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An Exploratory Study on Influence of Internet in B2B Marketplace for IT Organisations in India

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ABSTRACT

The Indian B2B marketplace in Information Technology sector is going through a transformation. Both existing and new players are experimenting with new purchasing solutions through the Internet as they lack a seamless flow of information among customers, suppliers, and their employees. The way business organisations purchase products is one of the most important concern for marketing managers of today. In fact, people involved in the purchase process form buying centre in purchase process; some say it as a complex and dynamic process that requires plenty of information and in reality, the Internet is a vast source of information which can influence purchase to a great extent. Recent developments in the Internet have forced business organisations to adapt their purchase process. In addition, the Internet also offers a blend of opportunities to companies due to its speed, variety, control, communication access, and strong distribution. Therefore, this research paper investigates the influence of the Internet on the B2B marketplace for IT organisations in India.

Keywords: B2B, industrial marketing, B2B purchase, B2B procurement, e-procurement, IT sector, Indian B2B, e-sourcing, online purchasing

INTRODUCTION

The increasing globalization and use of the Internet, accompanied with multiple resources, pose challenges to the modern management theories and success of entities in the market, accompanied with the multitudes of emerging technologies which compete for integration within the current market (Arns, Fischer, Kemper and Tepper, 2002). These are coupled by the increasing competition within the market on several criteria such as the five major operational performance objectives and several others. Not only this, the introduction of technology into organizations has posed a big challenge as managers strive to sustain a flatter hierarchy, in addition to the retention of the current employees and maintaining a low cost budget simultaneously (Kotler and Armstrong, 2006).

Individuals may see consumer market as much bigger than the business (B2B) market place. In reality, however, B2B is much bigger than the B2C markets. All commercial markets, trade industries, government organisations, or institutions are involved either directly or indirectly in the B2B transactions. Some firms such as Satyam, TATA, IBM, Wipro, Logitech, Epson, HP, Canon, LG, etc. focus entirely on business markets, while some sell both to consumers and business markets. The B2B markets deal with organisational purchases of good and services to support or facilitate production of other goods and services, either to facilitate daily company operations or for resale.

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Moreover, Gupta, Jha and Gupta (2009), and Gupta (2008) stated that in today's fast changing world, everyone is flooded with data but the need of an hour is to convert these data to information which in fact will get transformed to knowledge and finally to wisdom for the organizations and all their stakeholders.

According to Reeder *et al*. (1991), all marketing strategies must begin with a thorough understanding of Organisation Buying Behaviour as this entails a different knowledge about buying situation, process, and criteria to apply when making purchasing decisions. Similarly, a good understanding of Organisational Buying Behaviour is fundamental for the supplier of an industrial firm in order to perceive how to satisfy customer demand in an optimal way (Batista and Forsberg, 1997).

Furthermore, Haas (1995) stated that organisational buying is not simply the action that someone takes. It is actually the outcomes of the interactions between purchasing professionals. Meanwhile, those who are involved in the process may in one way or another influence what is being purchased and supplied. The evolution of technology has changed the traditional way of business purchases. In today's world, new tools have opened a new era and new opportunities in every part of market. The arrival of the Internet as a multifaceted tool continues to change the performance of the organisations (Smith, Berry and Pulford, 1998).

Rational Nature of Business Market

Akin to consumer markets, organisations purchase to fill the needs. However, their primary need, i.e. meeting the demands of their own customers, is similar for all organisations. For instance, a manufacturer buys raw material, machinery, etc. to create company's products, whereas a wholesaler or reseller buys products to resell. The categories of business, markets can simply be defined as *Commercial market, Trade industries, Government organisations and Institutions.*

Furthermore, the Internet era has become a useful tool for businesses in today's era. The Internet provides products and their information to potential buyers and gives marketers the opportunities to make virtual catalogues, forms, product information, etc. available to everyone. Samli, Wills and Herbig (1997) stated that the WWW is expected to offer a much broader range of benefits to both suppliers and customers in the future, particularly due to the improved international communication generated by the Internet.

Unlike the traditional media, the Internet is characterised by interaction and it facilitates two-way communications as well. This means that people can, without any face-to-face contacts, still meet each other and manage their regular work such as communication, businesses and even negotiations.

According to Haas (1995), the way organisations purchase products is one of the most important questions to business marketing managers of today. The buying of goods and services by organisations is complex and difficult task to analyse. Over the years, many models have been developed in the attempt to explain organisational buying behaviour. Without the understanding of this, the marketing strategies and tactical programmes cannot be optimally developed. Haas (1995) further describes that it is the business marketing managers are the ones who are involved in this complex process with the following tasks:

- Describe the process by which customer organisations buy goods and services.
- Discover who in the customer organisations participate in this process and at what stage of the process each becomes involved.
- Find out what each of those people is seeking from the purchase, i.e. what are their buying motives?
- Discover what factors influence the interaction of the participants in the process.

Moreover, one cannot simply focus his/her effort towards purchasing departments of businesses, as he or she has to take care of the external factors along with whole decision makers' web. According to the Department of Information Technology, Electronics and Information Technology is the fastest growing segment of Indian industry, both in terms of production and exports. Today, the electronics industry is completely delicensed with the exception of aerospace and defence electronics, and along with the liberalization in foreign investments and export-import policies of the entire economy. This sector is attracting considerable interest, not only as a vast market but also as a potential production base by international companies. In recent times, 'software development and IT enabled services' have emerged as a niche opportunity for India in the global context. According to the Department of Information Technology (Annual Report, 2007-08), the Indian Information Technology sector showed a remarkable resilience in 2007. Continuing on its established track record, the overall Indian IT-BPO revenue aggregate was expected to grow by over 33 % and reach US$ 64 billion by the end of the current fiscal year 2007-08 as compared to US$ 48.1 billion in the fiscal years of 2006-07. The performance of the industry was marked by sustained double-digit revenue growth, steady expansion into newer service-lines and increased geographic penetration, and an unprecedented rise in investments by Multinational Corporations (MNCs), in spite of lingering concerns over gaps in talent and infrastructure impacting India's cost competitiveness.

Software and services

Global trade in services has entered a new era, with the growing and widespread acceptance of the IT-based global delivery model. International bandwidth and powerful workflow management IT software and services sector today is more easily penetrating into the fabrics of the society than ever before. It is now possible to disaggregate any business process, execute the sub-processes in multiple centres around the world and reassemble it, in near real time, at another location. India has already registered its mark on the globe in Information Technology – Business Process Outsourcing sector.

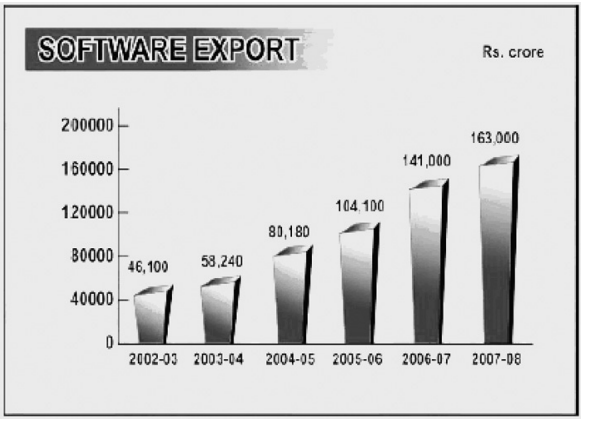


Fig. 1: Software exports from India
Source: Department of Information Technology, 2008

Fig. 1 presents Indian software and services exports including Information Technology Enabled Services, whereby its Business Process Outsourcing was estimated at US$ 40.3 billion

(Rs. 163,000 crore) in 2007-08 as compared to merely US$ 31.4 billion (Rs. 141,000 crore) in the fiscal year 2006-07, i.e. an increase of around 28.3% in dollars and 15.6% in rupees. Though the growth rate is numerically lower than that in the past few years, it is worth highlighting that this comes on the back of strong headwinds including an impending slowdown and a severe financial sector crisis in the US and a sharp appreciation in the value of the Indian Rupee (INR). Furthermore, an absolute value of incremental growth (US$ 8.9 billion) in exports is expected to be achieved by the industry this year is the highest ever achieved in a single year, in its history. This segment will also continue to show robust growth in the future.

