

SAIMAA UNIVERSITY OF APPLIED SCIENCES  
Business Administration, Lappeenranta  
Degree Programme in International Business

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**ORGANIZATIONAL BUYING BEHAVIOUR IN  
BUSINESS TOURISM MARKET  
CASE HOLIDAY CLUB RESORTS OY**

Bachelor's Thesis 2011

## ABSTRACT

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Case Holiday Club Resorts Oy

50 pages, 1 appendix

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Instructor: Ville Lehto

The purpose of this Bachelor's thesis is to provide understanding of the organizational buying behavior in Russian companies in context of business tourism market. This includes describing the general model of the process, identifying people, responsible for decision making and analyzing factors, that influence their decisions. Another objective is to give recommendations to the case company about how to reach right people in Russian organizations with their message.

In the theoretical part of the study the main issues are related to the general principles of organizational buying behavior and main concepts of the topic. When conducting this research both Russian and English sources are used. The most related topics of the literature are «Organizational Buying behavior», «Business-to-business marketing» and «Industrial marketing», presented by Philip Kotler, Frederick E. Webster Jr. and Yoram Wind and Kovalev A.I Empirical part is based on a case study and describes the organizational buying process on example of 3 Russian companies, which were chosen according to the criteria of location, size and industry. The data for case study is gathered by conducting an interview with members of buying centers within these companies.

Implementation of theory to the practice faced some difficulties such as misunderstanding of the topic and unwillingness of companies to provide full information. However, all obstacles have been overcome. As a result of the study, general model of organizational buying process is described in context of business tourism, members of buying center are identified and main factors, affecting their decisions are analyzed. According to this outcome, recommendations about what could be done to facilitate the interaction with Russian corporate clients, are given. This research also provided a good platform for further studies on this subject.

Key words: organizational buying, buying center, decision making process

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## INTRODUCTION

In recent time, the need for an understanding of the organizational buying process has grown due to the considerable increase of activity on business-to-business markets, that present different types of challenges and opportunities than those presented by consumer markets. Organizational markets are usually divided into four components: producer market, reseller market, government market and institutional market. Business markets mostly concerns producer and reseller markets (Vitale et al, 2010, p.131)

Generally, business markets consist of fewer, but larger customers than consumer markets and are involved in purchases of significantly large value having complex economic, technical and financial considerations. Business markets also differ from consumer markets in such aspects as: sales volumes, marketing structure and demand, nature of products and most relevant for this thesis – types of decision and decision process (Ibid).

Organization buying is the decision-making process by which formal organizations establish the need for purchased products and services and identify, evaluate, and choose among alternative brands and suppliers (Webster & Wind, 1996). The nature of the buyer decision process in a business-to-business environment differs from the consumer ones, that is why understanding of organizational buying behavior is essential– it helps to develop the right approach to corporate clients and establish strong bonds between «sellers» and «buyers».

## **1.1 Background of the research**

Organizational buying behavior is an extensive concept as it depends on many factors. However, understanding the organizational buying process is a key prerequisite for the development of business marketing strategy.

With knowledge of the customer firm's decision making process and buying behavior, market managers are in a far better position to develop marketing strategies, build win-win relationship with customers and influence purchasing decisions successfully.

The case company - Holiday Club Resorts Oy is one of Europe's largest vacation enterprises. The company's specialization is holiday centers, spa hotels and time share apartments. Holiday Club operates both on consumer and business markets as their customers are different companies and organizations as well as representatives of public sector.

This research is done to support the new project of the company – Saimaa Gardens - large tourist and leisure time resort in Finland that will be opened in Autumn 2011. New holiday center will provide large facilities for conferences, business meetings and corporate parties (Holiday Club Oy 2010). While Finland and Russia are neighboring countries with well-developed connections in tourism area, Holiday Club's officials are willing to attract Russian corporate clients. This thesis is a part of a bigger project, that consists of two studies. The first one is devoted to Russian outbound tourism and gives understanding of «What organizational clients want?», the second one answers the question «How organizations buy?». The whole project is carried out by two students. Alena Tsyvinskaja is responsible for the first part, called «Russian outbound MICE tourism – demand and concept», while this study is accomplished by Olga Loginova.

The purpose of this study is to find out reasons and factors which affect the buying decisions and choice of leisure service provider. The research is aimed to analyze buying behavior process in Russian organizations and provide

possibilities for Saimaa Gardens to fulfill corporate requirements and reach their target market successfully.

## **1.2 Research problem and objectives**

The main objective of this thesis is to give understanding of organizational buying process in Russian companies and provide recommendations to Saimaa Garden, how to reach right people with their message. For this purpose few Russian companies will be targeted as potential customers. Each organization has buying center – a group of people, who are responsible for buying decisions. (Webster & Wind,1996). The research will be based on direct communication with these people in order to understand their roles and identify factors that affect their decisions.

Main research problem consists of 3 parts:

- find members of the buying center
- analyze their roles and decision making process
- describe an organizational buying process in general

In the final outcome, Holiday Club will benefit from thesis in several ways. Firstly, this project will give an understanding of organizational buying behavior in Russian companies. Secondly it will provide a framework that will help to affect decision making process in a most efficient way. And finally, as research involves communication with companies, it will give a good opportunity to find first corporate customers. In general, possession of such knowledge will facilitate entering a new market for Holiday Club.

## **1.3 Theoretical framework**

The theoretical framework of this thesis includes theories about nature of organizational buying in general and decision making process particularly. Theories, concerning organizational buying and decision making process gives an overall understanding of how organizational purchasing is executed, how

decisions are made and which factors influence them. Organizational buyers decision process model gives a clear guidelines how decision is made step by step. And Buying center's analyses provide ideas for the practical part about how to recognize people, responsible for decision taking and to define roles and motives of those people. When conducting this research both Russian and English sources were used. The most related topics of the literature are «Organizational Buying behavior », «Business-to-business marketing» and «Industrial marketing». In theoretical part of the study information from Philip Kotler's «Marketing management», «A general model for understanding organizational buying behavior», written by Frederick E. Webster Jr. and Yoram Wind and book of Russian author Kovalev A.I. «Industrial Marketing» was used. The full list of sources provided at the end of the study.

#### **1.4 Research context**

##### **1.4.1 Business tourism**

As this study is devoted to business tourism, it is appropriate to give a small overview of this topic.

In recent times more and more organizations have gone global, business connections have become international and economic activities are spread all over the world. As it's commonly known, successful business is impossible without contacts, technologies and information exchanging, gaining new partners and customers. Due to the rapid growth of business contacts with foreign partners, business tourism is seen as an important niche market, and is one of the fastest growing sectors of the tourism industry. This segment of the tourism industry has also been referred to as Meetings, Incentives, Conventions and Exhibitions (MICE). The concept of MICE stands for corporate outbound tourism, aiming to bring people together for a particular entertaining or business purpose. (Business Travel Worldwide 2011.)

In general, MICE encompasses the following activities:

- Meetings and conferences
- Exhibitions and trade fares
- Incentive travel
- Corporate events
- Outdoor events
- Individual corporate travel (Ibid)

According to the statistics, provided by RBTA (Russian Business Travel Association, 2010), in share correlation the structure of MICE travelling has the following form: 71% for individual travelling, 16% for participation in conferences and congresses, 11% for visiting exhibitions and approximately 2-3% for incentive travel.

Business travelling may peruse different aims and according to «Business Travel Worldwide» (2011) some of them are:

- Establishing partner relations, negotiating the contracts, concluding deals
- Visiting and taking part in the exhibitions
- Participating in congresses, conferences and seminars
- Trainings, professional development trips
- Incentive trips (trips, usually granted as a reward for employee's outstanding performance)

According to Business Tourism Partnership (2010) principal characteristics of business tourism include the following:

- it is at the high quality, high yield end of the tourism spectrum
- business tourism is year-round, peaking in Spring and Autumn but still with high levels of activity in the Summer and Winter months
- it is resilient, being much less affected by economic downturns or by disasters than leisure tourism and other sectors of the national economy



- business tourism stimulates future inward investment as business people see the attractions of a destination while travelling on business or to attend a conference, exhibition or incentive, and then return to establish business operations there.

