changing because the way we work is slowly catching-up. Governments & organizations gradually respond to changes which are a result of demographic shift i.e. gender, age, income, & education. Much of quantitative economic research will have to be modified due to demographic factors effect on consumer behavior i.e. age, family size and education that do change after some time (Zeithaml, 1981). This study is focusing on demographic factors i.e age, qualification, experience, location and status have been used that might affect buyer's approach in decision making process.

Figure 1 Schematic Diagram of Theoretical Framework



DISCUSSION

As per finding of this study it provide strong empirical support to study branding in institutional buying context with particular focus on higher education institutions, where it support extant qualitative and descriptive studies regarding role of certain factors like product factors (source credibility, buyer seller relationship, intangibility), organizational policies and procedures and individual product knowledge and his risk attitude. As a process organizational buying comprises of eight steps that include anticipating & recognizing a problem, giving a general solution, description & determination of items characteristics and their needed quantity; sources qualification and their search; analyzing & acquiring proposals; assessing proposals & selecting suppliers; selecting order schedule; evaluating performance & feedback (Robinson et al., 1967).

By following established procedures, buying center feel low risk and pursue clear decision making practice that help in reducing brand sensitivity level in comparison with informal buying centers. Psychological risk of high level can be offset by structured buying procedures. Structured procedures with regard to purchases will offset psychological risk of high intensity. Departmental tension occurs due to incompatibility of responses (actual or desired) that leads to inter-departmental conflicts. This is because either individual department perceives its objective important than others or due to internal agreement of various departments (Kohli and Jaworski, 1990). Conflicts among departments are referred as “the collision of actors” (Katz and Kahn, 1978; and Barclay, 1991).

In institutional buying context buyer judgments are affected by integrity of reputable companies with respect to complex products and materials. Switching from current product or supplier will be hard for sales prospect if personal risk is high. Company standing in a bidding supplier success can be influential by getting a foot in the door (Kohli & Bernard, 1990). Products & services hold variation in degree of intangibility due to which services carry high intangibility comparing to commodities. Positive correlation exists between intangibility and purchase risk. Goods and services are differentiated on the basis of intangibility level and their evaluation is easier than services because of certain features (i.e. perceived intangibility levels) (Murray & schlacter, 1990).

In any purchase decision, there exist a risk and in order to lower that risk consumer mostly make use of product related information and /or indication. In going for purchase decision consumers go through certain stages for risk minimization i.e. confirming need, research before actual purchase, and evaluate product. Characteristics of produce are categorized into 'intrinsic' and 'extrinsic' brand cues. Intrinsic cues tell about product composition that include understanding of produce i.e. design and characteristics of produce. Whereas extrinsic cues signify produce related work including produce price and brand etc. (Olson and Jacoby, 1972). Consumers' expertise in buying depends on knowledge that they have about the produce. Consumers with more product information and in depth understanding regarding various brands are quick enough in effective brand evaluation and quality determination without much research panic (Anderson, Engledow, and Becker, 1980).

Economically earlier knowledge with respect to product is more important as it affect cost & benefit of search. The argument from psychological side is that former product knowledge affect efficiency of individuals whereas the argument of information processing side is that 'being part of memory, early knowledge affect consumers cognitive capacity' (Ratchford, 2001). Differences amongst consumers exist due to perception of produce attributes with respect to product knowledge (Laroche, Bergeron, and Goutaland, 2003; Baker, Hunt, and Scribner, 2002; Blair and Innis, 1996). Scholars have used an index for measuring product knowledge with respect to consumer perception about how much he/she knows. Knowledgeable consumers use product quality as a base for evaluating purchases and hardly get influenced by price. On the other hand low knowledge consumers

rely on price and less understanding and confidence on product quality (Baker et al., 2002).

CONCLUSION & RECOMMENDATIONS

The study provide valuable information to higher education institutions working in province Khyber Pakhtunkhwa (Pakistan) by indicating that the dominant effect of factors (i.e organizational factors, product factors and individual factors) on buying attitudes of business buyers in services sector and particularly in higher education institutions demand closer examination. Institutional buyers need to check the effect of factors influencing buyers buying attitude in making institutional purchases and this study will provide empirical support for studying branding in business setup with particular focus on higher education institutions. And further it hold up extant qualitative and descriptive studies regarding importance of product factors (intangibility and buyer-seller relationship) in making rational and systematic decision making practices in business set up.

For Institutions, to make their way towards prosperity and growth by formulating business strategies, it is pertinent to keep a close look on factors i.e.: risk perception, intangibility, relationship quality with vendor, importance and complexity of brand as these affect sensitivity levels of buying units. Marketers need to work on branding efforts by considering it as an important element of their marketing and business strategies and keep it as the central component of their overall corporate strategies. For success and to increase firm performance they must understand institutional buyer buying behavior.

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