While USA and UK remained the largest export markets (accounting for about 61 % and 18 %, respectively in FY 2006-07), the industry is steadily increasing its exposure to other geographies. In particular, exports to Continental Europe have witnessed notable gains, growing at a compounded annual growth rate of more than 55% over FY 2004-2007. Over 600 multinational companies are known to be sourcing product development and engineering services from their centres in India. The growing nature of responsibilities and ownership assumed by these India–based resources are helping India evolve into a strategic hub for R and D. Nevertheless, the Indian Information Technology–Business Process Outsourcing sector is not just about exports.

The overall Indian IT success story has also highlighted India's attractiveness as an investment destination. Another key impact of the global sourcing model popularized by the growth of Information Technology/Information Technology Enabled Services has been the reversal of the brain drain – as the people of Indian origin, as well as young expatriates, now feel motivated to work in India itself.

RESEARCH METHODOLOGY

The research methodology is exploratory in nature, since the research done here describes the influence of the Internet in the B2B Marketplace for IT Organisations in India. The data were obtained through an extensive study of secondary literature obtained from conference proceedings, libraries, the Internet, newspaper, journals, and magazines. Sampling method used is a judgmental sampling which in itself is a type of non-probability sampling. Moreover, the samples included reviews of around 530 available relevant literatures, out of which 77 have been included in the research paper. The scope of this exploratory research paper includes an in-depth study of the Indian IT Industry, B2B (Organisational) Buying Behaviour, and e-Procurement.

LITERATURE REVIEW

Introduction to Organisation Buying Behaviour

With the world growing smaller as a single market and the continuous competition within supply chains on the basis of time and quality, a certain strategy should be acquired in such a way that it helps the organization acquire a sustainable competitive edge (Hartman, 2007). According to Gupta (2008), the way businesses purchase products is one of the most important concern for business marketing managers of today. The buying of goods and services by organisations should not be considered as a simple action that is easy to analyse (Haas, 1995; Hutt and Speh, 1995; Webster and Wind, 1972). Organisational buyer tends to be influenced by a huge array of myriad forces coming from both inside and outside the organisations and their thorough analysis may help to build responsible marketing strategies. Over the years, great effort has been devoted for researchers to develop models as an attempt to explain the so-called Organisational Buying Behaviour (Banting, Beracs and Gross, 1991).

In 1967, Robinson, Faris and Wind published "Organisational Buying and Creative Marketing" which featured a model for the Organisational Buying Process and the Buy grid framework. Moriarty (1980) referred to it as one of the most useful analytical tools for both academics and practitioners interested in Organisational Buying Behaviour, while others simply referred to it as classic (Haas, 1992).

MODELS OF BUYING PROCESS

According to Haas (1995), the conceptual model of the Organisational Buying Process is described as an eight-stage model starting with *"using department requires a product or service"* and ending with *"follow-up is conducted with using department to determine if ordered product and services meet departmental expectation"* (ibid). However, this eight-stage model is widely known as Buygrid Framework. This particular framework compares the three buyclasses/ buying situations, with eight progressive stages in buying, or buyphases. The buyphases are an expression of the progression of thoughts and activities that a buyer goes through in the sequence of activities leading to a purchase (Robinson, Faris and Wind, 1967).

Meanwhile, the phases of the buying process are strongly interrelated. In practice, it may be difficult to identify when one phase ends and the next one begin. The three classes of buying are new-task, modified rebuy, and straight rebuy. Kotler (1984) provides a description of each buyclass and the operational implication of each classification, which ranges from the routine purchasing situation to the exceptional purchase.

According to Hutt and Speh (1995), an important factor in the industrial exchange process is to understand how the buying process is conducted. To achieve an optimal result in the interaction between companies, the selling company must understand the process being carried out by the organisational buyer. Hutt and Speh (1995) stress that Organisational Buying Behaviour can be best understood from the perspective of the decision process. In other words, organisational buying is seen as a process rather than an isolate act or event.

Morris (1992) defines the insight of looking at industrial buying process as "simple and yet, far-reaching." He further continues by describing this process as a logical sequence of purchasing-related decisions which have to be made in each stage. These stages take place over time, and more frequently over months or years (see Table ahead).

Organisational buying activities focus on the level of experience and information which are required for certain purchase of products or services. Making a routine purchase, the buyers need little information because of their past experience. When a purchasing situation is entirely new, information required may be extensive, and this is due to the firm's lack of experience with the products, services, or suppliers (Reeder, Brierty and Reeder, 1991).

During a buying process, a sequence of activities occurs. Tracing these activities has made it easy to uncover the critical decision phases and evolving information requirements of any buying situations. The buying process is usually described as a series of mental stages which include problem recognition, information search, information evaluating, purchasing decision-making, and post-purchase behaviour (Kotler, 1991). Reeder, Brierty and Reeder (1991) indicate that these are physically observable stages which turn to mental stages in the industrial purchasing decision process because of the involvement of several people in each phase. *Fig. 2* illustrates these stages which are further separated into eight significant phases, as follows:

1. *Anticipation or recognition of a problem need:* This stage begins with recognition of a problem/need or any potential opportunity which may originate when any equipment breaks down, existing materials are unsatisfactory, or products become outdated. However, it may also occur outside the buying organisation when the marketer recognises opportunities for