According to Swarbrooke and Horner (2001), the participants of business tourism market can be divided into 3 groups:

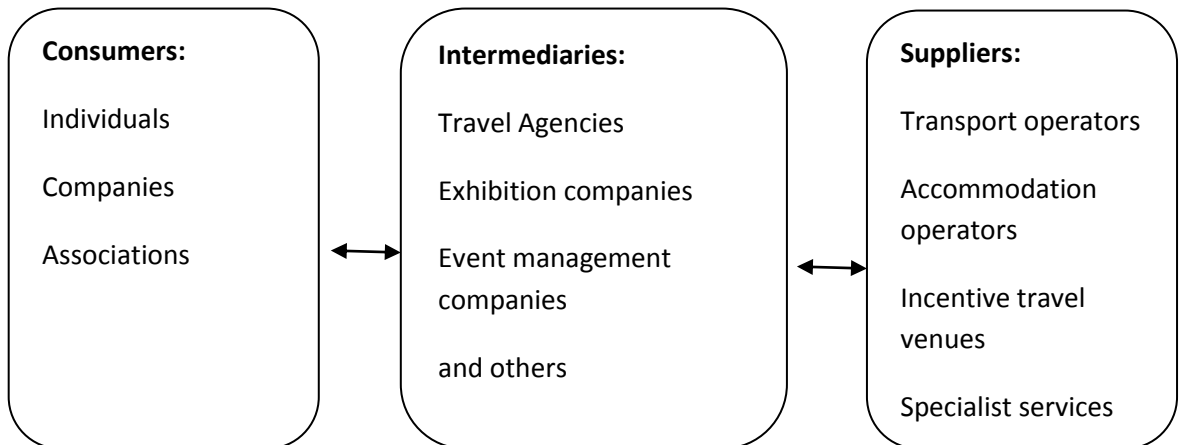


Figure 1 Participants of business tourism market.

The figure represents the simplified scheme of business tourism market. In the reality the process might look different, including several intermediaries or ,vice versa, the link of intermediaries might be excluded as consumers are willing to arrange their business trips on their own.

#### 1.4.2 MICE in Russia

Although the thesis topic doesn't cover business tourism market analysis, several words should be said about MICE market in Russia.

Russia is a country where business tourism in general is actively developing now. However, the concept of MICE is still rather new for Russian companies. The reasons for this might be the insufficient development of corporate culture in general and small amount of international business contacts. Anyway, Russian corporate travel has not the same level as «ancestors» of business tourism - USA and European countries.

In general, MICE tourism in Russia can be characterized by following features (RBTA 2010):

- Outbound tourism is prevailing (most Russian companies prefer travel abroad rather than within the country)
- Problem such as lack of qualified agencies still exist.
- The demand for MICE services is fluctuating and not stable
- Incentive tourism is significantly less popular comparing with other parts of MICE

### **1.4.3 Case company profile**

Holiday Club Resorts Oy is one of Europe's largest vacation ownership enterprises. It was established in 1986 and in the beginning it focused primarily on the vacation ownership business, purchasing hotels on the territory of Finland (Holiday Club Oy 2010)

The company has been buying hotels and resorts as well as building their own holiday homes and spa centers. The growth of Holiday Club vacation ownership system continued and by 2007 Holiday Club expanded to Sweden (Ibib.)

By 2009, after several successful acquisitions Holiday Club becomes the leading vacation ownership enterprise in Europe. At 2010 a building of new resort – Saimaa Gardens was started (Ibid.)

In overall Holiday Club Resorts Oy owns holiday homes in 26 destinations in Finland, a holiday destination in Calahonda, Spain, as well as Holiday Club Åre and Ekerum Golf and Resorts (Öland) holiday destinations in Sweden. Holiday Club's 6 spa hotels in Finland have belonged to the S-Group's subsidiary, Sokotel, since April 2006, and they operate under the name Holiday Club Spa Hotels. The chain comprises Holiday Club Caribia in Turku, Katinkulta in Vuokatti, Tropiikki in Kuusamo, Eden in Oulu, Saariselkä and Tampere Spa (Holiday Club official web-site 2011.)

#### **1.4.4 Saimaa Gardens**

In this study the analysis is carried out from the standpoint of Saimaa gardens spa resort, as it is the nearest hotel of Holiday Club chain to Russia.

Saimaa Gardens is a wellness resort, comprising spa hotel, holiday houses, various top-class apartments, golf centre, a great variety of shops, restaurants and galleries. It's located at the shore of Lake Saimaa, nearby Imatra and occupies approximately 300 hectares of total area. Saimaa Gardens is also the nearest large tourist attraction to St. Petersburg in Finland.

Companies' clients belong both to consumer and business markets. Holiday club's resorts provide services for public consumers as well as for corporate clients because they have good amenities for family vacation and honey moons along with facilities for conferences, corporate parties and business travelling. Holiday Club sees a great potential particularly in Russian tourists and organizations, as it will be situated near Saint-Petersburg, a city, where travelling to Finland is popular and easy.

#### **1.5 Limitations**

This thesis does not handle deep analyses of business tourism market and just gives a small overview of this topic to provide basic understanding of this tourism sphere. Consumer needs and preferences as well as product specifications are not covered by the study as this is a topic of a parallel research, prepared by another student.

The theoretical part of this thesis is limited to theories about composition of the buying center and it's characteristics, decision making process and factors, influencing it. The theories also describe the difference between organizational and consumer buying. These theories were chosen, because they are closely related to the research problem and they support the empirical part of the thesis by providing guidelines how the organizational buying process looks in real life. This thesis does not cover theories about sales techniques and relations between buyers and sellers, because one of the main objectives of bachelors' thesis is to make the topic narrow but analyze it deeper.

## 2 RESEARCH METHODOLOGY AND IMPLEMENTATION

The research was done according to a plan that consisted of 3 stages. The first stage involved analyzing of theoretical background and gave a comprehensive view on organizational buying behavior process, describing composition of buying center, identifying factors, influencing decision making process and exploring all stages of this process. After that the theory was ready to be implemented in life.

On the second stage the search of companies that may be interviewees for the research and potential clients for Holiday Club was done. The search criteria was explained in empirical part. When organizations were identified, their portfolios should be created to obtain knowledge about potential customers.

The final and most important stage of research was identifying the buying centers in chosen organizations and conducting an interview with it's members. This was done to identify roles and motives of members, analyze the decision making process and finally develop an effective framework according to gained information.

Figure 2 represents the plan research.

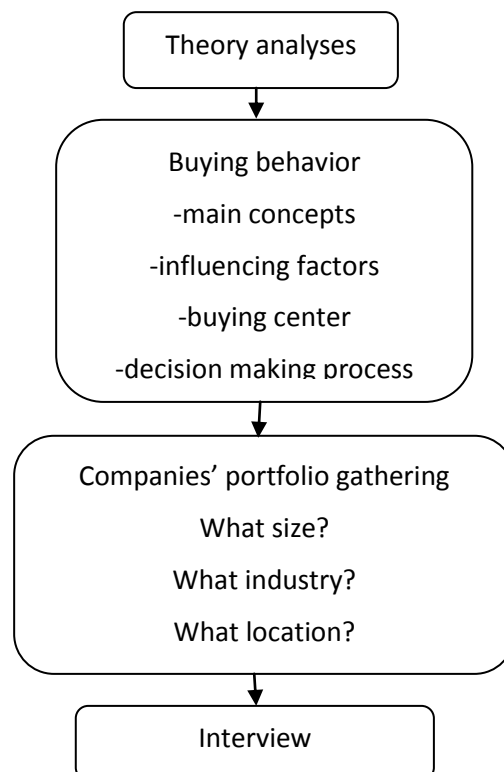


Figure 2. Research plan.

As it was stated above, the main research problems were: finding members of the buying center, analyzing their roles and decision making process and describing an organizational buying process in general. In order to understand, what the most effective methods for solving these problems are, a book of Tony Proctor (2005 p. 63) «Essentials of Marketing research» was read. After examination of possible methodology, it was concluded that the most appropriate methods to solve thesis problems were qualitative research, case study and analyzing of primary and secondary data.

## **2.1 Quantitative research**

Quantitative research produces numbers and figures, while qualitative research provides data on why people buy, what motivates them to buy, or their impressions of products, services or advertisements. It also produces information on behavior, attitudes and intentions. Simply put, qualitative research goes inside of people's thinking, value system as well as decision making process, what fitted perfectly objectives of this study. This type of research involves different approaches such as focus groups, interviews, feedback analysis, surveys and others. It relies on primary data as well as on secondary. In this study the object of qualitative research was an organizational buying behavior (Proctor, 2005 p. 71.)

The research was carried out in a context of business tourism, which is very specific area of business market. That is why organization buying process in business tourism market is based on general model of organizational buying. So first of all, problem solutions required general knowledge about such concepts as buying center, organizational buying and others. That kind of information was necessary for good orientation in actual topic and for further planning of the research. To gain this information secondary data analysis was used.

## **2.2 Secondary data analysis**

Secondary data analysis is the method of using preexisting data in a different way or to answer a different research question than that intended by those who collected the data (Schutt 1999). The sources of secondary data may be different: books, magazines, newspapers, internet, earlier conducted surveys, etc. The organizational buying behavior has been studied by many authors such as Philip Kotler, Frederick E. Webster Jr., Yoram Wind, Ajay Kumar Kohli and others. Their books and articles were used as sources of theoretical information. Secondary analysis of different statistics was also conducted to help to choose the right kind of companies for the case study, which is described further.

## **2.3 Primary data analysis and case study**

The study was accomplished for the particular organization, one of the needs of which was understanding of organizational buying process in Russian companies. Solving this problem required a primary data analyses. Primary data is data observed or collected directly from first-hand experience. There are many methods of collecting primary data:

- Questionnaire
- Interview
- Observation
- Case study, etc.

