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# The Step Children of Marketing: Organizational and International Customers

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# The Step Children of Marketing: Organizational and International Customers

## **Abstract**

Any cursory or systematic review of the marketing literature reveals a lopsided emphasis on the marketing of consumer goods in a domestic environment. Similarly, an examination of marketing programs in the leading U.S. universities uncovers only a few scattered courses on international marketing and industrial or organizational marketing management. Whereas this situation is in sharp contrast to the growing importance of both international marketing operations and the volume of inter-industry transactions, it is based, in many cases, on a sound rationale that despite the differences among these three kinds of marketing activities, the *approach* to be taken in making international or industrial marketing decisions is identical to the one taken in the marketing of consumer goods in domestic marketing.

## **Disciplines**

Business | Business Administration, Management, and Operations | Business and Corporate Communications  
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**YORAM WIND** opens new vistas for marketing as he outlines the background for . . .

## The Step Children of Marketing: Organizational and International Customers

Any cursory or systematic review of the marketing literature reveals a lopsided emphasis on the marketing of consumer goods in a domestic environment. Similarly, an examination of marketing programs in the leading U. S. universities uncovers only a few scattered courses on international marketing and industrial or organizational marketing management. Whereas this situation is in sharp contrast to the growing importance of both international marketing operations and the volume of inter-industry transactions, it is based, in many cases, on a sound rationale that despite the differences among these three kinds of marketing activities, the *approach* to be taken in making international or industrial marketing decisions is identical to the one taken in the marketing of consumer goods in domestic marketing.

Accepting this philosophy implies that concepts such as market segmentation and product positioning are as applicable to international and industrial marketing as to the marketing of consumer goods in domestic marketing. Similarly, the decision tools, reliance on marketing research and the variables considered in making product, price, distribution and promotion decisions for industrial goods in a domestic market and for both consumer and industrial goods in foreign markets, are and should be the same as the ones prescribed for marketing of consumer goods in a domestic environment.

This conceptual similarity emphasizes the importance of studying and understanding customer responses to marketing variables. Similarly, the frequently stressed differences among these markets<sup>2</sup>, which imply differences in the behavior of consumers, industrial buyers and international customers, would suggest a great deal of emphasis on the study of organizational buying and international customer behavior. Yet, the surprising fact is that few such studies have been conducted. It is the purpose of this paper to briefly highlight the current state of knowledge concerning these "step-children" of the marketing profession, and to indicate the feasibility of studying organizational and international buyer behavior.

### Organizational Buying Behavior<sup>4</sup>

Traditional views of organizational buying have lacked the comprehensiveness of recent models of consumer behavior. The literature of economics, purchasing and, to a limited degree, marketing has emphasized "rational," economic factors which were related to the buying task itself. In these views the objective of purchasing is to obtain the lowest possible price, or the lowest total cost-in-use. Other traditional views of organizational buying err in the opposite direction, emphasizing variables such as

emotion, personal goals, internal politics, etc., that are involved in the buying decision process but not related to the goals of the buying task.

These "non-task" emphases are seen in models which emphasize the purchasing agent's interest in obtaining personal favors, or in enhancing his own ego. Other non-task models have emphasized buyer-salesman interpersonal interaction and the multiple relationships among individuals involved in the buying process over time. All of these views have contributed to our understanding of the buying process but, to the extent that these partial models leave out task or non-task variables, they offer incomplete guidelines for the industrial market strategist and researcher.

The tendency in the last five years has been, therefore, to develop comprehensive models of organizational buying<sup>3,4</sup>. Such models view organizational buying behavior as a complex decision-making process carried out by individuals, in interaction with other people, in the context of a formal organization. It takes place over an often extended period of time, requires information from many sources and encompasses many intra- and inter-organizational relationships. Thus, one can identify four classes of variables which affect organizational buying behavior: *individual*, *social*, *organizational* and *environmental*. Within each class, there are both *task* variables—those relat-

ed to the buying problem—and *non-task* variables—those that extend beyond the buying problem.

Organizational buying behavior is the result of a complex process of interactions among all these variables, it includes the activities of all the organizational members included in the decision process—the *buying center*—as they define a buying situation and identify, evaluate and choose among alternative products and services and suppliers.