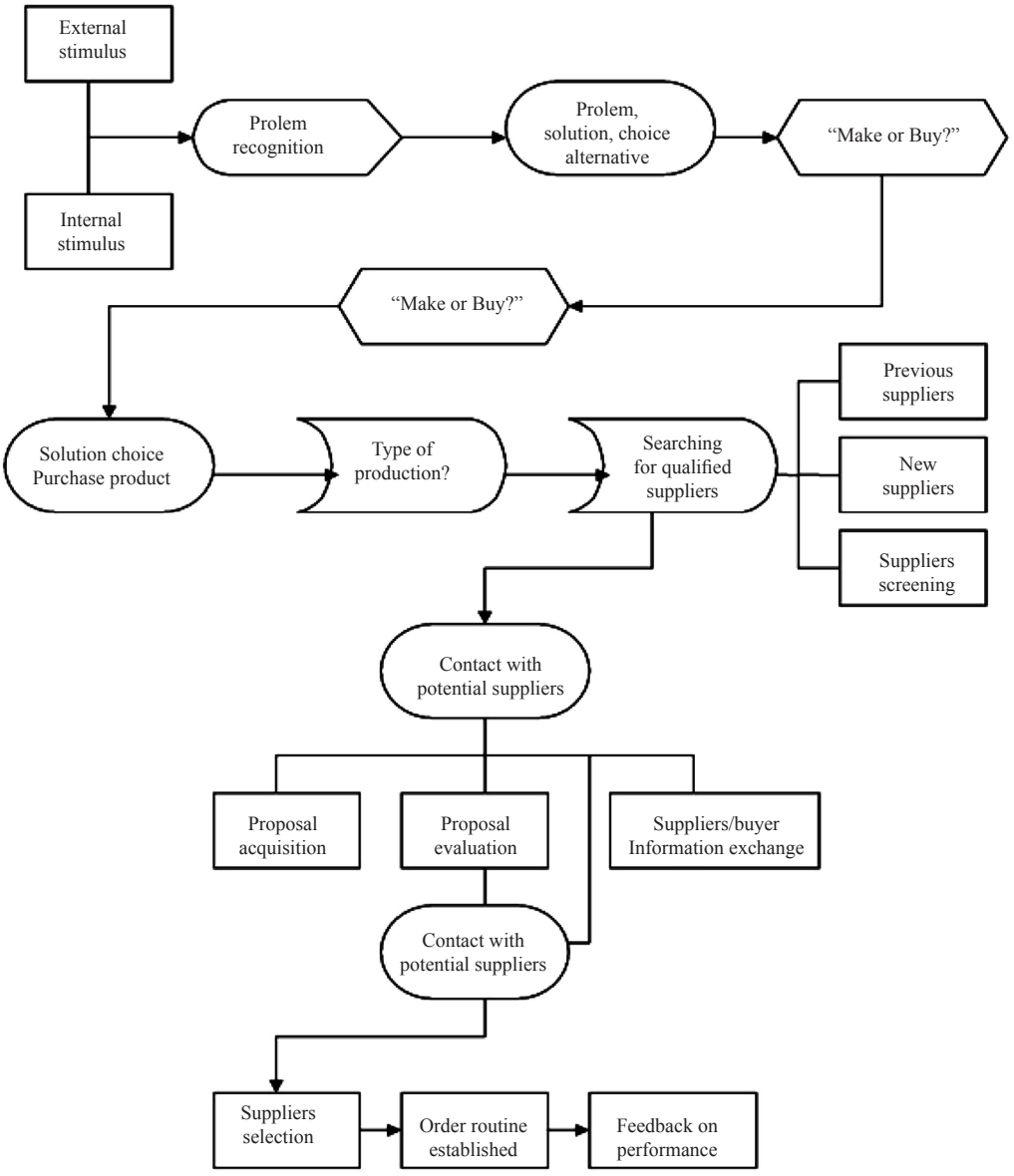


Fig. 2: The Purchasing Decision process in a new task situation
Source: Industrial Marketing, Analysis, Planning, and Control; Reeder, Brierty and Reeder (1991) Englewood Cliffs. N.J.: Prentice Hall, cop

potential performance improvement. However, those who recognise the problem or need will have a distinct advantage in influencing the final decision in term of selecting supplier.

2. *Determination of the characteristics and quality of needed item:* It refers to how the problem recognized in phase one has to be solved. Here, the buying organisation members have to specify the problems and solution alternative displays. The firm will seek answers to questions such as: "What performance specifications need to be met?" "What types of goods and services should be considered?" and "What quantities will be needed?"

3. *Description of the characteristics and quantity of the needed item:* It is often a critical phase for any marketer. It is often during this phase that the influencers prepare to affect specifications enter the purchasing process.

It is important to note that others will also be involved in the process while the buying influencers begin to look outside the firm suppliers and product information for assistance in developing specifications. At this phase, the suppliers have an opportunity to develop a relationship with the *influencers* that will give them opportunity towards their competitive.

4. *Search for and qualification of potential sources:* It describes the search process for alternative sources of suppliers. This leads to the qualification of suppliers which varies according to the type of buying organisation, the specific buying situation, and the buying influencers involved. An important issue at this phase is that decision-makers have determined *which suppliers* to be considered as *potential vendors*.
5. *Acquisition and analysis of proposal:* It is the phase where the bureaucracy process takes place. It is at this time where a request for specific proposal will be made and it takes several months to get exchanging of proposals and counterproposals done. In such purchase situations, the need for information is extensive, and a great deal of time is given to analysing proposals and comparing the products, services, and costs. It is also of importance to mention that phases four and five may occur simultaneously in case of straight rebuy. However, in more complex situations, phases four and five are separated and distinct.
6. *Evaluation and selection of suppliers*: When various proposals of competing vendors are analysed, the buying process will be terminated after that, i.e. if the firm decides to produce the needs by its own. Otherwise, negotiations may continue with selected suppliers on terms, prices, deliveries, or other aspects until the suppliers become vendor or vendors.
7. *Selection of an order routine:* It refers to the establishment of the order routines where the purchase orders will be sent to the selected vendors and the status report to the using department. However, the purchase process is not complete until the ordered items are delivered and accepted for use. The user department does not view its problems solved until the specified products or services have been received and they are deemed available for use. Thus, this particular phase is critical for the suppliers.
8. *Performance feedback and evaluation*: This is the final phase of the buying process and it consists of formal and informal reviews, as well as feedback regarding the performance of the delivered item, and the vendor's performance. The user department will evaluate whether the purchased item has solved the initial problem and/or needs. If it does not, suppliers who were screened earlier might be given further consideration. Feedback given can cause various members of the decision-making units to re-examine their positions.

DESCRIPTION OF BUYING CENTRE

It has been widely acknowledged that organisational purchasing involves different participants (Wind and Thomas, 1980). This is one of the major features which make it a complex problem (Webster and Wind, 1972). "One approach towards understanding purchasing in business is to fetch the decision process as involving a number of roles, rather than simply a set of individuals or departments" (Morris, 1992).

The Buying Centre

Webster and Wind (1972) stated that the composition of this buying centre varies according to the buying situations and it is also dependent in great part on the nature of the buying task and

the structure of the organisation that makes purchase. Bonoma and Johnston (1981) claimed that within the buying process and industrial services, no two purchases in any given company are alike and no two companies in a similar buying situation follow the same pattern. However, the buying centre exists as a communication network which does not necessarily resemble the formal organisation. They further explained that five different dimensions which could be identified when the group of individuals which form the making-decision unit gets involved in a particular purchase. These *five* dimensions are as follows:

- Vertical involvement
- Lateral involvement
- Extensivity
- Connectedness
- Centrality of the purchasing manager

Fig. 3 presents a conceptual picture of an organisation's buying centre for a specific hypothetical purchase. According to Morris (1992), all these dimensions have important implications for marketers. He further states that the more vertical the levels involved, the more influence those at high levels have in the buying decision. Greater Lateral involvement shows less formality and involves more conflict. Extensivity is defined as 'a concern' as the complexity and duration increases with it becoming more difficult for the marketer to reach those persons involved in the decision process. Meanwhile, connectedness is also of importance as it depends on that the marketing message has to be communicated separately to some of the members of the Buying Centre. It is also suggested that connectedness may help to identify the 'central players' in the purchase. Finally, centrality is regarded as relevant in the process.

According to Webster and Wind (1972), members in the buying centre may assume different roles throughout the purchasing process. The identification of the roles they play in this decision unit will help to better understand the nature of interpersonal influences in the buying centre. In the same year, they settled the existence of five different roles performed by different participants in the buying centre. These are Users, Influencers, Buyers, Deciders, and Gatekeepers.

In their review of the state-of-the-art of the Organisational Buying Behaviour, Wind and Thomas (1980) stated that the general findings obtained up to the moment on the composition of the Buying Centre showed that it might vary by organisation and, even in a given organisation, by buying situation and other specific characteristics.

According to Mattson (1998), identification of these roles can be difficult when it comes to purchasing services. However, it is very important that all the individuals involved in the buying process be identified and that the kind of influence exerted by each one be understood.

According to Webster and Wind (1972), it is quite likely that several individuals will occupy the same role within the buying centre, and that one individual may occupy two or more roles. The authors further assert that all members in the buying centre could be seen as influencers, but not all these influencers would occupy other roles. The roles in the buying centre which have been identified by Webster and Wind (1972) are: Users, Influencers, Buyers, Deciders, and Gatekeepers. In order to visualise the influence of these defined roles in the buying process, the author have also present their definitions in the form of a table (see Table 1).

