

Do you know me? (Do you love me...?)
Some empirical findings of the Hungarian chemical buyers
behaviour

Work in progress paper

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Abstract

Summarising more than twenty year's business marketing literature Reid and Plank (2000) have found organisational buying behaviour (OBB) as a most frequently researched area in our discipline. Referring to Scott and Webster (1991) they state that conceptual development has been paramount in the OBB field while empirical testing has not. Emphasising the usefulness of existing models and constructs the authors conclude with the importance of value in the understanding of OBB. In this spirit they have formulated several further research questions. They propose research on "how can knowledge of a company's value orientation be used to construct a value proposition by the marketer?" (Reid and Plank 2000 p.55).

In an interactive buyer-seller relationship (Hakansson 1982, Turnbull and Valla 1986, Ford 1990) the buyer's value orientation could be expressed by his expectations about the exchange (or episodes) or more generally about the business relationship with the supplier. The buyer's behaviour could be very different in a business relationship depending on his transactional or relationship orientation (Jackson 1985, Webster 1992). In this sense the buyer value orientation may be characterised by his expectations about the supplier. He needs a more transactional or a more relationship approach from his partner. To give satisfaction to the buyer, to create value for him, means to fulfil and to form his expectations and his needs in an interactive (business) relationship. As value creation is a cornerstone of business marketing (Anderson and Narus 1999) and a business relationship always means an investment and a certain level of adaptation (Turnbull et al. 1996) in other words it is a resource allocation, to know the buyer's (value) orientation is a fundamental question for the supplier. In the different buyers' orientations the suppliers are obliged to present different market offerings (Anderson and Narus 1999). But do we really know our buyers?

In our paper we present the different behaviours of Hungarian chemical buyers. Based on 78 standardised questionnaires we analyse the buyer's transaction or relationship orientation. We are looking for differences in the buyer's preferences about the product exchange episodes and his expectations about their relationships with the suppliers. We consider the product exchange preferences as a buyer's perception of episode value, and his requirements about the supplier's activity as a perception of the relationship value (Mandják and Durrieu 2000).

Our empirical findings show that Hungarian chemical buyers' behaviour are quite heterogeneous, as Anderson and Narus (1999) criticise the tunnel vision of commodity markets, and the differences in the value orientation of these buyers could be the basis of an eventual segmentation of this market.

Introduction

Summarising more than twenty year's business marketing literature Reid and Plank (2000) have found organisational buying behaviour (OBB) as a most frequently researched area in our discipline. Referring to Scott and Webster (1991) they state that conceptual development has been paramount in the OBB field while empirical testing has not. Emphasising the usefulness of existing models and constructs the authors conclude with the importance of value in the understanding of OBB. In this spirit they have formulated several further research questions. They propose research on "how can knowledge of a company's value orientation be used to construct a value proposition by the marketer?" (Reid and Plank 2000 p.55).

Do you know me?

The market knowledge is emphasised by Day too, when he is describing market-sensing capability as one of the most important characteristics of a market driven organisation (Day 1994). Capabilities have important contribution to competitive advantages and through them to performance outcomes of the company. It means they contribute to the company's superior profitability. The author classifies capabilities between the two end-points of a spectrum of external and internal emphasis. On the internal bank there are inside-out capabilities, which are the internal processes as manufacturing, transformation process, integrated logistics, cost control, financial management etc. On the external bank the outside-in capabilities are informing the company about the requirements of the external environment. Market sensing, customer linking, channel bonding and technology monitoring are types of these capabilities. Spanning capabilities, as customer order fulfilment, pricing, purchasing, customer service delivery etc., are need to integrate inside-out and outside-in capabilities. Market-driven organisations' superior performance is based on their market sensing, customer linking, and channel bonding capabilities. Market sensing capacity determines "how well the organisation is equipped to continuously sense changes in its market and to anticipate the reponses to marketing actions" (Day 1994 p.49). Customer linking capability comprises the skills, abilities, and processes needed to achieve collaborative customer relationship. These capabilities strategic role is clear but is it always useful to create a collaborative customer relationship?

Do you love me?

The buyer's behaviour could be very different in a business relationship depending on his transactional or relationship orientation (Jackson 1985, Webster 1992). Jackson describes two extreme model of the buyer's behaviour spectrum. In the case of transactional orientation (with her words an always-a-share model) (Jackson 1985) the buyer's switching cost is low or sometimes very low and he can easily switch part of all its demand from one supplier to another. He is mainly interesting about price advantages and commercial conditions and not so open to a long term collaboration. "The always-a-share buyer is likely to have a short time horizon in its ties with suppliers. Even vendors are obliged to give a good immediate reasons for continuing the relationship with each purchase" (Jackson 1985 p.4). Some typical transaction oriented buyers could be found among commodity chemicals, mailing services or shipping services customers. The opposite side of the behaviour spectrum is the relationship orientation (lost-for-good model at Jackson). In this case the buyer's switching cost is high or very high. Thus his supplier's choice is hard and time consuming, but if he has made his decision he would have strong commitment about his supplier. "The essence of this model is

that since the account cannot easily switch its patronage, it will therefore view its commitment to a vendor as permanent and use a long time horizon in the relationship" (Jackson 1985 p.4).