This model of organizational buying process is based on the assertion that all organizational buying behavior is *individual* behavior. Organizations do not act or make decisions. Individuals, acting in their organizational roles, commit the organization to buy. People act on behalf of the organization, motivated by the desire to achieve their personal goals as well as the rewards of income, status, and ego-satisfaction *provided* by the organization. Of course, the interpersonal relations within the organization, the organization itself (its structure, policies and procedures, authority systems communication patterns, reward systems, etc.) and the environment, are crucial influences on the individual's motivation, information search, and choice, at all stages of the decision process and in all buying roles.

This and other general models of organizational buying provide a framework for analyzing and understanding organizational buying behavior. It provides the marketing personnel of firms whose customers are organizational buyers with guidelines for collecting and analyzing the required marketing information which *should* cover four major aspects of organizational buying:

**The identity of the buying center.**

**The nature of the buying decision process.**

**The buying situation whether the purchase situation is a new task, a modified rebuy or straight rebuy—<sup>3</sup>.**

**The nature of the factors affecting the buying decisions and the organizational response to marketing variables—the environmental, organizational, interpersonal and individual characteristics.**

Knowing this information will provide the necessary inputs to answer the two key marketing questions:

**Which market segment(s) should the firm pursue? and**

**What should be the firm's marketing strategy concerning products, price,**

**promotion (both personal and non-personal) and distribution?**

Whereas the utilization of information on organizational buying behavior in the design of the firm's product, price, promotion or distribution strategy is self evident and similar to the approach followed in marketing consumer goods and service, its use in the design of the firm's segmentation strategy requires some explanation. Conceptually, the choice of segmentation as a marketing strategy for industrial goods and services is predicated on the same assumptions and criteria as segmentation for consumer goods. The only difference, therefore, between consumer and industrial market segmentation is the specific *bases* used for segmentation.

Ultimately the market for a particular industrial good should be divided into segments of customers who differ in terms of their response to marketing strategies. This suggests that individual characteristics of the relevant decision making units (DMU) could serve as bases for segmentation. In this respect the bases used for industrial segmentation do not differ much from the ones used in consumer segmentation (e.g., personality, education and attitudes of the DMU toward the source of supply). Conceptually, however, industrial (organization) markets differ from consumer segmentation in requiring the incorporation of these bases with another set of organizational characteristics. Organizational characteristics such as its field of operation, size, organization structure, technology and objectives are all important determinants of the purchase decision and should be incorporated in any segmentation model.

Organizational markets can therefore be segmented in a two-step process. First, a "macro" segment composed of organizations can be identified, based on organizational characteristics. Then, within each macro segment, the market can be further subdivided, based on the decision maker characteristics.

At both levels of segmentation two types of bases for segmentation are distinguished—general and situation specific characteristics. At the micro level the general (e.g., socioeconomic, demographic and personality characteristics) and situation specific characteristics (e.g., loyalty pattern and attitudes) are the same as in consumer segmentation. At the macro level, general characteristics are certain intrinsic characteristics of the or-

ganization, such as geographic location, SIC category, size, organizational structure and technology, and purchasing decision rules, which affect the general character of demand—the types of goods purchased, the way in which they are purchased, etc. Situation specific organization characteristics are those related to the interaction between the organization with the given product, supplier, or purchase situation. For example, the purchase situation (new task or straight rebuy) of an organization, product usage and the nature of the buying center.

### International Consumer Behavior

Traditionally there have been two major models of international consumer behavior:

1. Consumers in each country have their idiosyncratic set of characteristics, i.e., the nature and determinants of consumer behavior in Country X differ from the nature and determinants of consumer behavior in Country Y. This model has led to focusing on differences in consumer behavior between various countries, rather than examining patterns of behavior within a given country and to generalizations about typical national patterns of behavior, implying national stereotypes.
2. Consumers behave the same irrespective of their national origin, i.e., the determinants and nature of consumer behavior are universal; all people strive to satisfy the same basic needs; their cognitive and perceptual processes are similar and knowing the determinants and nature of consumer behavior in Country X, especially when X is the home country, can be generalized to any other country.

