

**THE PURCHASE CRITERIA OF ORGANIZATIONAL BUYERS  
FOR NETWORK CABINETS:  
THE CASE OF BUYERS AT POWER TECHNICS LTD**

by

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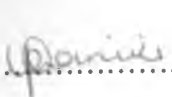


**A research project submitted in partial fulfillment of the requirements for the  
degree of Master of Business Administration (MBA)  
Faculty of Commerce, University of Nairobi**

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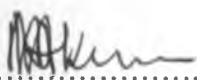
## DECLARATION

This project is my original work and has not been presented  
for a degree in any other university

Signed..........  
Mwaniki P. Warue

Date.....3/11/05.....

This project has been submitted for examination with my approval as University supervisor

Signed..........

Date.....2/11/05.....

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## **DEDICATION**

Dedicated to my husband, Samuel Mugo Nguru, with love.

## ACKNOWLEDGEMENT

I would like to appreciate my supervisor, Mrs. Mary Kimonye, who played a major role in making this project a reality through her support and firm professional guidance. Her expansive knowledge of marketing, her commitment and positive criticism have greatly enriched this project. Working closely with her on this project left me challenged, she has become an inspiration and a role model to me.

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To The Almighty God, I praise Him for being my Strength, Provider and Shield from the very beginning to this end. His Grace has seen me through this journey.

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## ABSTRACT

The Kenyan industries are facing a growing number of complex challenges that threaten their growth and prosperity. These challenges are due to the great dynamism in both the local and global environments. The local network cabinet manufacturers have not been spared and have to operate within the challenges of poor infrastructure, high and rising steel prices, high cost of doing business in Kenya, more demanding customers and stiff competition amongst themselves, not to mention offshore manufacturers. To survive they need to manage these challenges. Key to this management is an understanding of what the buyer considers as important in their purchase criteria, so as to provide network cabinets that are competitive enough to attract sufficient customer numbers and order volumes.

This study was conducted to determine the criteria which organizational buyers consider in the purchase of network cabinets, assess the relative importance of the factors in the criteria to the buying organizations and to establish the key factors that affect the buyers' preference for PTL's network cabinets.

The study was based on a descriptive design; the population included all the organizations that purchased network cabinets from Power Technics Ltd. (PTL) between January 2003 and March 2005. A census study was conducted, for the eighty-three customers who could be contacted. Seventy-three responses were received. Primary data was collected using a semi-structured questionnaire, which was divided, into three parts. Part A collected biodata on the organizations while Part B contained Likert type questions that collected data on the extent of consideration of factors in a purchase criteria. Part C had open-ended questions that sought the factors that influenced the buyers' preference for PTL network cabinets. Some of the questionnaires were administered personally, on email while others were administered through the drop and pick later method. The questionnaire was pre-tested to confirm clarity of questions.

The network cabinets buyers were categorized into three; 46% were industrial buyers who used the network cabinets in their own organizations network, 40% were contractors who

installed the cabinets for their clients as part of a project, while 14% were traders who resold the network cabinets without any reprocessing.

An operational definition of factors gathered from the literature review on the purchase criteria was used. The factors were grouped as place (supplier), product, price, buying center and other influences. This research revealed that all companies that buy network cabinets consider a purchase criterion. The network cabinet buyers consider the factors in each group to different extents. The levels of consideration were large, moderate or small extent. The product related factors were consistently considered to a large extent, while the buying centre factors, the layout and atmosphere of the suppliers firm were considered to only a low extent. The price of the cabinet was given a high consideration in the purchase criteria. The relative importance of some factors in the purchase criteria differed between the traders, contractors and industrial users. These differences could be attributed to the varied uses of the cabinets and circumstances under which each category normally operates.

The study revealed that many buyers consider quality and price as the strongest influencing factor in the choice of the place to buy cabinets from. It also showed that the quality of the PTL cabinets is one major factor the majority of the buyers appreciated most, and would like it maintained. However, many buyers stated that lower prices would be the main reason to prefer other suppliers' cabinets to Power Technics cabinets. They cited wrong specifications and delayed delivery as the main cause of dissatisfaction with the cabinets already purchased this far, and suggested structural design and delivery as major areas that should be improved.

