

## **PROFESSIONAL SALESMANSHIP – LECTURE 5**

### CHAPTER 5 – Types of Purchasing Decisions

#### Objectives

After completing this module, you should be able to

1. Break down the various kinds of purchasing decisions.
2. Discuss the four communication styles and how salespeople need to adjust their own style to effectively communicate.
3. Explain what buying teams are and outline the roles of each member.

#### **TYPES OF PURCHASING DECISIONS**

Buyers aren't just making random choices when they buy something. They're like students, always learning from different sources to help them pick the right thing. They think about what they've learned before to guide their decisions.

When they don't know enough from their own experiences, they look outside for help. They might check things like magazines, product reviews, or listen to people they trust who know about what they're buying.

How much they already know about what they're buying decides how much time and effort they'll put into deciding. There are three main types of decisions based on how much they know: buying the same thing again (straight rebuys), making some changes (modified rebuys), or trying something completely new (new tasks).

#### Straight Rebuys

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When people have had a good experience with a product before, they usually buy it again from the same place. This is like when you always get the same snack from the store because you know you like it. This decision is called a straight rebuy, and it's often because of a long-term agreement.

Everything is already set up for these purchases, like what's needed, how much it costs, and how it gets delivered. The ordering is usually done automatically, sometimes by computers talking to each other.

Not much effort goes into making these purchases because everything is already sorted out. The focus is just on getting the products and making sure they work well. It's mostly paperwork and doesn't need a lot of attention from the people buying. But for the sellers, it's important to keep an eye on the competition and make sure their product stays top-notch.

For the companies supplying the products, it's good because they don't have to worry about convincing the buyer every time. But they still need to keep up the quality and make sure the buyer stays happy. If they don't, it's a big problem for the sellers trying to sell from outside.

Buyers are happy with what they're getting from their current suppliers and don't feel the need to switch. It's like when you're really content with your favorite snack, and you don't see any reason to try something else. So, the sellers trying to sell from outside don't have much to work with because the buyers aren't actively looking to buy.

In this situation, the sellers have two options. They can keep in touch with the buyers, so if something changes or if the current supplier messes up, they're ready to step in. Or, they can try to show the buyers that there's something better out there by giving them information or proof that makes them realize they're missing something they actually need.

### **New Tasks**

When a buyer is purchasing something for the first time, it's called a new task decision. They take a lot of time to think and look for information to figure out what's best. Usually, there are many people involved in this decision, not just one.

For example, when Mitsubishi was making a new four-wheel-drive SUV, it was a big change from what they usually did. They needed new parts and solutions, so everyone involved had to figure out what to do.

In situations like this, there's no set supplier already. The buyer knows they need something new but doesn't know exactly what. They're eager to learn and get help to solve their problem.

The salesperson's job in these cases is to work closely with the buyer. They can share their knowledge and help the buyer understand what they need. The salesperson's experience is really important here because they can suggest the right solutions. Good salespeople don't just stop at making the sale; they keep in touch to make sure the buyer stays happy.

By doing this, the salesperson builds a strong relationship with the buyer, which gives them a big advantage over other sellers.

### **Modified Rebuys**

Modified rebuy decisions sit in the middle between buying the same thing again (straight rebuys) and trying something completely new (new tasks). In these situations, the buyer has bought the product before but wants to explore other options or suppliers. Since they're already familiar with the product, they feel less unsure and worried compared to when they're buying something totally new.

Usually, modified rebuys happen because things change or the buyer's needs evolve. For example, maybe they're thinking about trying out different suppliers or checking out new products from the suppliers they already know. At Mitsubishi, they recently decided to take another look at how they train and educate their employees. This fits the idea of a modified rebuy because they're rethinking their usual way of doing things.

## **UNDERSTANDING COMMUNICATION STYLES**

Words and body language give salespeople clues about how buyers communicate and what kind of people they are. Sales pros say it's really important to understand how customers communicate. When salespeople can pick up on and understand how customers talk and act, they can adjust how they interact. This makes it easier for customers and salespeople to communicate and builds better relationships. Many sales training programs use a simple chart to sort communication styles into four main types.

### **Assertiveness**

Assertiveness is about how strongly someone shares their opinions and tries to control situations by guiding others' thoughts and actions. People who are very assertive are often quick to speak up, have strong opinions, and may be confrontational. On the other hand, those who are less assertive tend to be slower in their approach. They often hold back, let others lead, and take their time to communicate and act.