(Proctor 2005, p74.)

This research is based on a case study. The purpose of case study is collecting information about organizational buying in Russian companies from the «first hands». The most appropriate method to collect it was interview. For that purpose 3 Russian companies were chosen. The amount of 3 went from the principle, that analyses of 1 company is definitely not enough, while 5 or more requires much more time. Moreover 3 companies represent 3 kinds of organizations: small, medium and large. In order to choose 3 respondents, it

was needed to find out what kind of companies normally buys the MICE trips and how they can be specified according to the industry, size, location, and etc.

As Saimaa Gardens will be the nearest Finnish leisure attraction to the Saint-Petersburg, it was quite obvious that case companies would be located in Saint-Petersburg, Leningrad region and Vyborg. Another criteria, size of case companies, was based on assumption, that organizational buying process in small organizations differs from one in big corporation's due to the amount of staff, availability of funds and corporate culture in general. The last aspect of the choice was the industry. There was no difference for Holiday Club Oy which kind of companies would use their services. So it was necessary to investigate what kind of companies buy MICE trips more often. According to the statistics for the year 2009-2010, provided by VIP-tour agency (contact person- Stanislav Lisovsky, sales manager), companies, represented 5 industries, used MICE services more frequently:

- Metal industry
- IT industry
- Oil and gas industry
- Estate industry
- Pharmaceutical and medicine industry

According to this information a list of potential companies was created and proposals to take part in the interview were sent. Some companies didn't respond at all, some provided unclear and poor information. However, it was possible to choose 3 companies, whose response was full and actual. That is how 3 case companies were chosen.

Using the knowledge and information gathered for the theory, the research questionnaire was developed so that questions were straight, easy and aimed to minimize the uncertainties. Finally, despite of all difficulties, 3 interviews were carried out. Based on these interviews, it was possible to gain valuable and unique information, concerning compositions of buying centers and organizational buying processes in context of business tourism.

## **3 THE NATURE OF ORGANIZATIONAL BUYING**

### **3.1 Organizational vs. consumer buying**

According to Webster and Wind (1995), organizational buying is the decision-making process by which organizations establish the need for purchased products and services and identify, evaluate, and choose among alternative brands and suppliers. It takes place in the context of a formal organization influenced by a budget, cost and profit considerations.

Consumer behavior has not much relevance for the industrial marketer. This is due to several important differences between the two purchase processes. Comparing complicity of buying processes, buying decisions are made relatively easily and quickly by individual customers, organizational buying involves thorough and deep analysis. This is because organizational buying usually involves many people in decision process with complex interactions among people and among individual and organizational goals. Furthermore, organizational buyer's decisions require more information, undergo longer evaluation and more uncertainty about product performance. Companies usually adopt certain methods for buying products and employ skilled professionals for purchasing departments. (Kotler 1997, p. 205.)

According to Sandhusen (2000 p. 248), when compared to demand patterns in consumer market, demand patterns in industrial markets tend to be more concentrated, more direct, more dependent on other markets and purchases of related products and reciprocal agreements. Demand for goods in consumer markets is heavily affected by the changes in the prices so that it can be concluded that consumer market demand is price elastic. The organizational demand for products or services can be elastic only on early negotiation stage when many suppliers are actively competing on price for contracts. Once contracts are negotiated, however, demand becomes inelastic and is not influenced by short-run price changes. Frequently, demand for some b2b products is related to demand for other b2b products, what is called joint demand. For example, if Food & Drink supplier for a hotel restaurant has delivery problems or poor service, it will probably cut back on its purchases of



foodstuffs. It's also important to mention that demand for industrial products derives largely from demand for consumer goods. It's quite typical for tourism market as purchasing travel package for the company's purposes, organizational buyers sometimes follows consumer's opinions and reputation on the consumer market.

According to Kovalev (2003 p.203), despite of ordinary consumers, industrial buyers are more likely to purchase products directly from suppliers or manufacturers and in larger quantities, than consumers. Buying decisions of a consumer market is simple where it purely depends on the wish of consumer. But business buyers face complicated buying process where they have to adhere to purchasing standards, satisfy complex requirements and involve approval of many people. Consumer buying is generally short term focused where they conclude the relationship with seller upon the transaction is completed. Business buying process focuses on long term where they build long lasting relationships with suppliers.

Table 1 shows the main differences between organizational and consumer buying:

Consumer buying	Organizational buying
Less time spent on purchasing process	More time spent on purchasing process
Decisions are made mostly individually	Decisions depends on group of people
Quantity or purchase is comparatively low	Quantity or purchase is higher and the whole purchase may be more complex
Segmentation on geographic, demographic and psychographic factors	Segmentation on purchasing approach , situational factors, personal characteristics
Relationships are more «intangible»	Close relationships between buyer and supplier

Table 1 Organizational and consumer buying comparison (Kotler 1997, Webster & Wind.)

### **3.2 Types of organizational buying**

Organizations purchase under different circumstances, pursuing various objectives. That's why different buying situations occur. Kotler (1997), according to Webster and Wind (1996), assumes that most business purchases can be categorized under one of 3 headings:

#### *Straight rebuy situation*

- is a buying situation that is routine and has established solutions. Straight rebuys are «more of the same» and often involve simply the reorder of a previous product. In that kind of situation only purchasing department is involved. It gets an information from inventory control department to reorder the material or item and looks for quotations from suppliers in an approved list. This situation usually requires a maintenance of product and service quality from «in-suppliers» and a huge effort for vendors, who are willing to be in approved list. An example of straight rebuy is purchasing of stationery in big organization. Once relationship with appropriate supplier are established, new orders are placed routinely (Kovalev 2003 p. 113)

#### *Modified rebuy situation*

- occurs when there is a change in selection criteria or buyer intends to review some product specifications, terms of delivery, price, contract details or even supplier. It involves fewer people and time than the new task situation and more people and time than straight rebuy. In this situations «in-suppliers» try to satisfy the buyer and keep their position in approved list while «out-suppliers» get a chance to offer their service (Ibid.)

#### *A new task situation*

- describes a need that hasn't been faced by the organization previously. Task of that level may require deep analysis of suppliers so that organization will seek many sources of information and assistance, utilizing the complete buying process to investigate alternatives. The higher risks, the larger number of decision makers, the bigger importance of purchase, than the longer time is

spent on evaluating options and decision making. Marketers should strive to derive straight or modified rebuy situations from new task situations.

Understanding how a company's products are perceived in terms of these buy situations can help sales people recognize competitive threats and opportunities and to serve customer needs more creatively.

If the suppliers marketing efforts are done well and have desired effect, the new-task buying situation for a particular customer will transition into some form of rebuy situation in the next round. However, if the marketing effort fails for some reason – a mistake is made, a competitor performs better, or the customer's situation changes drastically, for example – the decision process may revert to an earlier stage or the customer may decide to choose an alternative supplier (Vitale 2010).

### **3.3 The Buying center**

The main characteristic of organizational buying is that it is a group activity. Usually people from various areas of business and of different status contribute to the final purchase decision. Group of individuals with a stake in the buying decision is called buying center. (Anderson, 2009, according to Webster & Wind 1996.)

According to Kozulya (2010, p. 2), building relationship with buying center defines the success of collaboration between marketers and corporate customers in general. That is why there are 4 indispensable things for the sellers to find out:

- Who are the members of buying center?
- What kind of decisions are they responsible for?
- What influence degree they obtain?
- What assessment criteria they use?

Within their own professional responsibilities, members of buying center determine the organization's needs and methods the organization uses to satisfy them. Buying center's complexity depends on the importance and complexity of the need. It should be noticed that buying center is not exactly

one certain location where decisions are made. The concept of buying center just refers to the representatives of different independently operating parts of organization such as: finance, production, purchasing, engineering, human resource and etc. In large and complex organizations , influencers (members of buying center) may be physically located a great distance from each other. (Vitale et al., 2010; Kovalev 2003)

Thereby, one of the major objectives for business marketers is to identify the key influencers of the buying center, the roles of these individuals and factors that affect their decisions. It is also a complicated but important challenge – to influence all stakeholders simultaneously but individually by satisfying their individual, professional and personal needs (Vitale et al., 2010 p.57.)

Another one essential aspect that should be mentioned about buying center is psychology and motivation of it's members. Even though b2b customer's decisions are based on organizational needs and professional opinions, they are also under strong influence of individual roles, social positions and self-perception. Business marketers should take into account that for every corporate decision people with their own characteristics and psychology stand (Kozulya 2010, p. 4.)

### **3.4 Roles in Buying center**

It is considered to be, that members of buying center share particular roles that describes their responsibilities and extent of influence.

There are usually 6 of them marked out

*Initiator* is any buying center member who is the first to realize the need for something and suggest to buy a particular product. Simply put, It's a person who initiates the purchase. (Webster & Wind, 1996, p. 56.)