As a future recommendation, the researcher suggest that a study could be carried out to establish the extent to which buyers in other towns, and those who frequently purchase network cabinets from other suppliers, consider as essential factors in their purchase criteria. An additional study could be conducted to determine the customer value analysis for Power Technics Ltd cabinets against those from other suppliers.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background

Havaladar (2002) states that the forces of globalization and technological changes have opened up new opportunities as well as challenges to the industrial marketer, who intends to serve the needs of commercial enterprises, government organizations and other institutions. The powers of the information age and technology deregulation, globalization of markets and stiff competition has made consumers more educated, more inquisitive and more demanding. This marketing environment has posed serious challenges to the survival and profitability of firms, (Mbau, 2000). The globalisation of the world economy and liberalization of the Kenyan economy has posed many challenges to the local industrial sector, often resulting in mergers, acquisitions, restructuring, re-engineering, underutilization of capacity, relocation to other countries and closure of industries, (Kiragu, 2003).

Kiragu (2003) reports an industrial census on the fate of two thousand, four hundred and three (2403) Kenyan industries. This included one hundred and forty two (142) industries that had closed down. According to his report, the declined capacity utilization and closure of some industries contributed to the low employment rate in the local industrial sector. He enumerates several factors that have adversely affected the local industries; high cost of electricity, counterfeit goods, high cost of credit, high tax regime, rising cost of fuel and of transport, unclear government policies, and stiff competition from imports, poor road maintenance and insecurity. The steel sector industries have been faced with high and rising steel prices that have increased the production costs. On its website, the London Metal Exchange (LME, 2003), which closely monitors the prices of metal in the world market, reports that the price of steel has steadily risen to double, in the last two years.

In his report on the focus of industrial development in Kisumu district, Njehia (2004) confirms that several factories have closed down in the recent past, while a large number are operating below capacity due to high cost of energy, unfair competition from imported and counterfeit goods, insecurity and high interest rates. Njehia (2004) concluded that these constraints have led to the slow industrial development in Kisumu. In his article on charting the investors' roadmap in Kenya, Mehta (2003) highlights his struggle in getting financiers

for the purchase of high capital machines required for manufacturing at the Power Technics factory. He laments that banks were not willing to finance such machinery due to high technology and inability to dispose of such assets in case the company failed to perform.

The World Bank report on doing business (2004) showed that the cost of doing business in Kenya, among other rated poor countries is higher than in richer countries. This is due to the larger regulatory burden, weak property rights, administrative costs and delays. According to the report, low quality of roads imposes delays in movement of goods, increases vehicle maintenance and trucking costs. Many industrialists have reported delays of more than three weeks that have forced firms to stop production, due to poor and slow clearing services at the port. The supply and quality of electricity in Kenya has hampered production. The high cost of electricity, frequent interruptions, lack of cheaper alternative sources of power, and high cost of petrol, only aggravates the situation. The World Bank report on investment climate assessment (2004) shows that Kenya's electricity service is poorer and costlier than that of neighboring nations. Firms also lose capital and production capacity due to electricity surges and outages. These have eroded profits and reduced the competitiveness of Kenyan manufacturers. To cope with these infrastructural challenges, Kenyan manufacturers have had to engage in self-supply e.g. electricity via generators, repair their own roads, organize for security privately and also keep higher levels of inventories.

In an attempt to improve their competitiveness, Kenyan firms have, in the recent past, embraced the use of Information and Communication Technology (ICT) in their businesses. Traditionally, business was conducted manually, with many transactions documented on paper, and communication by postal mail. Firms gradually appreciated the crucial role of ICT in creating a competitive edge in the market. This caused a significant number of business organizations to purchase computers for their operations. The ICT industry also expanded concurrently, to include players like hardware and software dealers, telecommunication service providers and training institutions. These players availed the expertise to setup, use and manage ICT more locally and affordably. Gradually, ICT grew into a mandatory tool for any serious business setup, to facilitate communication, connectivity, and documentation. This was made possible by use of information networks within the offices and beyond. As a result of globalization and market liberalization, many

business organizations now have expanding local area networks, which has increased the demand for network cabinets.

A network cabinet is an enclosure that houses terminated cables and connection devices like routers, switches, servers, patch panels, Uninterruptible Power Supply (UPS), monitors, among others, that are needed in the functioning of a network, (Network Cables and Connectors, Inc., 2003). It offers security and protection and avails a facility to neaten the layout of the devices and cables. All companies that have embraced Information and Communication Technology networks at a local area, wide area or global scale are users of cabinets. On its website, Gaw Technology Inc outlines the range of areas where network cabinet are utilized such as, local area network (LAN) rooms, computer rooms, colocation facilities, internet data centers, network operation centers, internet service providers and any application that needs equipment organization, security and strength. (See appendix 1).