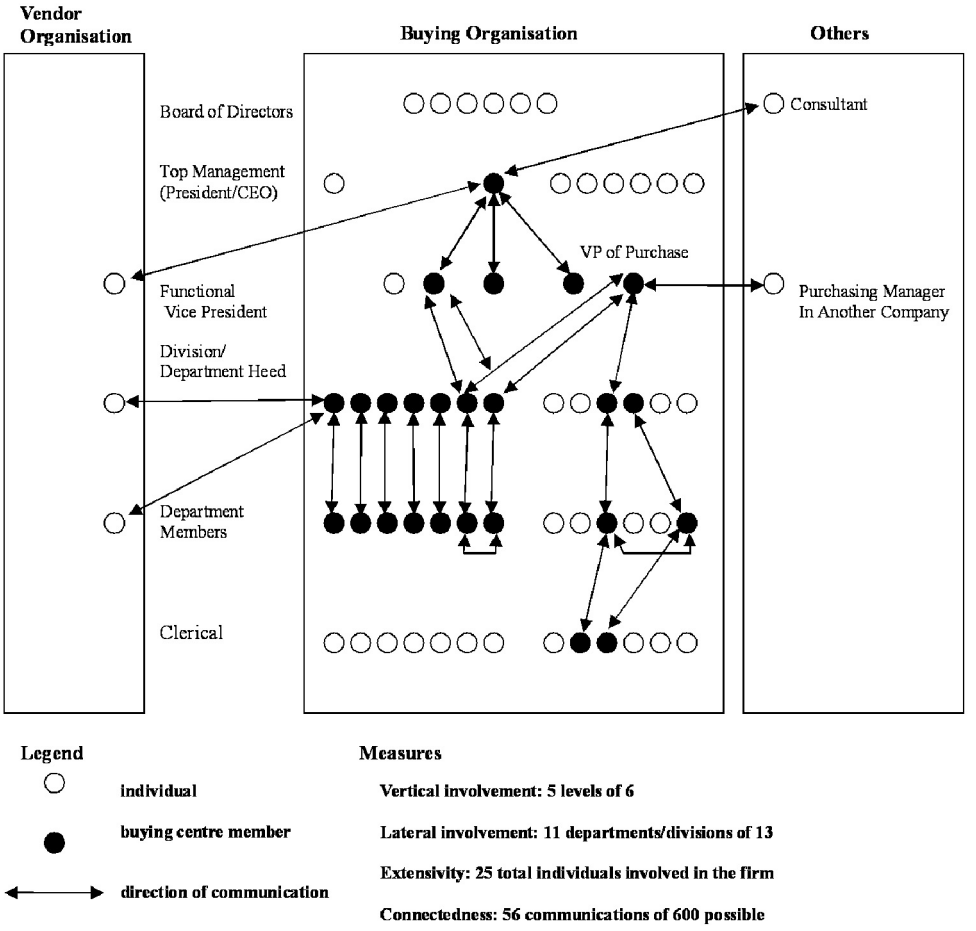


Fig. 3: A communication picture of a Buying Centre
Source: The Buying Centre Structure and Interaction Patterns; Bonoma and Johnston, 1981

TABLE 1
Roles and decision stages in the Buying Centre

	User	Influencer	Buyer	Decider	Gatekeeper
Identification of Need	χ	χ			
Establishing Specifications and Scheduling the Purchase	χ	χ	χ	χ	
Identifying Buying Alternatives	χ	χ	χ		χ
Evaluating Alternative Buying Actions	χ	χ	χ		
Selecting the Suppliers	χ	χ	χ	χ	

Source: Organisational Buying Behaviour; Webster and Wind (1972), Englewood Cliffs. N.J.: Prentice-Hall

FACTORS THAT INFLUENCE THE ORGANISATIONAL BUYING BEHAVIOUR

The organisation buying behaviour is influenced by a wide array of forces both inside and outside that particular organisation. Knowledge about these factors provides the marketers a good understanding of their buyers' behaviour, which is necessarily to plan and build up a strategic market plan (Hutt and Speh, 1995). Therefore, the main point of this section is to review some literatures devoted to study of the factors influencing the organisational buying process and the buying centre. Webster and Wind (1972) classified various influences on Organisational Buying Behaviour. Meanwhile, Hutt and Speh (1995) describe these influences as the forces which are further divided into several sub-influences. However, this paper focuses on only the influences which are directly linked to the buying decision.

There are six types of environmental forces which influence the Organisational Buying Behaviour, namely economical, political, legal, cultural, physical, and technological.

1. Economical influences: The general condition of the economy is reflected in economic growth, employment, price stability, income and the availability of resources, money and credit.
2. Political influences: The political factor refers to the government attitudes towards business and social service activities.
3. Legal influences: The legal part includes the forces at the state and the local levels specifying the boundaries of the buyer-seller relationship.
4. Cultural influences: The habits, norms, customs, and traditions passed on from generation to another influence the structure and functions of the organisation in various aspects.
5. Physical influences: The geographical location and climate of an organisation are the factors which are included in the physical influences.
6. Technological influences: The changes in the technology can restructure the buying plan of an industry and organisation. "The technological environment defines the availability of goods and services to the buying organisation and, in turn the quality of goods and services that the organisation can provide to its consumers" (Hutt and Speh, 1995). This influences the composition of the decision-making unit in the buying organisation. Increasing the technological changes declines the importance of the engineering personal which tends to increase in the organisation.

An understanding of the organisational hierarchy and the relationship between the purchasing department and other departments provides information on interaction, relation, and behaviour in the buying organisation. The four factors which create the organisational forces are:

1. Organisational climate: The organisational climate refers to the health or sickness of an organisation. Different organisational climates can be observed in two competitive organisations of comparable size.
2. Organisational positioning of purchasing: This factor refers to the type of organisational structure. Here, the main task is to position the purchasing department or just to identify where the purchasing decisions are made. The appearance of the purchasing department provides the necessary information to identify if the purchasing is centralised or decentralised.
3. Centralisation versus decentralisation: These two types of organisational structures differ practically. Centralisation leads to specialisation, whereas knowledge about the suppliers increases and personnel involved in the buying process develop their skills. Centralisation

refers to long-term relationship while decentralisation is made for the short-term relationship with the supplier.

4. Contributing factors of Centralisation of Procurement*:* There are several factors which strongly point out the reasons for a centralised purchasing unit. These factors include commonality of requirements, cost-saving potential, structure of supply industry, and involvement of engineering in purchasing. All the contributing factors provide the buyer with a more efficient way of purchasing. However, the nature of the supplier can also determine whether purchasing is centralised.

   Even though the Purchasing Manager is making buying decision independently, there are people who may influence him or her during the buying process. People involved in this complex process will have their opinions which will affect the process on the whole. These people form the Buying Centre, i.e. those or all organisational members who are involved in the purchasing decision. Influences which have been recognised in the Group Forces area are among the influences on the buying centre.

   Since individuals in an organisation are the ones making decisions and not the organisation, and that each member of the buying centre has a unique personality, it is therefore important to review and understand the influences which they have on individuals. These influences are bounded to situations and elements which emerge during the buying process. These situations and elements are differing evaluation criteria, understanding the reward and measurement system, responsive marketing strategy, information processing, selective processes, memory, external memory, risk-reduction strategies, anticipating perceived-risk level, and individual versus group decision making.

Product-specific factors*:*

1. Perceived risk. The higher the level of perceived risk, the greater the likelihood that the decision made will be.
2. Type of purchase. New-task buying situations are more likely to involve group decision making (for example, a first-time purchase of a computer)
3. Time pressure. With minimal time constraints, group decision-making becomes more feasible.

Company-specific factors:

1. Size. Large companies tend to use group decision making.
2. Degree of centralisation. The more decentralised an organisation, the more likely decisions made by a group will be.

In every decision taken, there are always factors which have effects and influences on the process. Thus, understanding the influences on the buying decision is of importance for the Marketing manager because having a sound understanding about how and why the buyer selects a specific product will make it easier for the marketer to introduce and sell the product (Kauffman, 1996). Webster and Wind (1972) described and discussed four influencing factors for the purchasing situations. The four factors are divided into two sub-groups, namely task-related and non-task related (see Table 2).