*Influencer* is a person or a group of people who may not be part of organization but whose opinion strongly affects customer's decision. Obviously, the actual users play the role of influencer. However, depending on the need these can

also be engineers, researchers, product managers, designers within the organization as well as outsiders such as consultants or other involved people.

*Users* are people who actually use purchased products. They always lay down product specifications, service requirements and can fully estimate the quality of purchase.

*Decider* is a person or several people who makes the final decision to buy. Decider takes into consideration technological and financial aspects. Choice of supplier, considering supply terms, risk and value assessment, schedules and another commercial aspects are also under his duty. The level on which decision is taken depends on risks and costs associated with it.

*Buyer* is a person who procure on behalf of organization. This is usually a representative of purchasing department or buying manager. Buyer prepares all necessary documents and papers and controls how delivery is proceeded.

*Gatekeeper* plays essential role in organizational buying process because this individual controls the flow of information to members of the buying center and may perhaps block delivery of promotional message . This is usually an administrator, secretary or office manager. As all correspondence gets into organization through the gatekeepers, their role shouldn't be underestimated. For marketers this can be the only available connection with the buying center (Ibid.)

### **3.5 Factors of influence**

The fundamental assertion that lays in the basis of organizational buying is that this is a decision making process carried out by individuals, in interaction with other people and different environmental forces. Webster and Wind (1996, p. 53) recognizes four classes of factors determining organizational buying behavior:

- Individual
- Interpersonal
- Organizational
- Environmental

Each class is divided into two broad categories of variables. Those directly related to the buying problem, called task variables and those that have little connection with buying problem are nontask variables. Due to the fact, that decisions are made by people, whose opinions and judgments are defined by both professional and individual roles, both task and nontask variables applies to all of the 4 classes. Any given set of variables will have both task and nontask dimensions, though one dimension might predominate (Ibid.)

For instance, motives will have both dimensions – those related to the buying situation and those mostly connected with the personal goals. A strong sense of personal involvement may contribute to the quality of decisions made by organizational point of view (Ibid.)

Exhibit 2 illustrates the classification of task and non-task variables, affecting buying decisions

	<b>Task</b>	<b>Nontask</b>
<b>Individual</b>	Desire to obtain lowest prices	Personal values and needs
<b>Interpersonal</b>	Meetings to set specifications	Informal, off-the-job interactions
<b>Organizational</b>	Policy regarding local supplier preference	Methods of personal evaluation
<b>Environmental</b>	Anticipated changes in prices	Political climate in an election year

Table 2 Classification and examples of variables influencing organizational buying decisions Webster & Wind, 1996, p. 53»

According to Webster and Wind (1996), members of a buying center are motivated by a complex interaction of individual and organizational goals. Their relationships with one another involve all the complexities of interpersonal interactions. The formal organization exerts its influence on the buying center through the tasks, structure (communication, authority, status, rewards and work flow), technology and people. Finally, the entire organization is embedded

in a set of environmental influences, including economic, technological, physical, political, legal and cultural forces.

The influences on business buyers can be classified into 4 main groups: environmental, organizational, interpersonal and individual.

The figure below shows the extended model of factors influencing organizational buying behavior. (Kotler 1997.)

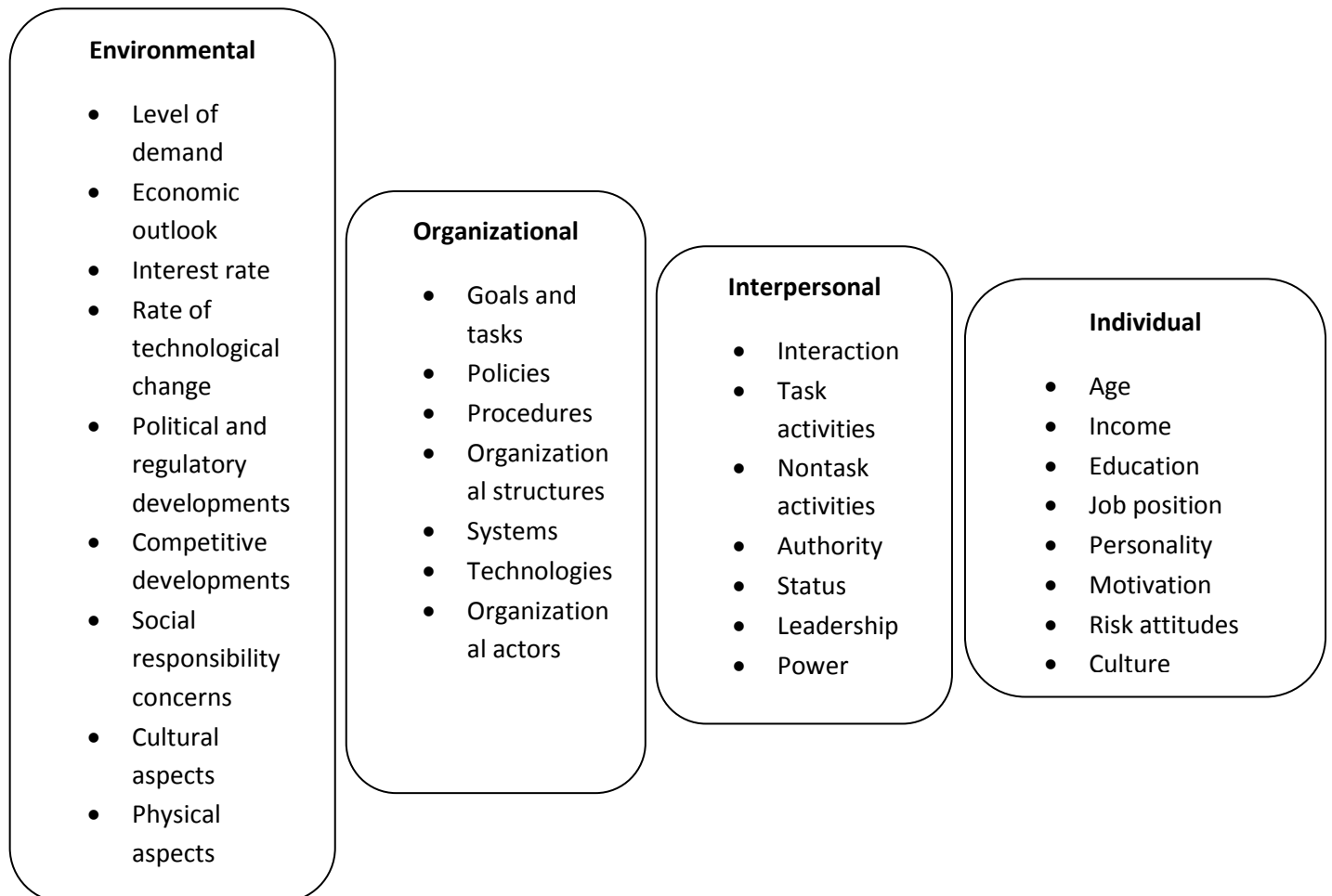


Figure 3 Major Influences on Industrial buying behavior (Kotler 1997, p. 211 with additions of the thesis author.)

These 4 factors applies mostly to all types of organizations in any field as influence of such factors is inevitable for any companies, operating on the market.

### **3.5.1 Environmental factors**

Business buyers are heavily influenced by factors in the current and expected economic environment. These factors are exerted through a variety of institutions and business firms (suppliers, competitors and customers), government, trade unions, political parties, trade associations and professional groups. The form of these institutions varies in different countries, and such differences are critical for establishing relationships with foreign company (Kotler 1997.)

Environmental influences define the availability of goods and services and general business conditions, facing the buying organization including the rate of economic growth, the level of national income, interest and technological rates and unemployment (Ibid). Economical and political factors are the most influential factors on general business conditions (Ibid.) For instance, It can be said that business tourism market in Russia is quite sensible to the changes in business conditions and above-listed economical factors strongly affects company's willingness to spend money on incentive and corporate tours. During recession or crisis , business buyers are likely to reduce their investment and costs while economy melt-down allows prospective companies extra expenses.

Business buyers are also affected by regulatory factors and changes in political environment. For example visa regulations for some countries may strongly complicate the trip, while cancellation of visa facilitates documentary procedures significantly. To obtain British visa for instance, Russian citizen has to gather numerous papers in order to provide documentary evidence of his job position, family and property, confirming that he is not going to stay in Britain for living. However, even full pack of documents won't be a guarantee for visa endorsement. That is why business tours to UK are not so popular comparing with countries of Shengen. When it comes to decision making, corporate clients are probably more likely to choose less comprehensive option, a business buyer who can provide visa support and undertake paper work . Changes in political environment in general defines the choice of countries for the trip.