Initially, able Kenyan firms would import the cabinets from overseas dealers like Compaq and IBM. Smaller firms that recognized the need for the product were however locked out due to the prohibitive costs. Importing cabinets was very involving and required lengthy delivery periods. The situation created an opportunity for a local manufacturer to supply affordable network cabinets. This was the gap that Power Technics Limited sought to fill, by venturing into the manufacture and assembly of network cabinets in 1998.

The Kenyan electrical engineering industry has several players, big and small, local and international, all of who compete for the Kenyan market share. A large portion of the customers to this industry comprise of contractors; who buy goods for particular projects from the manufacturers, a substantial number are industrial end users; who use the professional solutions to enhance their operations; while others are traders; who buy goods to resell without reprocessing, at a profit. The profitability of business in the electrical industry is significantly dictated by the state of the economy and the political climate, in that many of the products are in demand only when the economy is growing.

### 1.1.1 Power Technics Limited

Power Technics Limited (PTL) is a local Kenyan electrical engineering company established in 1982. PTL provides integrated solutions with its core activity in electrical engineering technology, superior sheet metal manufacturing technology, automation and systems. It is hence able to deliver a full project package, from design, through implementation to after sales service, (Power Technics company profile, 2004). PTL is a leader in the local electrical engineering industry and has played the role of a pacesetter, by being the first to acquire and use Computer Numeric Controlled (CNC) machines. It is a quality conscious firm whose products have found market in the East and Central Africa, and recently in Europe. PTL is also among the first Kenyan electrical engineering companies to get certified in Quality Management Systems ISO 9001:2000 in 2003 and also in Environmental Management Systems ISO 14001:1996 in 2004, (Power Technics company profile, 2004). The current scope of PTL business is manufacturing and assembly processes for electrical control panels, switchboards, motor control centres, cable support systems, street lighting columns, luminaries and network cabinets, using Computer Numeric Controlled (CNC) technology and powder coating systems to international standards.

Power Technics Limited (PTL) had in place the CNC machines and a state-of-the-art powder coating line, which facilitated the manufacture of high quality network cabinets. PTL enjoyed high sales due to the ever increasing demand, adopted the production concept, and buyers would choose from what was available. In the production concept, the demand for a product is greater than the supply, so manufacturers focus on production efficiencies, knowing all output would be sold. The cabinets sales gradually grew from a few thousands shillings to multimillions. This however remained true until a fierce onslaught by other competitors, who sought their share in the growing market. The widespread use of networked ICT equipment in the offices increased the demand, while the availability of better technology to more local steel – based manufacturers made the market for cabinets more attractive. The main competitors have been Power Engineering, Flow Light Electricals Company and Reliable Electricals. More recent entrants include Nationwide Company, Vector and Raj metals. The rise of more local cabinets manufacturing firms with CNC technology has given the Kenyan organizations a wide choice of suppliers for the network cabinets.

Like other Kenyan industries, the local network cabinet manufacturers operate within the challenges of poor infrastructure, high and rising steel prices, high cost of doing business in Kenya, more demanding customers and stiff competition amongst themselves. In response to these challenges, strategies employed by the manufacturers have included reduction of cabinets selling prices, undercutting of prices, better credit facilities to buyers, increased after sales services, an adoption of the marketing concept and a recognition of the need to understand what the customers really want. In the marketing concept, the supply for a product is greater than the demand, creating intense competition among suppliers. The supplier first determines what the consumer wants, then produces what the consumer wants, then sells the consumer what it wants.

Brassington and Pettitt (2000) explain the marketing concept as a philosophy of business that holds that, the key to organizational success is meeting customers' needs and wants more effectively and more closely than its competitors. The Kenyan market has witnessed a mushrooming of marketing activities in form of conference marketing and exhibitions. These are strategies used by various companies, to bring them closer to the customer. The industry specific exhibitions conducted include education - for universities and colleges, ICT and holidays. In the banking and insurance sectors, the marketing concept has made the players flexible to the extent of creating accounts at the convenience of the clients in their offices or houses.