The absence of any systematic comprehensive studies of consumer behavior in different countries has in part been responsible for the existence of these two contradictory models. Furthermore, lack of familiarity with foreign environments and different international business orientations (ethnocentric—home country orientation—vs. polycentric—host country orientation) have led to emphasizing one or the other of these models. Existing behavioral science theories and findings suggest, however, that these two models are not very accurate nor useful.

Various psychological, social psychological and sociological studies indicate that response patterns of consumers within a country may tend to be heterogeneous.

Different social classes or age groups within a country may have different life styles and, hence, difference patterns of responses to marketing variables. Similarly, findings from cultural anthropology raise doubts concerning the second model that consumers behave the same regardless of where they are. The basic psychological processes such as cognition and learning may be assumed to be universal, but even if they are, it does not assure common behavioral patterns nor similar response to marketing variables.

It seems, therefore, that while no conclusive evidence is available to specify a general model of international consumer behavior, the two earlier models should be rejected in favor of a third model which is composed of the following set of assumptions:

Consumers in different countries tend to behave differently, reflecting the influence of their unique cultural and social-economic-political environment.

Within each country there are groups of consumers who behave diversely.

The variance of consumer behavior within a country can be greater or smaller than the variance of behavior between countries, depending on the specific behavior concerned.

This model of international consumer behavior suggests the need for segmenting international markets and for *specific* studies of consumer behavior in various countries.

It is the basic premise of this paper that the concept of market segmentation is at least as applicable to international marketing as to domestic marketing. If one accepts this premise, the question is not whether to segment the international market but *when* to segment (profits from segmentation are greater than the cost involved) and *how* to segment (*what* bases for segmentation should be considered).

In domestic markets customer characteristics such as age, sex, social class, personality, brand loyalty, product usage, and attitudes toward the given brand are often used as bases for segmentation. In international markets, on the other hand, a further dimension has to be considered, namely that of country characteristics.

Each country is characterized by specific environmental conditions, such as certain cultural and social patterns, level of economic and technological develop-

ment which affect buying patterns and response. Thus these environmental factors may provide general indicators of overall market response.

In addition, unique national political and legal characteristics tend to place certain constraints on marketing policies as well as affecting customer responses. This may necessitate a different approach or adaptation to different market conditions. Country characteristics are therefore important considerations in identifying potential target markets and developing appropriate marketing strategies.

International markets can therefore be segmented into a two-step process (a hierarchy of segments) similar to the one employed in organizational segmentation. First, the "macro" segment composed of individual or groups of countries can be identified, based on national market characteristics. Then, within each macro-segment, the market can be further subdivided based on customer characterization. The initial examination of national characteristics reduces the cost and effort of the research task entailed. Attention can be quickly focused on countries with high initial potential rather than laboriously examining customer characteristics in each country, one by one.

The approach also enables consideration as bases of segmentation not only of general country characteristics such as political, economic and geographic characteristics, but also the situation specific characteristics. While the situation specific characteristics such as the distribution system and competition are not normally included in traditional classifications of countries, they are often crucial in determining the potential or feasibility of a given target segment.

It is not enough, however, to consider only country characteristics in attempting to identify relevant market segments. Classification of countries on the bases of country characteristics appear to be useful in delineating a feasible set of countries. They provide, however, only very weak indicators of marketing behavior in a country. Thus, further investigation of both general and situation specific customer characteristics within a country is required to identify relevant target segments.

### Studying Organizational and International Buying Behavior

In conducting organizational or international segmentation studies or organiza-

tional or international buying behavior studies, one should follow the same approach utilized in domestic marketing research studies. This recommendation is based on the premise that conceptually any study, whether on the behavior of domestic consumers, organizational buyers or international buyers, should be composed of: a systematic problem definition and model building; data gathering; and data analysis for the purpose of improved marketing strategy.

**Model Building.** In designing organizational or international buying behavior models, existing domestic consumer behavior models are incomplete because they leave out the influence of the formal organization in the case of organizational buying and the influence of the relevant foreign environments in the case of international buying behavior. This suggests the need for the development of organizational and international buying models. General models of organizational and international buying behavior (as suggested above) are, however, insufficient to meet managerial needs. *Problem specific models* are needed for specific decisions. Such models must be developed to serve as a guideline for specific research projects and can be verified empirically.