Cultural factors determine the values and norms guiding interorganizational and interpersonal relationships between buyers and sellers as well as among



competitors, and between buying organizations and other institutions such as government (Kovalev 2003 p. 160). Cultural factors combining with technological aspects also strongly affect the information flow into the organization and marketing communication form for suppliers as most important. Culture of the country in general defines the role of mass media, communication channels and manner of establishing business in overall. In case of business tourism, cultural factors also defines the understanding of corporate leisure time, people's tastes and preferences, organizational traditions and views on holidays.

Business marketers should monitor environmental factors, identify the institutions that exerts that influence, determine how they affect buyers and try to turn problems into opportunities. Careful analyses of environment is especially important for entering new markets.

### **3.5.2 Organizational factors**

For each person, working in organization corresponds to the process of constant interaction with organizational environment. This interaction is quite difficult and complex process which determines people's behavior and changes their self-perception to some extent. In very general view, organizational environment is a direct surrounding that person faces during his work (close colleagues, work place and etc.). However, for most people, this concept is much wider. It also includes size of the organization, its orientation, market position, vertical or horizontal management involvement, organizational structure, wage system and system of social guards, work conditions, employment relationship, organizational philosophy, rules of conduct and internal order, degree of risk aversion present in the culture and other components. In organization, people are used to behave not on behalf of themselves but as group members, influenced by all stated above factors. Person is not only an individual but a chain in a system and this way of things should not be underestimated (Webster & Wind 1996.)

In support of this, Webster and Wind (1997) assume that organizational factors cause individual decision makers to act differently than they would if they were functioning alone or in a different organization. Organizational and buying

behavior is motivated and directed by the organization's goals and constrained by its financial, technological and human resource.

It is important to pay extra attention to the organizational structure that generally defines the internal processes and rules of behavior. The formal organizational structure consists of communication, authority, status, rewards and work flow – all of which have important task and non-task dimensions (Webster & Wind 1997.)

The communication system consists of 4 essential functions:

- Information
- Command and instruction
- Influence and persuasion
- Integration (Ibid)

The marketer should find out how the communication system in customer organization informs the buying center about buying problems and possible suppliers. For example, when HR department realizes the need of team-building event or corporate trip who are the people they are going to discuss it with? Who should be informed about the problem and how? This means to understand not only the communication process but also how commands and instructions flow through a hierarchy defining discretion and liberty of individual actors. Influence and persuasion defines the nature of interpersonal interactions within the buying center. This pattern will be examined more carefully later.

Each organization has specific objectives, policies, procedures and systems. According to Vitale et al. (2010 p. 57), the mission, goals, and objectives of an organization determine its attitude towards many projects. Policies and procedures are created to reinforce those goals and objectives and to impact the organizational structure. The degree to which organization is innovative or bureaucratic, dynamic or static, risk accepting or risk averse impacts business decisions. If the marketer's goal is to enlist a customer as a partner to a new development, the customer organization should be one that rewards innovation and leadership.

This is especially important when talking about MICE service and business tourism in Russia. This market is considered to be on the growth stage as even the concept of corporate culture itself was little known in Russian organizations several years ago. According to the statistics, only 20% of organizations have consciously established corporate culture and less than 20% falls to the share of business tourists in Russian outbound tourism flow. However, researchers predicts growth of business tourism popularity among Russian corporation.

### **3.5.3 Interpersonal factors**

Interpersonal factors mostly regard to the relationships and interaction between members of buying center. This interaction leads to unique buying behavior in each customer organization. Webster and Wind (1996) assumes that, in order to understand interpersonal interaction within the buying center, it is important to define three aspects of role performance:

- Role expectations (prescriptions and prohibitions for the behavior of the person, occupying this role)
- Role behavior (actual behavior in the role)
- Role relationship (overall relationships among members of the group)

Together, these three variables defines the individual role set. An awareness of each of these dimensions is necessary for the business marketer. It is especially important to understand how each member expects the salesman to behave toward him and the important ongoing relationships among roles in the buying center.

The nature of group functioning in overall is influenced by five classes of variables: the individual member's goals and personal characteristics, the nature of leadership within the group, the structure of the group, and external (organizational and environmental) influences (Kozulya 2010, according to Webster and Wind 1996).

While external influences were described above and individual influences will be examined in the following part, the nature of leadership and power within the buying center requires more deep examination. From the salesman standpoint, recognizing the individual role set for members of buying center is quite

essential task, but not the last one. Defining the person or group of people who exerts more influence on decision making process, whose opinion is respected and whose position implies more power is extremely important. Simply put, patterns of power and leadership defines the nature of interpersonal interactions within the buying center and affect the buying process in general. This applies for both task and nontask dimensions. For example, the leader of buying center may not be the key person, solving the buying problem, but is the one who has a reputation of competent professional. He may not be responsible for the final decision, but other members will probably follow his opinion. Would it be because of professional skills and hierarchy or because of personal characteristics, the fact is that some members of buying center have more influence than others on joint decisions.

Kohli (1989) assumes that because buying center members often represent different departments, lines or authority within the buying center are usually non-existent or unclear at best. It is therefore difficult to point out the «boss». However, it is important to understand the characteristics of the more influential members and factors that moderate their influence.

Kohli (1989) presents the leader's influence as a function of 8 powers:

*Reward power* is an individual's ability to provide material and non-material rewards to other individuals. *Coercive power* refers to an individual's ability to mediate material and non-material punishments to others. *Referent power* refers to the extent to which others identify themselves with him and have a high regard for his personal qualities. *Legitimate power* refers to the extent to which others feel they ought to comply with the wishes of an individual, and derives from both formal and informal social norms. *Expert power* refers to the extent to which an individual is perceived by others as being knowledgeable about relevant issues. *Information power* refers to an individual's access to, and control over relevant information. *Departmental power* is defined as the relative importance of a department as perceived by its members. Proved, that managers from powerful sub-units tend to exert greater influence than similar managers from less powerful sub-units as well as influence exerted by an individual depends on its departments power. And finally *influence attempts*

that is related to correlation between individual's specific self-confidence and their influence. It is likely that high stakes motivate an individual to make stronger influence attempts, which in turn, leads to greater influence.

In buying center the 8 powers interact with following characteristics of buying center (ibid):

Size refers to the number of members in buying center. It might be hypothesized that influence attempts are more important in large buying centers because of the great diversity in preferences . As such, it is important to investigate the characteristics of those who dominate in small versus large groups( Kohli 1989.)

Familiarity describes the extent to which members of a buying center are familiar with each other. Familiarity may affect interpersonal interactions within the buying center, however this influence is quite individual and depends on an organization.

Viscosity refers to the extent to which buying center works as a team. Researches show that expert power prevails in highly viscid groups while reward and coercive powers are more important in low viscosity groups.

Perceived risk refers to the riskiness of the decision as perceived by buying center members. This includes both importance of the decision and uncertainty about the outcome. Credibility is considered to be dominant factor under conditions of risk, members of buying center are more likely to trust expert than an individual, that's why expert power rules in risky situations.

Time pressure defines extent to which the buying center members feel pressured to make a decision quickly. Under high time pressure fewer individuals are active in the decision making resulting in the emergence of more noticeable leadership. In such situations expert power and information power dominate.

Concerning authority and status, it should be mentioned that authority subsystem defines the power of organizational actors to judge, command or influence the behavior of others within both task and nontask dimensions (Ibid.)

Webster and Wind (1996) declares that no factor is more critical in understanding the organizational buying process because the authority structure determines who sets goals and who evaluates organizational performance. The status system, in turn, defines the hierarchical structure of the formal organization . It also expresses an informal structure and affects the leadership patterns.

To sum up, it should be said that interpersonal communications play significant role in decision making process within the buying center. For business marketer understanding of power distribution and authority patterns may be a clue for influencing member's decisions and building strong relationships with them. Due to the fact that all organizations have different specifications , the salesman is likely to evaluate the situation and develop individual approach. However, basic features stated above are useful for developing a plan of actions.

#### **4.5.4 Individual factors**

In general, all organizational buying behavior is individual behavior. Webster and Wind (1996) believe that only individual as an individual or as a member of a group can define and analyze buying situations, decide and act.

Each member of the buying process has personal motivations, perceptions and preferences. These are influenced by member's age, income, education, job position, personality, attitudes toward risks and culture. For instance, buying participant, sensitive towards risk will always choose suppliers very carefully, willing to have several options and contingency plan. In business tourism this behavior will be displayed in contacting with lots of agencies in order to choose most durable, long negotiating of prices and all details, concurrence with other influential members. Another example – is leisure preferences, that directly depend on age and job position. Preferences of young team will probably differ from elder colleagues (active sports as paintball and hockey vs. more calm activities such as fishing or golf). As for job positions, business trips for top-management might be more expensive and complex than incentive trips for staff. Age also affects decision making styles such as normative and conservative. According to age, culture and personality buyers definitely exhibit

different buying approaches and Philipp Kotler, for example, mentions such styles as «own-expert», «want-the-best» and «want everything done» buying.