To survive in business, Brassington and Pettitt (2000) argue that it is important for marketers to understand the processes that make up the buying decision in an organizational market. Schiffman and Kanuk (2004) state that the customer has changed, consumers have more power and have access to more information than ever before, and marketers can offer more services and products than before. An empowered customer becomes a loyal customer by virtue of being offered products and services that are finely calibrated to their need. Choice gives customers' power, (McKenna, 1997). Firms can design effective strategies that lead to desirable buyer behavior like loyalty, positive word of mouth recommendation, purchase and repurchase behavior, Oakland (1993).

In the light of the rising competition and fight for the buyers shilling, manufacturers need to understand what the buyer deems important in their purchase criteria. The essence of this

study was to establish the criteria, and the relative importance of the factors considered by organizational buyers in the purchase of network cabinets.

## **1.2 Statement of the Problem**

One of the major challenges the local network cabinets' manufacturer is facing is the competitive environment with several new players, in which the firms operate. The high cost of doing business, rising raw material costs, challenges in infrastructure, wider choice of suppliers, more demanding customers, dwindling market share and the dire need to remain profitable, have set the stage for cut - throat competition as manufacturers fight for the same customers by use of various marketing techniques.

In order to survive in business, Oakland (1993) emphasizes the need to establish customer requirements by reviewing the market needs, determining the key characteristics that define the suitability of the product or service in the eyes of the customer, and to grade the characteristics in importance. By understanding these requirements, Oakland (1993) argues that firms can design effective strategies that lead to desirable buyer behavior like loyalty, positive word of mouth recommendation, purchase and repurchase behavior

Previous studies addressing the influences on organizational purchase behavior by Ouko (1993), Kinoti (2001), Sinclair (1990), Alvarez and Galera (2001) focused on various industrial products, coffee dealers, office furniture, and agricultural machinery respectively. From these studies, it is evident that the criterion used in purchasing varies with the product of interest. These have however, been conducted on products that are distinct from the network cabinets and the findings can therefore not be generalized. Despite the expanding role of network cabinets in the business organizations, and enlarged volumes of purchases, the author has not known of any study conducted to address the organizational buying criteria for cabinets.

This study attempted to fill this gap by seeking answers to the following research questions:

- a) what criteria do organizational buyers consider in the purchase of network cabinets?
- b) what is the relative importance of the factors in the criteria?
- c) what are the key factors that affect the buyers' preference for PTL network cabinets?



### **1.3 Justification of the Study**

Although studies have been conducted on organizational purchase behavior, the author is not aware of any that has addressed the purchase criterion, and the relative importance of the factors considered, for network cabinets. The challenges facing the manufacturers require them to concentrate on offering the customer network cabinets in line with the key characteristics that define the suitability of the product in the eyes of the customer, and to grade the characteristics in importance. Despite the expanding role of network cabinets in the business organizations, and the growing volumes of purchases, no study has been conducted to address the organizational buying criteria for cabinets; therefore there is a gap.

Power Technics management has expressed intentions to expand the network cabinets business. There is need to identify what areas are important to concentrate on and strengthen, in order to get the desirable purchase behavior from all categories of buyers. There is also need to build relationship with customers who have value to the cabinets business. PTL is growing and so is the ICT industry and demand for cabinets. There is therefore need to come up with a specific study, that focuses on the key issues; and hence the motivation for this study.

### **1.4 Objectives of the Study**

The objectives of this study were:

- i) to determine the criteria organizational buyers consider in the purchase of network cabinets.
- ii) to assess the relative importance of these factors to the buying organizations.
- iii) to establish the key factors that affect buyers preference for PTL's network cabinets.

## 1.5 Importance of Study

The results of this study may be of use to;

- a) Power Technics Ltd and other local manufacturers may utilize the results to guide them in availing cabinets in line with the required criteria. They may use the results to design an effective marketing strategy for network cabinets.
- b) firms in other non-consumer goods industries may use the results as a guide to what organizational buyers consider in their purchase decisions.
- c) organizational marketers who may gain insight to the main factors that affect organizational buying decisions. They may thus be better able to develop a marketing mix that satisfies the customers
- d) organizational buyers may use the results to view what attributes and choice are considered important for networking cabinets.
- e) future scholars and researchers who may use the results as a source of reference and stimulating interest for further research.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

This section discusses the variables and concepts used for this study. The items discussed include the categories of organizational buyers, various characteristics of organizational buying and the major differences between the consumer and organizational buyer behaviour. The five stages of the purchase decision process have been discussed. The buying center, its membership, roles and dynamics has been detailed in this review. The Sheth Model of Industrial buying and the Webster and Wind Model of Organizational buying have been discussed to give insight to the general influences on organizational buying. These influences have been elaborately discussed in their various categories. The importance of buyer seller relationship has been detailed in this review. The possible effect of the marketing mix on the buying behavior has also been considered in this write-up.