TABLE 2
Influence factors in buying decision

	Task related	Non-task related
Individual	To make cheap buy	Personal valuation and needs
Social		Informal discussions
Organisational	Policy regarding the suppliers	Evaluation methods about the own purchasing personal
Environmental	Expected price change	Political climate

Source: General model for understanding Organisation Buying Behaviour; Webster and Wind, 1972

Individual influences: The individuals are the targets for the marketer within the purchasing organisation. These are the ones who actually make the buying decision. The psychological facts direct the process depending on their positions and the buying situation. The buying motive is a combination of the individual and the purchasing organisation's goals. Understanding who are involved in the buying process and their roles inside the organisation is a vital thing to take into consideration, into the market strategy in business marketing.

Social influences: Understanding the interaction between those who are involved in the buying process is also crucial in order to get a clearer picture of the buying behaviour. First, the roles have to be identified, and secondly, the variables influencing the interaction among the individuals inside the purchasing organisation as well as the interaction between the individuals as a group and the external individuals.

Organisational influences: The organisation factors of importance in purchasing decisions include Goals and Objectives, Structure, Policies and Procedures, and lastly Resources. Goals and Objectives will determine to a long extent, the attributes stressed in the buying decision process, and in a more indirect way, may also influence the composition of the Buying Centre (BC). The Structural factor often refers to the level of centralisation or decentralisation and it may also be related to the Policies and Procedures implemented for making purchase decisions. Finally, constraint Resources (such as company size, net assets, technical and managerial capabilities, amongst others) may also have impacts on the buying decisions.

Environmental influences: Environmental factors include everything outside the organisation. This is further divided into six different groups of interaction, namely Physical, Technological, Economic, Political, Legal, and Cultural, which are generated by many types of organisations (labour unions, government, suppliers, customers, trade associations, professional groups, other business and social institutions). According to the model, the flow of information into the Purchasing Firm, the availability of goods and services, general business conditions, and values and norms are the results of these variables.

Susan Lynn (1987) presented a result of a study which had analysed the structure of a buying centre for purchasing of professional services. This study was based on a mail questionnaire to survey Chief Executive Officers (CEO), Chief Financial Officers (CFO), and Controllers in 556 businesses firms regarding the structure of the buying centre for professional services in their

firms. The study revealed that decisions were more often jointly made in large companies and independently made in smaller companies. When influence was measured either as the average number of decision steps at which different participants were involved or as the average influence of different participants across all decision steps, the results yielded the followings in order:

Most Influential Buying Centre Members

CEO, CFO and Chairman of the Board of Directors.

Less Influential Buying Centre Members

Other Board Members, individuals involved in the financial functions of their organisations (Treasurer, Internal Auditors, and Controllers) and outsiders (e.g. corporate attorney, banker, and underwriter). The findings also indicated that the influence of different buying centre members varies in business firms with different characteristics. In smaller firms, the CEO and the Corporate Underwriter are more influential, whereas in the larger firms, the Audit Committee and the CFO are more influential with different types of power, as illustrated in Table 3 below.

TABLE 3
The bases of power

Type of manpower	Champion	or	Veto
Reward: Ability to provide monetary, social, political or psychological rewards to others for compliance	●		
Coercive: Ability to provide monetary or other punishments for non compliance	●		
Attraction: Ability to elicit compliance from others because they like you	●		●
Expert: Ability to elicit compliance because of technical expertise, either actual or reputed			●
Status: Compliance-gaining ability derived from a legitimate position of power in a company			●

Source: Major Sales: Who really does the buying; Bonoma (1982). *Harvard Business Review*

PROCUREMENT

The review of literature further identifies many advantages and opportunities from the field of procurement or e-procurement. In the commercial arena, an organisation will procure goods on electronic way only if it sees enough benefits which can be gained from the e-procurement. Moreover, an organisation must take very careful steps to prepare business processes for successful implementation of its e-procurement (Podlogar, 2006).

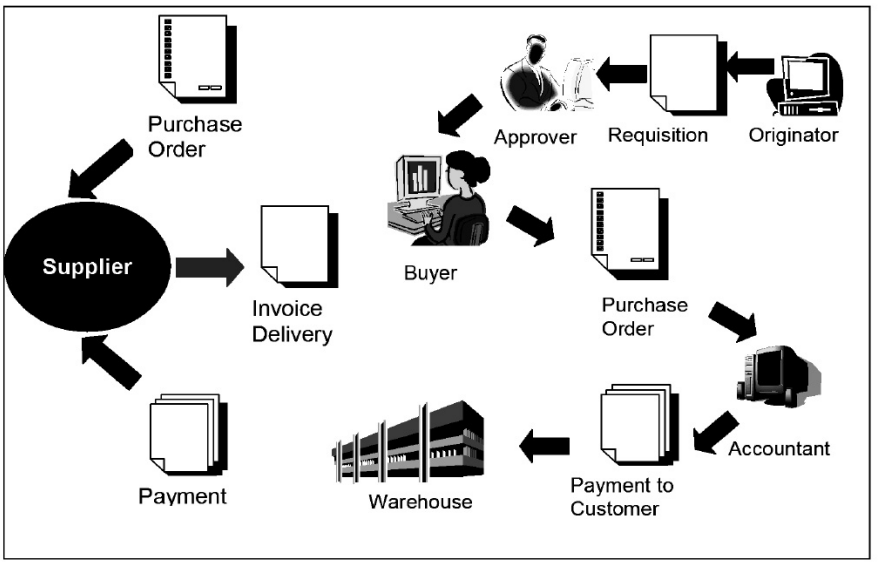


Fig. 4: Key procurement activities within an organisation
Source: Adapted from Chaffey, 2004

The purchasing function should obtain the proper equipment, material, supplies and services of the right quality, in the right quality, at the right price, and from the right sources. In this description, the purchasing function is regarded primarily as an operational activity (Weele, 2002). Meanwhile, procurement refers to all the activities involved with obtaining items from a supplier, and this includes purchasing, and also inbound logistics such as transportation, goods return, and warehousing before the item is used. The key procurement activities and associated information flows within an organisation are shown in *Fig. 4*.

Procurement Process and Activities

The primary job process of procurement is indicated by NECCC (2002) as follows:

- Search for products and services needed by the organisation
- Handle myriad details relating to their requisition
- Approval
- Payment
- Taking responsibility for the delivery of the host of items about which they may or may not know very much

The procurement process is labour-intensive, dominated by paper, and is often centralized and subject to countless costly inefficiency due to re-keying, changing prices, product sets and personnel. According to Dobler and Burt (1996), the purchasing function consists of some essential activities associated with the acquisition of the materials, services, and equipment used in the operation of an organisation. The procurement process encompasses a wider range of supply activities than those included in the purchasing function. In addition, it typically includes a broadened view of the traditional buying role, with more buyer participation in related materials activities (salvage of surplus and scrap) (Ibid). Specific activities usually included in the process are:

- Participation in the development of material and service requirements and their specifications
- Conduct of materials studied and management of value analysis activities
- Conduct of more extensive material market studies
- Conduct of all purchasing function activities
- Management of supplier quality
- Purchase of inbound transportation and management of investment recovery activities

E-PROCUREMENT

Traditionally, procurement involved a number of communication mediums to facilitate the procurement process between the various parties. These included the use of mail, phone, and fax, EDT and more recently, email and the Internet. Meanwhile, e-procurement means that electronic communications are used to support all the transactions which facilitate the procurement process (NECCC, 2002).

Benefits of e-Procurement

An e-procurement solution provides access to, and easy purchasing from, catalogues of many different suppliers while eliminating paperwork, automating the approval process and enforcing the purchase polices which apply to each buyers' suppliers (ITRG, 2002). Cost saving is a typical main motivator for companies to implement e-procurement. As cost per transaction using e-procurement is reduced by 65%, as compared to the "traditional" procurement transaction.