### **Responsiveness**

Responsiveness is all about how openly someone shows their emotions and how sociable they are. People who are very responsive are focused on relationships and don't hold back their feelings. They're friendly, easy to talk to, and like to keep things informal. On the flip side, those who are less responsive are more focused on getting tasks done and keep their emotions in

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check. They might come off as formal and disciplined in their interactions, putting less emphasis on personal connections.

Everyone falls somewhere on a scale of assertiveness and responsiveness, ranging from high to low. Where someone falls on these scales determines how much they show and act on these traits.

#### Amiables

They're really open with their emotions, but they're not pushy or dominating in their actions.

#### Expressives

People who are high on both responsiveness and assertiveness are often called "go-getters." They're outgoing and expressive, and they also take charge and get things done.

Drivers, on the other hand, are less focused on emotions and more on getting results. They're assertive and like to take control, but they're not as open or expressive with their feelings.

#### Analyticals

They're not very pushy or expressive with their emotions. Knowing how to tell if a customer falls into this category can give salespeople important hints about how the customer thinks and acts. This helps the salesperson do a better job by adjusting how they talk and respond to match the customer's style.

#### Amiables

Building and keeping close friendships means a lot to amiable people. They're laid-back and like working together, and they're known for being really friendly and sociable. They enjoy being part of groups and genuinely care about other people—their hobbies, families, and shared friends.

They're naturally chatty and enjoy spending time with others, and they'd rather work together and agree than try to control others.

### **MASTERING COMMUNICATION STYLE FLEXING**

When people have different styles that don't match well, it can cause problems and make it hard to communicate and build relationships. To avoid these issues, salespeople can adjust their own style to make communication easier. For example, if a salesperson who is outgoing and expressive is dealing with a buyer who is more analytical and focused on tasks, they might need to slow down and provide more detailed information to match the buyer's style. This helps improve communication.

However, it's important to note that adjusting doesn't mean trying to be exactly like the buyer. In fact, trying too hard to match exactly could cause problems. It's more about finding a balance that works for both the salesperson and the buyer. Adjusting like this has been shown to improve sales performance and the quality of relationships between buyers and sellers.

### **MULTIPLE BUYING INFLUENCES**

Usually, simple buying decisions like buying the same thing again (straight rebuys) or slightly changing what's bought (modified rebuys) are made by one person. But when it comes to more complicated decisions like big changes to what's bought (modified rebuys) or buying something completely new (new tasks), it's often a team effort.

These teams, also called buying centers, bring together people from different parts of the company who have different expertise and opinions. As the decision changes, the team might change too, so they have the best mix of skills to make the right choice. The size of the company and what's being bought will affect how many people are on the team and who they are.

## **CURRENT DEVELOPMENTS IN PURCHASING**

Businesses today are changing a lot because there's more competition and the business world is changing fast. Technology is spreading all over the world, making competition even tougher, and it's changing really quickly. This means that big markets are breaking up into smaller ones with more specific customers who know a lot and want more from what they buy. Because of this, the old ways of buying things are changing fast too.

### **Increasing Use of Information Technology**

Both buyers and sellers are using technology more and more to make buying and selling easier and faster. The use of technology for business-to-business transactions, known as e-commerce, is growing really quickly, by more than 33% each year. While some technology like EDI (Electronic Data Interchange) has been around for a while, most of the recent growth is in transactions done over the internet.

Technology helps buyers and sellers talk directly and share information instantly. For example, routine purchases like straight rebuys can now be done automatically using programs on the internet. This means orders can be placed faster, mistakes are fewer, and money tied up in stock is freed up for other things. With routine tasks automated, buyers and salespeople have more time for other important things like handling complex sales and building better relationships with customers.

The internet is also being used to share product information and training materials. Some companies have put their product catalogs online, which makes it easier for salespeople. They

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can update the catalogs easily and choose which parts they want to show to customers, without needing to carry around lots of paper brochures.

#### **Relationship Emphasis on Cooperation and Collaboration**

Nowadays, the decisions made by one company can have a big impact on others. In today's fast-paced business world, there's a lot of back-and-forth between salespeople and buyers from different companies. This is because many buying organizations prefer to build long-term relationships with fewer suppliers. They believe this helps them build stronger connections and make buying things more efficient.

But this closeness between buyers and sellers can bring up tough ethical questions for salespeople, as shown in the example of 'An Ethical Dilemma'. Instead of just trying to get the upper hand, successful companies are finding that sharing information and working together can actually benefit everyone involved. These long-term relationships are based on everyone getting something good out of it and relying on each other.

To make these relationships work, salespeople need to understand what customers need and work closely with them. This means being honest and open in communication, and always acting in the customer's best interest.