From the salesperson point of view, age, job position and personality of individual affects sales tactics, motivation and attitudes towards him significantly. The specific feature of business tourism market is that decisions are based mostly on individual attitudes of main influencer or group of members. Obviously, the main goal is choosing the most financially suitable option, where task criteria is applied, however, when choosing service provider «all other things are equal», the individual may be able to apply strictly personal (nontask) criteria. In this case, marketer should analyze individual factors and motivation, that can affect buying decision and use this knowledge for building strong relationships with organizational buyers. The individual is at the center of the buying process, operating within the buying center that is, in turn, bounded by the formal organization which is likewise embedded in the influences of the broader environment. It is the specific individual who is the target for marketing efforts, not the abstract organization. That's why it's critical to examine the psychological worlds of buying center members.

### **3.5.5 Situational factors**

According to Sheth (1973), some of the organizational buying decisions are determined by situational factors and not by any systematic decision – making process. In other words, similar to consumer behavior, the organizational buyers often decide on factors other than rational or realistic criteria.

It's difficult to prepare a list of particular conditions that influences decision making process, however a number of situational factors can be isolated. These include temporary economic conditions (price controls, economic recession, inflation and etc.), internal situation in the country ( strikes, walkouts, political instability), organizational changes such as merges or acquisitions and ad hoc changes in the market place, such as promotional efforts, new product or service introduction, price changes and so on.

## 4 ORGANIZATIONAL BUYERS' DECISION PROCESS

The process of organizational buying and decision making is described in many literature and periodical sources, however It is mostly devoted to industrial buying. In case of business tourisms the process may go in a slightly different way and have some specifications, however the basic steps remain the same. Based on models presented by Kotler(1997) and Vitale et al. (2010), the buyers decision process in this chapter will be examined from the standpoint of companies, willing to use MICE services and go abroad for business purpose.

Traditionally, the buying process is divided into 4 stages consisting of 8 steps:

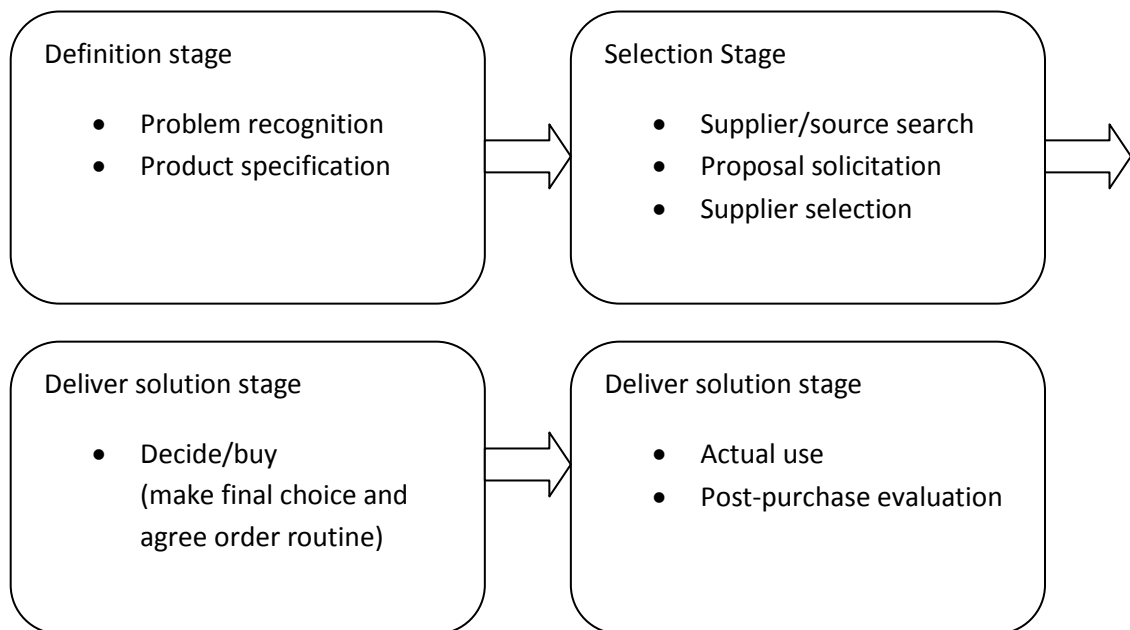


Figure 4 A model of organizational buyers decision making process (Vitale et al., 2010, p. 58-60.)

Figure 4 shows the classical decision steps of organizational buying process. For better understanding how business marketers can address buying center needs, each stage will be examined more carefully.



#### **4.1 Stage 1: Definition**

In the first stage the buying center investigates their organizational needs and looks for options that are available to address those needs. The definition stage includes the following kinds of activities: recognizing and defining the organizational problem, defining the outlines of the solution and specifying product or service that can satisfy organizational needs Webster & Wind 1996.)

According to Vitale et al. (2010, p. 61): «A key thing to understand about the definition stage is that it includes «problem recognition» which determines how the buying center carries out the rest of the decision process. Problem recognition is analogous to consumer need awareness, albeit at an organizational level». The problem can be recognized as completely new task for organization or as a straight or modified rebuy situation. These will define the complexity of the process and marketing effort, made by business marketers. On definition stage the seller benefits significantly from involvement with its customer in this early process stage. An understanding of buying center's needs, both organizational and individual, and willingness to assist during the process, allows the seller to create value for the buying center. As the decision moves through the stages, a general need and solution is defined and buying center develop the product or service specification, describing what the product must be and how it performs.

In case of business travelling, the organizational problem may occur in HR department or at the top-management level. For instance, due to the reorganization and staff replacement in company A, the communication between employees and team work became worse what has lead to the poor annual results in whole department. Specialist from HR recognized the problem of poor communication and lack of team spirit and motivation. They decided that people need to spend some time together in informal atmosphere, so that they will know new members better and feel as a one team. This was recognizing and defining of organizational problem. To address these need, HR department decided to organize an incentive tour, including team games, competitions and active sports. They also come to solution that the tour should include

accommodation, three-times a day meals, football stadium and paintball facilities. These were the service specifications, established by the company.

#### 4.2 Stage 2: Selection

Once, buying center knows what it wants to acquire, it seeks, during the selection stage, a supplier to provide it. Activities performed in this stage include searching of potential suppliers, proposal solicitation, evaluation of offers and finally selection of most appropriate supplier. It should be mentioned that in case of straight rebuy, organization will probably choose the same supplier (resort, travel agency, etc.), even if it is not the cheapest one, but because of the awareness of service and safety. However, in a new-task situation, the company is willing to seek carefully, considering both financial and service factors (Vitale et al., 2010.)

The character of corporate trips and approach to organize them in Russian companies are quite different and depend on corporate culture, financial situation and management. Some companies prefer to organize rather small and simple trips, booking a hotel and organizing a transfer, while other corporations have enough funds to organize more complex events. Basically, there are two ways to organize corporate trip: to make everything by one's own or to use special agencies' service. In first situation the selection is made among hotels, leisure centers and resorts while in second situation the main purpose is to choose good agency, able to organize business trip on the high level and provide excellent service. The final choice of the place may be the same, however the way to it may be different as it is shown on the figure 5.

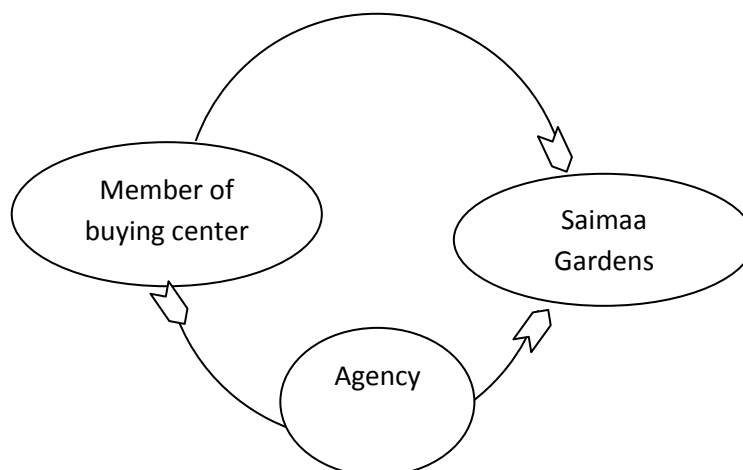


Figure 5. Illustration of 2 ways to organize corporate trip

Searching by themselves, members of buying center are guided by their own needs and preferences while using assistance of agency, they are willing to follow agent's advise. This means that on selection stage, the decision making process might be affected by external influencer such as agency. For the seller (Saimaa Gardens in this case) the most important thing here is establishing good relationships with agencies as it takes important place in communication channel between buyer and seller.

In spite of industrial buying, in case of business tourism, the proposal solicitation step is missed or takes another shape. There is no particular need in request for proposal or quotation. If members of buying center use agency's service, they can ask for additional information about their trip, while in case of individual organization they are supposed to find information by themselves or give a call. Before selecting a supplier, the buying center will specify desired supplier attributes and indicate their importance. After rating suppliers on these attributes and negotiating advantages and disadvantages, the most attractive supplier is chosen.