According to ITRG (2002), many companies have found immense benefits from their e-procurement projects, including the following:

- Process efficiencies amounting to annual savings
- Ability to link into existing systems, such as ERP
- Reductions in lead times within the procure-to-pay cycle, in some cases by 50%
- Self-invoicing on behalf of clients can add to the bottom line
- Month-end reconciliation can end the problem of wrong items being ordered or wrong prices being offered as business processes have been streamlined and all are working off the same catalogue.

The buyer is engaged in more strategic product management, leading to:

- Better contracts being negotiated
- Maverick spending is reduced
- Reduction at stock levels can lead to savings of millions of dollars

Companies which have experienced these benefits have reduced cycle times and thus are able to manage relationships with their global suppliers much better. E-procurement technology has also enabled a company to reduce the number of interfaces it maintains with the supplier. The business case for e-procurement is compelling. With the number of cost-effective e-procurement

solutions available today, purchasing organisations cannot afford to miss the opportunity to increase profits for their organisations. To make the proposition even more attractive, service providers offer hosted e-procurement solutions which can be inexpensively deployed with little time or effort, while eliminating the burden of on-going maintenance or support. E-procurement benefits stem from automating procurement activities and streamlining purchasing workflow, both internally and with their vendors (ITRG, 2002).

According to Davila *et al*. (2003) and Presutti (2002), the benefits of e-procurement include:

- Cost saving
- Process efficiency
- Better information flow between buyers and supplier
- Reduced Maverick spending
- Streamlined process and better inventory level

Cost saving is the primary rationale for investment across all technology platforms, through the manner in which these delivered savings vary. Adoption of e-procurement technologies reported saving of 42% in purchasing transaction costs (Davila *et al*., 2002).

More importantly, companies using e-procurement reported saving of 42% in purchasing transaction costs associated with less paperwork which could be translated into fewer mistakes and a more efficient purchasing process. In terms of labour intensive, paper-based purchasing process, transaction costs could range from $70 to $300 per purchase order, for example, GE (General Electronic) saw those costs dropped to 30%. Other firms have experienced even greater reductions (Presutti, 2002). Different authors have elaborated on the benefits which are accrued from adopting e-procurement technologies. These benefits are expected to accelerate the rate of adoption of these technologies once the uncertainties which remain around e-procurement are reduced to levels that encourage significant resources commitments leading towards higher process efficiency (Davila *et al*., 2002).

The more complicated the old paper-based procurement processes, the more authorization stages and exceptions, and therefore the higher the savings will be. To take advantage of these potentials, the procurement process needs to be redesigned. In successful practices, this revamp focuses on:

- Reduction or elimination of authorization stages
- Regulation of exceptions to a limited degree at the beginning
- Elimination of paper
- Integration of suppliers in the entire process chain and consideration of the complete process, from searching for articles through to invoicing (Ibid)

Given the intense publicity surrounding the impact of e-procurement, Croom (2001) states four main benefits of e-procurement, as follows:

- Financial performance, but not as much as widely ‘hyped’ benefits promoted in the press,
- Improved information flow,
- Improved internal and external communications, and
- Improvements in planning and control

Then, the researcher continued to state that a major concern is the apparent lack of clear strategic awareness of the implications and benefits of e-procurement (Croom, 2001).

E-PROCUREMENT IMPLEMENTATION SUCCESS FACTORS

In today's economic climate, cost containment and organisational efficiency are critical to a company's success. E-procurement, i.e. the automation of a firm's procurement process, is becoming increasingly recognized for its ability to improve business operations and reduce expenses. Like any other technology-based systems, however, it may have little effects if not carefully implemented and managed.

Based on his observations, Chiravolo (2004) listed the following key success factors:

1. Obtain top management support to encourage acceptance throughout the organisation, and establish baseline metrics.
2. Undertake a "strategic sourcing" effort prior to system implementation.
3. Do not simply mirror your manual purchasing process.
4. Begin your roll-out with areas of spending that offer the largest and fastest return-on-investment.
5. Never stop measuring results and refining processes.
6. Communicate, communicate, and communicate.

Once limited to the acquisition of goods, e-procurement has been proven to be effective with regard to services, including those related to human capital. Its powerful management capabilities enable companies to strike a purposeful, proactive, and cost-effective balance of fixed (core) and variable (contingent) workers. A well-planned and executed workforce management strategy — one that combines technology and continuous collaboration with talent providers — can directly impact bottom line results and contribute to the achievement of business objectives.

The benchmarking study conducted by Puschmann and Alt (2005) showed that companies which successfully implemented e-procurement rely on proven concepts regarding introduction, organisational change, content and catalogue management, procurement processes and system architecture, in order to achieve operational efficiency. These successful practices demonstrate that e-procurement is merely a non-technical issue. The effort undertaken to implement e-procurement as a strategy is mostly spent on organisational aspects and the redesign of procurement processes rather than on technical questions. All successful practices implemented a globally oriented commodity coordination board to agree upon the products purchased via the e-procurement solution. The strong decentralization of the procurement function in large companies is a barrier to achieving synergies from pooling volumes at a corporate level. In particular, e-procurement has enabled companies to gain greater transparency over their procurement portfolio with the availability of more detailed data (Ibid).

An e-procurement solution plays a fundamental role in the transition of procurement to e-procurement by streamlining the buying process and providing the information needed to make more intelligent purchasing decisions. According to the Cisco Systems (2002), an effectively implemented e-procurement solution can:

- Reduce paperwork and redundant effort, improve productivity, and lower the cost involved in purchasing process
- Enable companies to locate suppliers with the best prices and quality and help streamline negotiations and contracting
- Take full advantage of an enterprise's buying power by enabling it to qualify for volume discounts and ensure that purchases are made through preferred suppliers
- Streamline and automate purchasing through critical suppliers to enable more timely and accurate order fulfilment

Table 4 illustrates the impact e-procurement has on enterprise compliance and spend management initiatives. Performance improvements recorded map very closely to Aberdeen Group's (2004) previous benchmarks, indicating that e-procurement is consistently delivering on its initial value proposition.

TABLE 4
E-procurement impact (Average Performance)

Performance area	Before e-procurement	After e-procurement
% of spending that is off-contact ("maverick)	38%	14.2%
Price savings on maverick purchase brought	-	7.3%
Requisition —to-order cycle	20.4 days	3.8 days
Requisition —to-order cost	$56	$23
% of spend used under management of the	56%	69%

Source: Adapted from Aberdeen Group, December 2004

The Importance of e-Procurement Systems in the B2B Market

According to Gupta and Gupta (2009), business-to-business markets involve more rational nature of buyers rather than impulse buying in case of business to customers. Thus, organizations should also focus on these aspects by following proper procurement tactics, synergies and strategies, as framed by organizational top management keeping in mind the strategic position of the organization.

Recent improvements in the Internet technology connectivity provide an opportunity to make procurement for goods and services more transparent and efficient. When used for public procurement, information technology can be utilized as a mean to achieve the main principles of perfect competition, namely, access to information, no barriers to entry (transparency), and a large number of participants in market exchange (Crayannis and Popescu, 2005). On the other hand, globalization is an irreversible process, and it relates to the increased freedom and capacity of individuals and firms to conduct economic activities with residents of other countries. The driving forces of globalization are related to the reduction in barriers for conducting business with foreigners, and fast reduction and convergence of transaction costs via advances in "transport of information" (Braga, 2002). Braga (2002) further emphasizes that the new wave of globalization, driven by technological advance in transport and communications technologies, has led to a better investment climate in developing countries since 1980.

The use of information and communication technologies (ICT) in developing countries may not be fully benefiting them due to the poor access to information to complement economic policies, in order to boost efficiency and enhance market integration (Treaty establishing the European Community, 1957; Gibson and Ward, 2000; Everard, 2000; Dutton, 1999; Commission Directive, 2001; Cafiero, 1996; Bimber, 1999; Barber, 1998; European Commission, 2000; Arunachalam, 1999; Albarran and Goff, 2000).