#### **Supply Chain Management**

Many companies are now using supply chain management to work closely with their suppliers and customers. This goes beyond just buying and selling—it's about coordinating everything to make sure it all works smoothly. Supply chain management involves not only working with suppliers and customers, but also with their suppliers and customers' customers. Salespeople need to make sure they're working well with everyone involved, from the people using the

products to the suppliers providing them. Their goal is to make sure everyone in the chain gets something good out of it.

### **Increased Outsourcing**

As buyers and suppliers gain more trust in each other's abilities and commitment to their partnership, they naturally start working more closely together. This often leads to expanded agreements where certain tasks that used to be done by the buyer are now outsourced to the supplier. These tasks are important for the buyer's daily operations but aren't their main strengths. By outsourcing them, the buyer can focus on what they're best at.

Usually, these outsourced tasks are things that the supplier specializes in or does really well. This strengthens the relationship between the two parties and benefits everyone in the long run. Salespeople play a big role in making sure customers are happy with the outsourced tasks and in keeping the relationship strong. They need to keep an eye on any changes in what the customer needs and make sure the supplier adapts accordingly.

### **Target Pricing**

Buyers use information they gather about the market to set a price target for their products. For instance, they might decide that a new printing press should be sold for \$320,000. Then, they break down the press into its different parts to figure out how much each part should cost compared to the whole thing. Using this method, they might decide that the most they can pay for a lead roller platen is \$125. They keep this in mind when talking to potential suppliers.

When dealing with these target prices, salespeople have two main choices. They can either lower their prices to meet the buyer's cost requirements, or they can work with the buyer to understand and maybe change the performance standards needed. Sometimes, the buyer might agree to relax certain requirements if the price is lowered. For example, they might be okay with longer wait times or simpler designs in exchange for a lower price. This second option means

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salespeople need to know a lot about their products, what their company can do, and what the customer needs. It's also important for them to come up with realistic solutions and explain them well to the buyer.

#### **Increased Importance of Knowledge and Creativity**

The growing connection between buyers and sellers relies on the salesperson's ability to solve problems in a fast-paced and ever-changing business world. Buyers count on salespeople to come up with unique and helpful solutions to their evolving problems and needs. To do this, salespeople need to have a wide-ranging knowledge and be able to use it creatively. This means knowing a lot about their own products and what they can do, as well as knowing about their competitors. But even more crucial is understanding how products are used and what the customer needs, so they can work with the buyer to find new and innovative solutions.

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**Examination**

True or False

1. False - Buyers rely on information from limited sources to guide their purchasing decisions.
2. True - Buyers seek information from external sources when they lack personal experience with a product.
3. True - Purchasing decisions are categorized into straight rebuys, modified rebuys, and new tasks based on the buyer's level of familiarity with the product.
4. False - Straight rebuys do not involve repurchasing a product without much effort due to a positive past experience.
5. True - Straight rebuys are often automated and require minimal involvement from the buyer.
6. True - Sellers must maintain product quality to retain customers in straight rebuy situations.
7. True - New task decisions involve purchasing a product for the first time, requiring extensive research and consideration.
8. True - In new task decisions, multiple individuals are often involved in the decision-making process.
9. False - Salespeople play an easy role in guiding buyers through new task decisions.
10. True - Modified rebuys occur when buyers reconsider their previous purchasing decisions but are not seeking entirely new products.
11. True - Modified rebuys typically involve exploring alternative options or suppliers.
12. False - Understanding buyer communication styles do not helps salespeople tailor their approach for better interaction.
13. False - Assertiveness and responsiveness are key components of managerial styles.
14. False - Different communication styles may not require adjustments for effective communication.
15. True - Multiple buying influences are common in complex purchasing decisions.
16. True - Buying centers involve individuals from different departments with varying expertise.

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- 17. False - Businesses are decreasingly reliant on information technology for buying and selling.
- 18. True - Technology facilitates faster and more efficient business-to-business transactions.
- 19. False - Short-term relationships between buyers and sellers are becoming more emphasized for mutual benefit.
- 20. False - Supply chain management involves mismanagement among suppliers, customers, and other stakeholders for smoother operations.

- 17. True - Businesses are increasingly reliant on information technology for buying and selling.
- 18. True - Technology facilitates faster and more efficient business-to-business transactions.
- 19. True - Long-term relationships between buyers and sellers are becoming more emphasized for mutual benefit.
- 20. True - Supply chain management involves coordination among suppliers, customers, and other stakeholders for smoother operations.