#### **4.3 Stage 3: Solution delivery**

In case of travelling, this stage contains only final decision and actual buying process. Once supplier is chosen, the price is negotiated and agreed with head office, the buyer confirms all agreements and reservations. After that the order routine process follows. All necessary documents are gathered, a contract is prepared and signed by both sides. For example, when going to Schengen countries, some agencies provide an assistance with visa processing so that their clients do not spend time, standing in queues to consulates or help to prepare and translate specific papers, necessary for going abroad.

#### **4.4 Stage 4: Endgame**

All of the prior activity has a purpose, to provide the buying organization with the product or service, satisfying their needs. Often, buying organizations formally evaluate purchase outcomes and there are particular criteria by which the results are judged. However, when talking about business and incentive tours, the trip is usually evaluated by more individual criteria. Formally, organizational

buyers use the same evaluation criteria as ordinary consumers: the quality of service, the organization of event, the client's support and so on.

Robert Vitale et al. (2010) assumes, that the endgame of a specific buying situation should also be the definition stage of the next one. That means that a new task situation should grow into straight rebuy.

## 5 THE CASE STUDY

The subject of the study supposes to examine organizational buying process from the point of business tourism and travelling. Theoretical part has shown that in spite of the similarity with industrial buying process, organizational buying of tourism services has some differences and sometimes has more in common with individual leisure travelling. However, the concept of buying center and factors, influencing decision making process, can be applied to organizational buying probably in all areas of business-to-business markets. The model of organizational buying behavior, presented in theoretical part, describes the process in general, while in practice it can vary, depending on particular organization.

The main questions of the study were:

- Finding members of the buying process
- Analyzing their roles and decision making process
- Describe the organizational buying process in general

Guided by knowledge, gained in theory, the empirical part provides answers to the questions of the study, using experience of 3 real companies and describes 3 examples of organizational buying in business tourism.

The main criteria for company selection was experience of corporate travelling. The size, industry and financial capacity were also taken into consideration. The preferable companies were large or middle sized as their organizational structure usually supposes the availability of HR department and, therefore, efficient employee's assessment and rewarding system, what implies willingness to provide funds on corporate and incentive trips in case of sufficient financial capacity. However the small sized companies are interesting too for being more distinctive.

The chosen companies are:

- Mobil
- Arsenal-Estate
- Sofia-Metal

The main method of the case study was interview. Meetings with representatives of 3 companies and face-to-face conversations enabled gathering most relevant and specific information.

### **5.1 Case 1: Mobil**

This case examines an experience of organizing corporate trips and decision making process, connected with it in St. Petersburg branch of world's leading energy and petrochemical company – Mobil. This company was chosen for the case study as it represents huge international organization with developed corporate culture and, due to this, more conscious approach to incentive events.

In general, there are four types of corporate trips in Mobil (Pirogov Georgiy, interview.)

*Cluster meeting* is an event, which organized once a year for the whole personnel of the department, that includes 5-7 days of teambuilding games, seminars, active sports and leisure. The main purpose is creating a friendly atmosphere that will reinforce the team spirit and join employees. Cluster and Sales meetings usually take place within the cluster – countries of former CIS.

*Sales meeting* is kind of event is organized especially for representatives of Sales departments and includes sales trainings, seminars combined with leisure.

*Conference of distributors* is a 3-5 day meeting for employees from Distribution departments, their chiefs, heads of other departments and representatives of partner distributing companies. The conference is usually devoted to the particular stage of Formula 1 Racing and takes place usually in Europe.

*In partner's visit to the factory* the key partners are invited to visit the nearest factories in Finland, France or Turkey once or twice a year. This event involves such partners as large automobile dealers such as Mitsubishi, Toyota, Mercedes, representatives from metallurgy and mining industries and etc.

In general, all Mobil corporate events are aimed to improve teamwork, resolve current problems in informal way and to strengthen relationships with

employees within the organization and external business partners. Usually these trips include both formal and informal activities such as excursions, team games, competitions and business meetings, reports, seminars and banquets (Pirogov Georgiy, interview.)

The roles of buying center are distributed in the following way:

- Initiators - Representative of HR or PR departments, CEOs
- Influencers - Representatives of HR or PR departments, CEOs
- Deciders – heads of the departments, CEOs
- Buyer – special person called Personal assistant to Lube country manager, he/she helps with organizing the trips and contacts with event or tour agencies if they are involved.
- Users – Team member, chiefs and top-managers (depends on type of event)
- Gatekeepers – Personal assistant to Lube country manager , department managers.

In some cases for organizational aspects (flights, hotel reservations, program planning and etc.) a special agency is employed. Mobil uses services of ATN agency. Communication with agencies is responsibility of Personal assistant to Lube country . he/she negotiates all specifications with the agency. Agency, in turn, prepares several alternatives of place, event and etc. Personal assistant negotiates options with higher authorities and reports about final decision to the agency. After that he/she supervises the whole process of preparation for the event (Pirogov Georgiy, interview.)

## **5.2 Case 2: Arsenal -Estate.**

Arsenal-Estate is a middle-sized Russian company, operating on market of corporate real estate. It provides services, connected with rent of offices and storage rooms. This company was chosen for the case study as it represents the average middle-sized Russian organization, where the rules of corporate culture are not devoted to the international standards, but have more distinctive character.

According to Konstantin Loginov, CEO, corporate trips at Arsenal-Estate can be divided into 2 types.

*Incentive trips.* These 4-5 days events are usually organized twice a year, in Karelia and include different sport activities, fishing, haunting, sauna and etc. The actual users are top-managers, heads of departments and chief executives. During these trips leisure is usually combined with team games and trainings. For that purpose a special psychologist is invited.

Examination of the buying center allowed to define the following roles:

The initiator of the trip is usually a board of directors. They are the most influential members of buying center and also can be deciders and actual users simultaneously. Directors usually define the need of organizational trip and assign responsibilities for organizational process, that refers to the HR or PR departments.

Representatives of HR or PR departments usually choose the place and manage all organizational aspects. They are also allowed to propose their own ideas to the board of directors and, in turn, affect director's decisions. They can play role of influencers and gatekeepers at the same time, as in some cases people from HR or PR departments can be the only viable information channel, leading to the deciders.

The buyers are usually directors as they are authorized to provide funds for the trip. The actual users, as it was stated above, are top-managers, heads of departments and chief executives. The buying process is mostly concentrated in hands of board of directors and HR department. Arsenal-Estate doesn't use services of special agencies and organizes trips on their own.

*Director's meeting* is a second type of corporate trips in Arsenal-Estate. This is a journey, organized mostly for highest positions such as board of directors. This kind of event is usually concentrated on leisure and informal pastime, however, it also involves discussion of current problems on a highest level: some essential decisions can be made and contracts may be signed. That kind of trips are organized once or twice a year, mostly to hot countries as Turkey, Egypt or India.



In this case the trip is organized by actual users and other departments are not involved. The buying and decision making processes are quite similar to the consumer buying as the actual buying center consists of 3-4 members and there are no particular roles: deciders=buyers=influencers=users. Directors meeting requires probably the most individual decision making process. Board of directors and some top-managers initiate the trip coming together to choose the place and time. It's quite difficult to mark out a concrete initiator as this role may vary from person to person. There are no special preparations and events, people just go to have rest and discuss some business issues. The process of organizational buying is extremely close to consumer one in this case.

### **5.3 Case 3: Sofia-Metal**

Sofia-Metal is a small-sized Russian company, situated in Saint Petersburg. The company provides metal constructions and related products. Sofia-Metal was chosen for this study as it represents sector of small business. The main peculiarity of small companies is that all authorities are concentrated in hands of CEO and therefore decision making process is rather centralized. That usually means that the buying center consists of one or two members.

According to Stanislav Ageenko, PR manager, in Sofia metal the average amount of trips in a year is 4. All of them are made for having rest and team building. As organization is rather small (20 employees), all of them take part in these trips. The trip usually takes 2 or 3 days and destinations may vary from time to time. It is usually countryside, some recreation centers or the near abroad (Finland, Latvia or Estonia), which is more seldom. Trips are usually connected with special program, which includes competitions, sport activities and other teambuilding arrangements. Employees of Sofia-Metal are quite creative so all trips and events are organized by themselves. They do not use any special agencies and make all reservations and preparations independently.

The buying center consists of following roles:

- Initiators – a group of most active employees, originally formed within the organization
- Buyer – usually one person, appointed for all arrangements

- Influencer, Decider – CEO, who takes the final decision and allocates funds
- Users – all employees of Sofia metal

#### **5.4 Case study summary**

According to the information, provided by case companies, the following conclusions can be made:

First of all, the organizational buying of tourist services is less formal than industrial buying . In most cases it is s affected by individual choice and might be similar to the consumer behavior to some extent. The most common purpose for corporate travelling is teambuilding and joint recreation. Not many organizations have a tendency to go abroad for formal meetings, however this direction of business culture is developing.