In an interactive buyer-seller relationship (Hakansson 1982, Turnbull and Valla 1986, Ford 1990) the buyer's value orientation could be expressed by his expectations about the exchange (or episodes) or more generally about the business relationship with the supplier. In this sense the buyer value orientation may be characterised by his expectations about the supplier. He needs a more transactional or a more relationship approach from his partner. To give satisfaction to the buyer, to create value for him, means to fulfil and to form his expectations and his needs in an interactive (business) relationship. As value creation is a cornerstone of business marketing (Anderson and Narus 1999) and a business relationship always means an investment and a certain level of adaptation (Turnbull et al. 1996) in other words it is a resource allocation, to know the buyer's (value) orientation is a fundamental question for the supplier. In the different buyers' orientations the suppliers are obliged to present different market offerings (Anderson and Narus 1999). But do we really know our buyers?

Hungarian commodity buyers

In our paper we present the different behaviours of Hungarian chemical buyers. Based on 78 standardised questionnaires we analyse the buyer's transaction or relationship orientation. At first glance chemical raw material buyers are much more transaction oriented (Jackson 1985). It seems to be logic if we are considering the well-standardised characteristics of these products and the generally low switching costs of changing a supplier. As switching costs are not depending only the type of the product but also the situation of exchange and investments in exchange procedures (Jackson 1985). We could find a more realistic picture about this commodity buyer's behaviour if we try to calibrate it (Day and Montgomery 1999). This relativisation can be achieved by searching the Hungarian chemical raw materials industry bandwidth (Anderson and Narus 1999). Industry bandwidth, following the authors' approach is a range of business relationships of a marketplace. "Each marketplace is better characterised as a range of relationships that are more collaborative or more transactional in nature relative to that marketplace's norm (Anderson and Narus 1999 p.374).

We are looking for differences in the buyer's preferences about the product exchange episodes and his expectations about their relationships with the suppliers. We consider the product exchange preferences as a buyer's perception of episode value, and his requirements about the supplier's activity as a perception of the relationship value (Mandják and Durrieu 2000).

Empirical background

Our research was conducted last year, 2000, among the significant buyers of chemical raw materials on the Hungarian market. We used a standardised questionnaire, which were asked by telephone. The initial sample frame contained 110 companies, which was built up according to the turnover of the chemical buyers from the point of view of the most important chemical suppliers. As a result we obtained 78 completed questionnaires, which served as a base for our analysis.

Analysis of the data

Based on the expected characterisation of the supplier a factor analysis has been conducted, to find out the main dimensions of the expected values of the suppliers. There will be able to confirm with the factor analysis, whether the main dimensions of expected value are equal with our grouping assignment that has been applied in the questionnaire. The factor analysis showed that the structure of the factors does not confirm in all groups our assumption about the structure of statements.

On the basis of the results obtained from the factor analysis we labelled as the factors on the following way:

Factor 1	Orders & Transport (Relational factors)
Factor 2	Price/Quality (Transactional factors)
Factor 3	Sales rep's role
Factor 4	Information orientation
Factor 5	Environment

The appendix contains the factors' detailed description. Factors are explaining the different kind of expectations of the buyers. In fact a buyer value orientation is a concrete combination of these factors. If we can find different types of combination we could make a distinction among different type of behaviours. And different kind of behaviour is demanding different kind of customer linking (Day 1994).

Based on the factors we specified 3 segments (clusters) which can be described and characterised in the following way

	Cluster 1 (44,4%)	Cluster 2 (23,6%)	Cluster 3 (31,9%)
Factor 1	0.01	-0.49	0.37
Factor 2	- 0.11	0.14	0.27
Factor 3	0.65	-0.51	-0.4
Factor 4	0.51	0.58	-1.0
Factor 5	0.41	-0.95	0.34

In the table the marked areas are to indicate the factors playing a significant role in the specific segments and therefore explaining them in a meaningful way. The darker fields indicate the most significant factor in each segment and the lighter ones – from the factors' point of view – can be rather paired to the specific clusters.