Taking advantage of the emerging information technologies requires policies similar to those needed for opening the market and free trade. For example, creating a modern public procurement is a part of the process of an efficient, and a competitive market economy which is necessary for these countries' full integration into the global community. In this respect, information and communication technologies can help to achieve a competitive environment (open bidding), provide opportunities for the private sector (free access to public information), government transparency,

and eliminate a country elite's hold on the key sectors of the national economy (Crayannis and Popescu, 2005).

Procurement is an integral part of B2B processes and an essential part of any organisation's ability to function effectively. Nevertheless, it has only recently emerged as an important topic within the fast growing B2B e-commerce market. An e-procurement B2B system is an open system which enables the organisation to reach and transact with suppliers and customers in the virtual markets (Bakos, 1992). With the introduction of cheaper web-based B2B e-commerce technologies, online procurement has become commercially feasible today (Data monitor, 2000). In particular, the online procurement market is of great significance since it offers opportunities to a different range of companies from those which have implemented electronic data transfer (EDT). Moreover, e-procurement is a user-friendly, and Internet-based purchasing system which offers electronic purchase order processing and enhances administrative functions to buyers and suppliers, resulting in operational efficiencies and potential cost savings (Erridge *et al*., 2001).

The key and broadly accepted principle underlying a modern public procurement system is open competition—unrestricted, universal access to the procurement market. In addition, the procurement process which includes the selection of bidders, tendering procedures, and the award of contracts, should be open to public examination and review, thus making it a transparent process. For instance, to promote transparency, the procurement process should be made open to public scrutiny. This places a heavy burden on the procurement entity within the line ministry or the local authority to award contracts which use taxpayers' money in the most efficient way possible. The transparency of the process is further reinforced when contract awards, and the overall procurement process itself, is subjected to the scrutiny of national parliaments, external audit bodies, and the media (Crayannis and Popescu, 2005).

E-PROCUREMENT PROCESS

The benefits of e-procurement technology will not be apparent if only an automation of existing methods of working is available. To gain the benefits of reduced costs, better sourcing and so on, it is essential that a re-engineering of the procurement process be undertaken. As a result of implementing the Internet-enabled procurement technologies, organisations have found that their supplier relationships are redefined, and that the number of suppliers is generally reduced. Hence, supplier consolidation must be planned for prior to the implementation of the e-procurement technology. In addition, companies should gather input from stakeholders throughout the organisation, since they are likely to be affected by the re-engineering of the procurement process (Rajkumar, 2001).

An organisation must take very careful steps to prepare business processes for successful implementation of e-procurement (Poldgar, 2006). According to Podloger, simplicity is one of the most important e-procurement factors, in a way that organisations have to organize themselves to ensure success. By knowing such factors, organisations will be better prepared for e-procurement and thus operate successfully to be able to compete in the global market.

Michael Shaw believes that the B2B e-Commerce systems provide economic value and it can also be argued that they provide value to process re-engineering. However, it is important to note that e-procurement is not an example of re-engineering old manual processes but a re-engineering of process itself (Sheng, 2002). Actually, Business Process Re-engineering is the redesigning of work activities in order to meet a specific set of requirements.

Kalakota and Robinson (2001) believe that for many companies, development of a truly effective integrated procurement strategy is still in the future. Relatively, a few firms have a clear vision of what they must achieve when re-engineering and integrating their procurement processes.

In the following section, some facts related to process re-engineering which are strongly connected process simplification, from prior published research results, are explained:

Awareness of Technology Opportunities

Literature indicates that many organisations' e-procurement processes with their suppliers are organized in numerous arrangements. First, these processes have to be re-engineered, uniformed, incorporated to collaborative processes, and which will then enable successful e-procurement and, in turn, give access to all data at the time when all business partners need them (ActivMedia Research, 2000; Athabasca University, 2002; Chan and Swatman, 1999; European Commission, 2000; Lindemann and Schmid, 1998; Ody, 2001a; Ody, 2001b; Podlogar *et al*., 2001; Pucihar, 1999; RIS, 2001; Segev *et al*., 1998; Sterle, 2001). With an emphasis on technology and process complexity and compatibility, growing technology opportunities are the most important issues in organizing e-procurement (Chan and Swatman, 1999). Organisations that are healthier in terms of information technology also have a better organized e-procurement (Segev *et al*., 1998).

Ability to Achieve Process Effectiveness

It is important to achieve better control and process tracking of the whole procurement process (European Commission, 2000). Organisations spend billions of dollars for additional costs annually to improve e-procurement effectiveness (Ody, 2001a; Ody, 2001b). Implementing process re-engineering requires removing processes which contribute no added value. It is also important to choose the software and hardware which will/can offer effective support to enhance business processes (Lesnicar, 2002; Sterle, 2001).

Readiness for e-Procurement Collaboration

Organisations want to have e-procurement because they can improve process effectiveness by closely collaborating with all their supply chain business partners. Collaboration is improved, especially through e-commerce and process reengineering, in addition to reviewing an organisation's internal processes, including processes review of activities outside its borders. Implementing collaborative e-processes requires endeavours increase their inputs to improve organisation and business development, and to perform e-procurement (European Commission, 2000). Process re-engineering is necessary for achieving process simplification. Some process simplifying factors which are resulted from the literature review are explained in the subsequent section.

Satisfaction and Positive e-Procurement Experiences Sharing

If e-procurement system provides a pleasant service, buyers will take the view that the experience is positive and simple to use. Benefits and simple e-procurement contribute to a positive perception of e-procurement, which will gradually lead to actual use (Chen, 2000). In practice, successful organisations are the ones which succeed in process simplification with the help of suppliers. It is also important to share savings which are resulted from improvement, with suppliers (win-win situation). This kind of business leads to closer and longer connections with business partners (Komp and Leonard, 1999).

Environment Changing Response

Process simplification leads to a great deal of e-procurement opportunities, particularly because organisations have to react quickly towards a changing environment (such as demand variability), as well as goods and process changes (European Commission, 2000).

- e-Procurement Process Type
  For buyers, it is most important to simplify the following processes: goods availability (goods need to be at hand when a buyer needs them), order cycle, data retrieval, order adaptability, goods receiving, order mistakes dismissing, damaged goods returning, reserved parts availability and technical support (Komp and Leonard, 1999).

- e-Procurement Participants and Its Accessibility
  e-procurement processes allow participants to easily change rules and eliminate some business partners through the whole supply chain, by for example undertaking direct e-procurement from the supplier without other partners, thereby simplifying the whole e-procurement. Generally speaking, however, it is difficult to determine if the total number of participants in the whole supply chain will decrease (Mesenbourg, 2002).

In 2004, a case study concerning the analysis of the Greek governmental purchasing process was carried out by Panayiotou *et al*. (2004), as shown in *Fig. 5*. A set of performance indicators was defined including the mean cycle times, transaction volumes (quantities, values, number of requests, and tenders) and organisational unit capacities. The results of the analysis guided to the re-engineering suggestions at three levels of changes and to the design of the new process with the use of process charts. The functional specification definition was based on the new system design and the overall findings of the analysis. Public sector organisations usually face different challenges than those of the private firms.

In more specific, they have to meet multiple, often conflicting goals, and they are also subject to constraints of financial, legal, contractual, personnel, and institutional nature (Cilek *et al*., 2001).