The complexity of buying process and size of buying center vary according to the size of organization. In small-sized companies the process is more centralized and concentrated in hands of 1-2 people. In bigger organizations there might be several types of corporate trips, and therefore, more people from different departments can participate in buying process. Mobil example shows that there are different types of trips for different groups of employees: cluster meetings for the whole team, sales meetings for the sales department, conference of distributors for the distribution departments and partner's visits for the key partners of the company.

Besides environmental and organizational factors, members of buying center are hardly influenced by interpersonal and individual factors. This is very common for small-sized organizations, where familiarity of employees involves more informal interaction.

One of the research questions was to find members of buying center. In real life the process of considering composition of buying center can be rather complicated. The most common problem business marketer may face with is identifying particular executor of each role. The most effective solution to this problem is using method of Moriarty et al. (1982). According to this method, the seller has to contact with anyone in the buying organization and ask the names

of three or four people, influencing the buying process. Then the same is repeated on named people. The process continues until the list will not include only those people, who were mentioned most frequently. However, it should be noted that identifying the members of buying center may differ from recognizing people who have an impact on the final decision. The definition of the key influence on making a purchase can be extremely difficult, and sometimes an impossible, task. It may be more important to find a person, affecting particular decision aspect and act, using this information. With a help of method of Moriarty et al., it was found out that in case of corporate travelling, the roles of buying center are always allocated among particular employees. Table 3 represents approximate structure of buying center that is prevailing in most cases of organizational tour buying.

Role in buying center	Position in the company
Initiator	Representative of HR department
Decider	CEO
Influencer	Deputy director, Head of HR department
Buyer	Appointed person
User	Depends on the situation
Gatekeeper	Secretary, managers

Table 3. Composition of buying center

Another question of the study was describing the organizational buying process. As the general model was described in theoretical part, it can be added, that stages are the same except the fact, that the formality of the process depends on size of the organization. Large companies with developed corporate culture are willing to organize more «serious» corporate events than small organizations.

When talking about corporate trips, two options may be possible.

1. Holiday trip for the whole personnel (like at Sofia-Metal) or corporate trips for the board of directors (like at Arsenal-Estate) are usually prepared by

employees of the company without any use of agencies. That means that business marketer communicates with buying organization directly.

2. Partner's visits and conferences (like at Shell) are usually considered as significant events and carefully prepared with assist of event and tour agencies. And that involves the intermediate into communication between buyer and seller. For business marketer that means 2 ways of distribution of his services: directly through the sales office or remotely (from Finland in this case); or through the tour and event agencies. The collaboration with last ones is inevitable as it will help to attract more corporate clients.

Finally it should be noted, that all stages of organizational buying process involve particular members of buying center. To make the picture of the whole process more clear Table 4 represents the extended model of organizational buying in context of corporate travelling.

Table 4. Extended model of organizational buying in context of corporate travelling

Stage	Members of buying center		
	Sofia-Metal (Small company)	Arsenal-Estate (Medium company)	Mobil (Large company)
Problem recognition	Representative of HR or group of initiative employees	Representative of HR department, board of directors	Representative of HR or PR department
Product specification	Initiative employees with agreement of CEO	Representative of HR department, board of directors, top managers	Representative of HR or PR department, Personal assistant
Supplier/source search	Appointed person	Appointed person	Manager of the initiative department or special agency under supervision of Personal assistant
Proposal solicitation	Deputy Director, CEO	Board of directors, top managers	Head of the initiative department with agreement of CEO or representative of agency
Supplier selection	Deputy Director, CEO	Board of directors, top managers	Head of the initiative department with agreement of CEO or agency with Personal assistant
Decide/buy	CEO/contact person	Board of directors, CEO/ Board of directors, appointed person	CEO/ Personal assistant
Actual use	The whole team	Employees/ Board of directors, top managers	Employees, top-managers, partners

When companies use help of mediators, functions of supplier search, proposal solicitation and supplier selection are outsourced to tour or event agencies.

From the seller's point of view provided information gives clarifies the following information:

How to recognize members of buying center? If buying organization is unfamiliar to the seller, method of Moriarty et al. (1989) can be used.

Who are the members of buying center? Board of directors, CEO, representatives of HR and PR departments, initiative employees

Who of them is more influential? CEO or Head of the department as he/she makes the final decision and provides funds. There are also people, whose opinion is appreciated by the Head. However, it's quite complicated to define such people on the early stages of collaboration.

When making decisions, what influencing factors are the strongest? The strongest factors are interpersonal and individual as organizational buying of travel services depends not only on organizational needs but also on preferences and expectations of the employees.

-What criteria do they use? When talking about organizational travelling, one of the most important questions is «How much money organization is willing to spend?» So the first criteria is price of the service. Then the place, facilities and quality of service goes. For large companies the quality of service is especially important. They prefer to use event and tour agencies to be sure that everything will be organized on appropriate level.

## **6 CONCLUSION**

The main objective of this thesis was to give understanding of organizational buying process in Russian companies and provide recommendations to Saimaa Garden, how to reach right people with right message.

When starting to work on this thesis project the author have set three main tasks:

- to identify members of the buying center
- to analyze their roles and decision making process
- to describe an organizational buying process in general

The method of research was a case study. The main task of the case study was choosing several companies and analyzing organizational buying process within them. The case companies were defined by the author and represented different industries, sizes and organizational structures. Task accomplishment required primary and secondary data collection. The secondary data collection was necessary for preparing the basis for case companies' analyses, while primary data collection implied the direct communication with representatives of case companies. Method for gathering primary quantitative material was questionnaire made by phone interview or by e-mail. The research questionnaire was prepared and interviewed in Russian and the structure was composed from the open questions about organizational trips and events, purpose and participants of this trips, people, responsible for organizing it and factors, affecting their decisions.

Theoretic part of the thesis includes all the important aspects of organizational buying and prepares a good basis for the case study. However, in a context of business tourism the interview turned out to be a challenging task. As it has been detected, the sector of business tourism in Russia is rather small, although there are positive trends of its development. Because of that many organizations does not take corporate trips and business travelling on the same level with industrial buying. For many people the concept of buying center and responsibility for buying decisions are first of all connected with industrial procurement of raw materials and equipment, and not many people identify

business travelling with organizational buying. Due to this fact, the following obstacles appeared during the interviews:

- It was rather complicated to mark out the members of buying center in small organization as people were obstructed to tell who is responsible for organizing corporate trips.
- Such a serious approach to the organizational buying behavior in business tourism looked strange to some respondents as they were not willing to take corporate trips so deeply.
- The information in the interviews was not full enough sometimes as organizational buying of business tours is not so developed yet.
- In some organizations people were not going to disclose information about agencies they use.

Although some obstacles appeared, the main research objectives were reached successfully. The general model of organizational buying process was described in context of business tourism, members of buying center were identified and main factors, affecting their decisions were analyzed. It should be mentioned, that within that thesis it was impossible to create any results that could be generalized to all Russian organizations as research was based on analyses of 3 case companies. However, this study helps to get better understanding of potential Russian clients and provides a good platform for further studies on this matter.

Using results of the case study, the author can give the following recommendations to the Saimaa Gardens:

1) When trying to reach the buying center of unfamiliar organization, the most preferable contact is: HR or PR departments in large companies. In middle-sized and small companies it might be CEO or Deputy director. If business trips are not in their competence, most probably they will switch the calling person to the right employee.

2) The role of gatekeepers (such as secretary or managers) shouldn't be underestimated as they might be the only information channel in unfamiliar organization



3) For particular types of corporate trips (as Directors' meeting at Arsenal-estate) the buying process seems to be more consumer than organizational one. It's important to remember that in this case people are motivated mostly by individual needs and preferences.

4) The collaboration with tour and event agencies is useful and inevitable at the same time as this is a good chance to attract serious corporate clients.

The results of the research can be implemented in real practice by marketing department of Holiday Club Resorts Oy. Based on this study, marketing researches of business tourism sector in Russia can be more certain oriented and efficient. It can also improve promotional campaigns, aimed to attract corporate clients and facilitate networking in business tourism field. Moreover, from the point of sales this research can improve work of sales managers of Saimaa Gardens as ability to address right messages to right people improve chances to sell the product.

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### Questionnaire for the interview

1. How often corporate trips are organized in your company?
2. What kind of trips it is?
3. What are the main purposes of this trips?
4. Who are the «actual users» of the trips?
5. What are the most popular destinations?
6. What is the average length of the trip?
7. What events are usually connected with this trips?
8. What activities take place during this trips?
9. Who is the initiator of the trips? (position)
10. Who is responsible for organizing and preparations? (position)
11. When organizing the trip, do you use assistance of any travel or event agencies?
12. Who do you think has influence on choosing the place and other aspects of the trip?
13. Who participate in decision making process when negotiating the aspects of trip?
14. Who provides funds for incentive trips?
15. Who takes the final decision?

## **TABLES**

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