For example, in attempting to segment organizational and international markets, one should design a specific model which will explicate the desired dependent variable (purchase, brand loyalty, media usage, and the like) and the set of possible explanatory (independent) variables. Since one of the major problems confronting the organizational or international marketing manager is how to identify potential target segments and what information to collect for this purpose, a systematic two-step procedure to identify and analyze target segments is proposed. First, organizations or countries can be divided into similar groups on the basis of organization or national market characteristics. Then, within these groups, markets can be further segmented on the basis of differences in the decision maker's characteristics.

In designing such models, knowledge of the relevant behavioral sciences is of considerable importance, especially in identifying possible variables for consideration, in suggesting operational definitions of the various variables and in providing a set of research hypotheses to be tested.

**Data Collection.** The problems of col-

lecting data on international consumer behavior have received wide attention in the international marketing literature. These problems are of two major types—lack of sophistication in marketing research services overseas, which result in difficulty in obtaining the desired data, and “cultural bias” in obtaining and interpreting the data. For different reasons organizational marketing researchers claim difficulties in obtaining the required data on organizational buying behavior.

In both cases attention must be given to improved methods of data gathering and utilization of appropriate secondary data. A variety of “culture free” data collection procedures have been utilized lately in various studies on consumers' perceptions and preferences<sup>1</sup>. Some of these techniques are especially applicable for cross cultural analysis while others are “non-threatening” and useful in interviewing executives. Such data collection procedures as card and photograph sorting and ranking are most likely to play an increasingly important role in future studies of international and organizational buying behavior.

**Data Analysis.** Common to both international and organizational buying behavior research is a considerable neglect of the analytical procedures used in analyzing the data. Most international and organizational buying behavior studies, if conducted on a non-impressionistic basis, utilize cross tabulation and simple statistics such as mean and standard deviation. Seldom are appropriate multivariate statistical and multidimensional scaling and related techniques used in these studies.

In principle, all the analytical techniques used in domestic consumer research can be used in international and organizational consumer research. The international and organizational researcher should therefore be familiar with these techniques, their assumptions, limitations and advantages.

## Conclusions

Systematic attempts to understand the organizational and international customer buying processes and identify appropriate organizational and international market segments are likely to improve significantly the effectiveness and efficiency of the firm's marketing strategies. Yet, since most marketing decisions have to take into account other variables (the firm's objectives and constraints and the characteristics and actions of the other

participants in the marketing system, e.g., competitors, intermediaries, government, etc.), understanding organizational and international buying behavior can be considered as a necessary but yet not sufficient condition for successful marketing strategy. To increase the usefulness of information about buyer behavior, it must be incorporated in an appropriate segmentation scheme and utilized to assess the customer's response to the firm's marketing variables. The complexity of organizational and international customer behavior requires that it be analyzed carefully and completely with more, not less, rigor than if it were more simple.

Conceptually, the approach that should be taken in the study of organizational and international consumer behavior does not differ from the one utilized in the study of domestic consumer behavior. Relevant models of organizational and international consumer behavior can be developed with the aid of existing behavioral science theories and findings. New and tested data collection techniques can be used in generating information from respondents and the analytical techniques for data analysis are well developed and mostly available as library computer programs for easy access.

All these factors suggest the feasibility of organizational and international consumer behavior studies. The dynamic interaction of individual, interpersonal, organizational and environmental influences make the organizational and international buying process an exciting and challenging target for professional marketers. It is hoped that greater management recognition of the importance of studying and understanding organizational and international customer behavior will help move the conceptual and methodological status of organizational and international buying behavior from their current position as “step-children” to a fully privileged and respectable membership in the marketing family.

## Footnotes: Yoram Wind

1. Green, Paul E. and Tull, Donald S., *Research for Marketing Decisions* (Englewood Cliffs, N.J.: Prentice-Hall, Inc. 1970).

2. Industrial Marketing Committee Review Board, “Fundamental Differences Between Industrial and Consumer Marketing,” *Journal of Marketing*, 19 (October 1954), 152-158.

3. Robinson, Patrick J., Faris, Charles W. and Wind, Yoram, *Industrial Buying and Creative Marketing* (Boston: Allyn and Bacon, 1967).

4. Much of the material in this section is based on: Webster, Frederick E. and Wind, Yoram, *Organizational Buying Behavior* (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1972).

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