

A Descriptive Model of Supplier Selection in an Industrial Purchase Situation
– Case of the Public Sector

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Thesis Summary

Existing knowledge on organizational buying behaviour in India is limited. This study reports the result of an empirical study which set out to explore the main elements of the decision process of supplier selection in Indian Public Sector purchase situations. The purpose of the thesis was to attempt to locate a general structure of buying decision process across four public sector organizations and three classes of purchase situations (first time buy, modified rebuy and straight rebuy). A detailed understanding of the choice strategies and decision rules used by organizational buyers in obtaining quotations and in selecting suppliers was obtained. Generalizations were sought about the buying centres, buying phases and the criteria used in the supplier selection process. A general decision process model of supplier selection in the Public Sector purchase situations was developed.

The information for the study, which used a case study approach, was collected using a multiple data collection approach which included interviews, observations and document analysis. Approximately 20 months were spent in the four organizations researched.

The study found existence of a similar structure in the purchase decision process in the four firms studied. The similarity was also observed across purchase situations. Four phases, each resulting in elimination of/potential suppliers were identified. These phases are (a) Specifying product requirements (b) Calling of bids (c) Evaluation of bids and (d) Selection of Supplier. For straight rebuy and modified rebuy situations the organizational buying process could be described as being chronological with distinct phases of decision process taking place. However the decision process in the first time buying situation was iterative and recursive in nature.

During the early phases of the buying process – the registration process, the organizational buyers employ non-compensatory, conjunctive rules, to eliminate suppliers. If the number of registered suppliers exceeds those to be called for bidding, compensatory rules are used to select the suppliers who would be invited to bid. Once the bids are received conjunctive rules are used to narrow the list of suppliers. For those who satisfy the minimum criteria, the bids are made

comparable by commercial and technical loading. Finally the minimum price criteria is applied to select the supplier.

Though the relative importance of product and supplier attributes varied considerably for the items studied, the basic structure of the choice strategies remained stable across firms and buying situations.

The study concluded that the type of purchase situation itself was not a dominant factor in determining the size and composition of the buying center. The value of the purchase, the technical complexity of the item and the perceived importance of the purchase were also contributory factors. A new classification of the roles and tasks of buying center members is proposed which could aid the marketer to public sector organizations in developing micro segmentation strategies. The proposed classification is (a) technical evaluators (b) commercial evaluators (c) authorizers (d) coordinators.