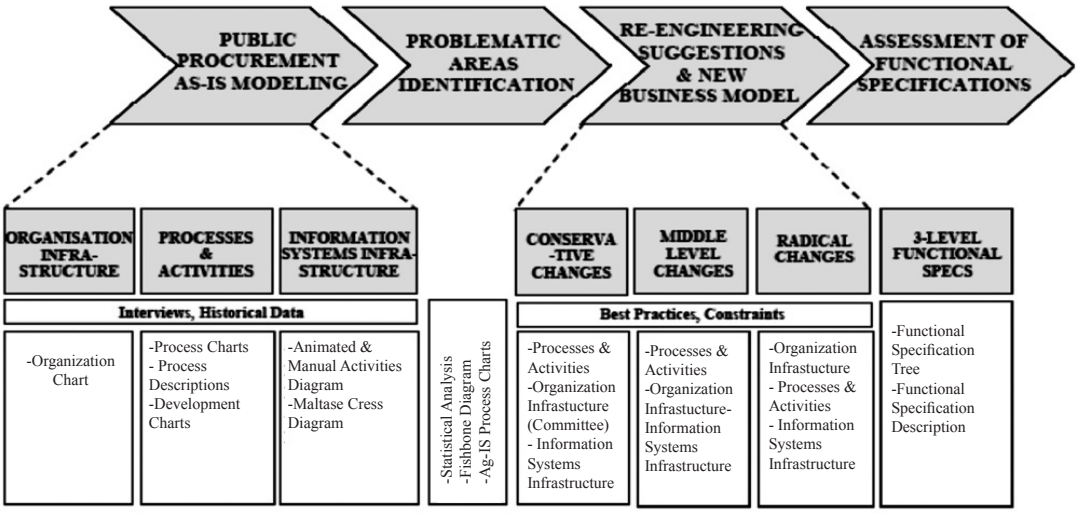


Fig. 5: Methodology for the assessment of functional specifications
Source: Adapted from Panayiotou *et al*., 2004

These constraints are normally much more binding than they are in the private sector. For example, there is probably no possibility to reduce the number of staff according to a new situation due to legislative constraints (Kock and McQueen, 1996; Luck and Peabody, 2000). The radical

process-focused change in the public organisations can only be achieved with deep changes in their bureaucratic practices. This, in turn, is normally not achieved without either change in the law or privatization (Jensen, 1991; Mechling, 1994).

In short, the three introduced areas involved in the research (i.e. Business Buying Behaviour, IT organisations, and the Internet) can clearly be separated from each other and at the same time, the relation between them can be seen *(Fig. 6)*. As discussed in the earlier section, Business Buying Behaviour is a complex and dynamic process which requires plenty of information. However, the Internet has provided both the seller and the buying company the opportunities and access to information and this eases the way to find whatever is required. At the same time, this communication tool is threatening to change and influence the way businesses are conducted. Therefore, marketers have to identify the reasons to, and have an understanding of, how the influence of the Internet can affect different processes.

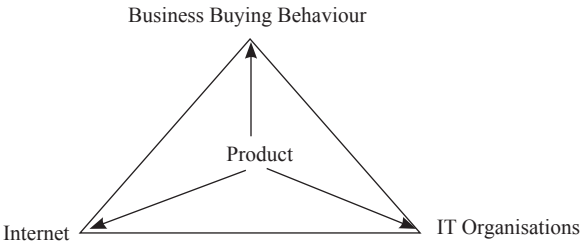


Fig. 6 : IT-B2B-Internet Interaction Model
Source: Gupta, Jha and Gupta, Department of Management, Birla Institute of Technology, 2008

CONCLUSION

In recent years, the growth of the IT Industry in the B2B markets is all set to give a breakthrough in the Indian economy. With relatively competitive budgets and high profit margins, the situation calls for smart and strategic Internet optimization which can help a business to create and enhance its organisational buying.

In this study, three areas were included and investigated: the organisational buying behaviour, the IT organisations and the Internet, based on which the influence of the Internet on the B2B Buying Process with reference to IT organisations in India. According to the study, the buying of goods and services by organisations involves a complex set of interactions, which altogether form the organisational buying behaviour. This involves buyphases and buyclasses. The buyphases, being Anticipation/Recognition of the Need/Problem/Opportunity, include a general solution, Identification of the Characteristics and Quantity of the Product/Service, Description of those Characteristics and Quantity in detail, Search for and qualification of Potential Sources/ Vendors, Request for Proposal/Quotation, Acquisition of Proposals, their analysis and Evaluation, Negotiation and selection of vendor/s, Finalisation of the specific order routine, order status feedback and evaluation of performance, whereas buyclass constitutes of New Task, Modified rebuy and Straight buy.

There are six roles performed by the members of a buying centre. These roles are User, Analyst, Influencer, Purchaser, Engineer and Decision Maker. Now, members of the organisational buying centre also take care of certain factors such as:

- Experience of vendor/supplier
- Relationship and past experience with vendor/supplier
- Geographical location of the vendor/supplier
- One-to-one (face-to-face) contact during buying process
- Internet communication
- Legal issues in purchasing through the Internet
- Cost of product/service

Meanwhile, the influence of the Internet on the overall Purchasing/Buying activity can be seen in terms of:

- Information Gathering – Collecting Product/Service information and specification, Collecting information of current vendor, Searching and Collecting information of new vendor, Collecting competitive and other information for purchase and Cost/price comparison.
- Inter organisational information exchange – Email, Web conferencing with Vendors, Electronic Data Interchange (EDI), Discussion Groups and Just in time inventory planning.
- Negotiation, Bidding and Payment – Online Negotiation, Bidding and Payment.
- Online Ordering – Online ordering, status checking and product/service support.

The perceived influence and benefits of the Internet during buying/purchasing cycle include:
Ease of use - Availability of updated information, easy movement across and around websites, prompt online ordering, and prompt query handling.

Ease of price and product/service comparison - Get the lowest price for product/service purchase, easy comparison of the products/services from several vendors, easy price comparison from several vendors and the ability to obtain competitive and educational information regarding product/ service.

Ease of information access and exchange - Increase in the speed of information gathering from vendor and increase in the speed of information dissemination within the same organisation (between and within departments/ colleagues).

Reduction in paper, time and monetary costs - Reduction in order processing time, reduced paper flow/use and reduced ordering costs.

Moreover, the groups of factors presented in Table 5 explore simplicity of business data processing with regards to processes which are necessary for the execution of the entire procurement process. These processes may capture: (1) possible supplier's requisition request, (2) replacement of supplier, (3) bidding, (4) access to suppliers' goods or catalogues, (5) access to suppliers' inventory data, (6) suppliers' access to your inventory, (7) ordering from supplier, (8) payment to supplier, (9) order tracking, (10) search for transporters, (11) discussion with sales representative, (12) transport ordering, (13) receiving of delivery data announcement, (14) administration of contacts, (15) delivery receiving, (16) reclamation solving, (17) inventory management, (18) maintenance of purchasing needs, and (19) warehousing. This process is usually undertaken in a classical way, where both participants (buyer and supplier) meet and sign a contract.

TABLE 5
Major factors in procurement process based on the literature review

Literature Review	Dobler & Burt (1996)	Gartnet Group RAS Services, 2000	Croom 2001	NECCC 2002	Chaffey, 2004	Podlogar, 2006
possible supplier's requisition request	✓		✓	✓	✓	✓
replacement of supplier	✓					✓
bidding						✓
access to suppliers' goods or catalogs		✓		✓		✓
access to suppliers' inventory data						✓
supplier 's access to your inventory						✓
ordering from supplier	✓			✓	✓	✓
payment to supplier		✓		✓	✓	✓
order tracking					✓	✓
search for transporters						✓
discussion with sales representative	✓					
transport ordering		✓		✓		✓
receiving of delivery data announcement						✓
administration of contracts	✓		✓			
delivery receiving						✓
reclamation solving						✓
inventory management			✓			✓
management of purchasing records	✓	✓				
warehousing			✓		✓	

Finally, the paper suggests that there is a great scope for better and easy decision making by organisational buying centre operating in the B2B markets. In spite of a great number of studies, the conceptualization is still in the immature phase.

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