Characterisations of the segments

As an introduction we would like to emphasise, those factors, which were not appropriate to segment the respondents. First of all the variable “Have you changed your supplier”, which is much more related to the past or “willingness to keep its current supplier” which is much more related to the future. Neither of them could serve as a meaningful base for segmentation, therefore rejecting our core hypothesis as of those companies whom change/ do not change their suppliers behave in different way.

The following table is the summary of the types of buyer's behaviour

	Relationship oriented (Cluster 1)	Routine buyer (Cluster 3)	Transaction oriented (Cluster 2)
Characteristics	Importance of the sales rep's role Pay attention to the environment	Importance of orders and transport Price/quality ratio Pay attention to the environment	Information focus Transaction orientation
Expectations from the supplier	Put emphasis on long term relationships Customer orientation Trustfulness Outstanding role of communication	Put emphasis on long term relationships Quality orientation	Dynamics Does not expect high level of service performance Does not expect high level of logistics Does not take into account the environment
Actual performance of the supplier	Terms of payments Logistical solutions Product quality Effective communication channels	Environment friendly Not favourable price conditions	Terms of payments Environment friendly

First of all we explored the segments based on the buyers' expectations, but the next question is whether the segments indicate real behavioural patterns of the buyer. After confirming the segments with discriminant analysis, we found a very high value of goodness of classification, that is 96.4%, which means that 96 % of the cases (out of 100) were classified correctly compared to the probability distribution. This serves as an appropriate basis for segmentation and forecasting.

These three different type of behaviours are based on the real differences of the commodity buyers' expectations. By consequence the offerings must be quite different too. Each type of buyer is probably demanding an appropriate business relationship from his supplier. It means that in the chemical raw materials industry in Hungary there are a wide range of business relationships between the buyers and suppliers. The spectrum of these business relationships could be characterised by the buyers' value orientation and the matching activities of the suppliers. Based on our findings we can make a rough calibration of these behaviours and related relationships. Cluster 3 likes to be on the "middle" of this industry's bandwidth and the two end-points are Cluster 1 and Cluster 2.

Market sensing does not mean only to know the customer's actual behaviour but his future expectations too. In our research we have found some elements of this future. The next table shows the most important characteristics of the comparison of the today's and the future situation.

Comparison of the actual performance of the supplier with the expectations of the buyer (based on the buyers` perception)

Product related features	Actual	4.41	Actual Index 4.21
	Expectations	4.36	
Terms of payment	Actual	4.1	
	Expectations	4.43	
Service	Actual	4.19	
	Expectations	4.22	
Logistics	Actual	4.31	Expectation Index 4.29
	Expectations	4.56	
Communications	Actual	3.99	
	Expectations	4.02	
Environment	Actual	4.26	
	Expectations	4.14	

The general tendency is a slight raising of the buyer's expectation. In the future buyers will have more expectation about the products and commercial terms. Some environmental performances seem to be overperformed by the suppliers.

Short summary

Our empirical findings show that Hungarian chemical buyers' behaviour are quite heterogeneous, as Anderson and Narus (1999) criticise the tunnel vision of commodity markets, and the differences in the value orientation of these buyers could be the basis of an eventual segmentation of this market.

The Hungarian chemical buyers value orientation is varying among the likely transaction orientation, relationship orientation and a certain industry routine. To know them we need a real market sensing. As they have quite different expectations and behaviours we must make a choice to love some or more of them.

Appendix I

Rotated component matrix of the factor analysis

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
Processing of orders	0,714				
Processing of orders	0,714				
Terms of payment	0,688				
Claim handling	0,664				
Claim handling	0,664				
Speed at giving a quotation	0,627				
Speed at giving a quotation	0,627				
Reliability in transport	0,588				
Reliability in transport	0,588				
Flexible transport deadlines	0.506				
Flexible transport deadlines	0.506				
Price/performance ratio		0.82			
Price/performance ratio		0.82			
Competitive prices		0.785			
Competitive prices		0.785			
Delivery deadlines		0.665			
Delivery deadlines		0.665			
Standard quality		0.653			
Standard quality		0.653			
Quality of products		0.651			
Quality of products		0.651			
Decision competence of the agent			0.792		
Decision competence of the agent			0.792		
Agents` support			0.735		
Agents` support			0.735		
Frequency of visits			0.658		
Frequency of visits			0.658		
Innovative technical solutions			0.626		
Innovative technical solutions			0.626		
Technical information materials				0.786	
Technical information materials				0.786	
Product information				0.742	
Product information				0.742	
Education of buyers				0.6	
Education of buyers				0.6	
Ads of producers				0.562	
Ads of producers				0.562	
Technical consultancy				0.497	
Technical consultancy				0.497	
Active support in env. protection					0.902
Active support in env. protection					0.902
Competence on env. protection					0.827

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