#### 2.2 The Organizational Buyer

McCathy (1993) defines organizational buyers as any buyers who buy for resale or to produce other goods and services. Organizational buyers, also known as business buyers, are firms and non-profit establishment that buy goods and services and then resell them, with or without reprocessing, to other organizations or ultimate consumers. They include all buyers except the ultimate consumers.

Berkwitz (1998) categorizes organizational buyers into three different markets: Industrial, Resellers and Government markets. Reeder and Reeder (2002) classify organizational buyers into government bodies, institutions and commercial enterprise who include users, original equipment manufacturers and resellers. Resellers purchase goods to resell at a profit, usually with no physical changes to them. The value added to the goods is mainly from service elements. Users purchase good and services to facilitate their own production, while original equipment manufacturers (OEMs) incorporate their purchases into their own product, before supplying to their clients. Power Technics Ltd catalog (2004), classifies the customers into traders (resellers), contractors (OEMs) and industrial (users) buyers. This PTL classification will be adopted for this study.

Ouko (1993) recognizes that the industrial buyers constitute a much larger market than the consumer market. This makes it a very relevant sector of any economy. The industrial buyers are of immediate concern to the industrial marketer, firms who sell products to the industrial buyers. It is therefore important for them to ensure that they are aware of the industrial buyers' need and wants. According to McCathy (1993), organizations make purchases to satisfy needs that help them meet the demand for the good /service that they in turn supply to their markets. Their basic need is to satisfy their own customers. Different types of customers may buy for the same basic purpose, but there are many variations in how they buy and why they pick specific suppliers. He further states that often, suppliers develop a superior marketing mix for specific organizational buyers.

### **2.3 Characteristics of Organizational Buying**

According to Kotler (2003) business markets have fewer and larger buyers than consumer market and are geographically concentrated. There is a close supplier-customer relationship because of the smaller customer base and the significant purchasing power of the larger customer. Suppliers are frequently expected to customize their offering to individual business buyers. Sometimes the buyers require sellers to change their practices and performance, when relationship between the two has become closer. He states that the demand for business goods is created from demand for consumer goods and it is inelastic in that it is unaffected by price changes unless there is an adequate substitute. Kotler (2003) observes that there is professional purchasing by trained personnel.

According to Webster (1972) organizational buying is a complex decision making process usually involving many people with varying degrees of interaction and driven by individual and organizational goals. He acknowledges that in the industrial market, buying takes place in the context of a formal organization, constrained by budget, cost and profit considerations. Haas (1987) argues that to fully understand the organizational buyer behavior, the industrial marketer must understand the organizational buying process, who is involved at what stage and factors motivating each individual involved.

Haas (1987) outlines three kinds of buying situations. *New task buying*- when an organization has a new need that is considerably different from past requirements. Decision makers may lack the experience and product knowledge to make comparisons of alternative products and suppliers. They must obtain a variety of information to explore alternative solutions

adequately before a purchase can be made. The task involves setting product specification and evaluating sources of supply. *A straight rebuy* - routine repurchase that may have been made many times before. This continues as long as the buyers' choice criteria are being met, hence alternative solutions are seldom evaluated. *Modified rebuy* occurs when buyers are faced with new problems or constraints and seek other sources of supply in order to adapt. It is the in-between process where some review of the buying situation is done, but not as much as in new task buying. Organizational decision makers feel that significant benefits may be derived from re-evaluating alternatives. Internal and external forces may trigger re-evaluation of supply alternatives. This occurs mostly when a firm is displeased with the performance of present suppliers, (Reeder and Reeder, 2000).

#### **2.4 Differences between Consumer and Organizational Buyer Behavior**

Hutt and Speh (1984) state that a common body of knowledge, principles and theory applies to both consumer and organizational market, but because their buyers function quite differently, they merit separate attention. A lot of studies have been carried out on consumer purchase behavior and decision-making. Several scholars however highlight the critical differences that justify a study of the organizational buyer.

Cox (1979) states that the demand for industrial goods is ultimately dependent on the demand for related consumer goods and it is considered as *derived demand*. Wilson (1968) notes that the industrial market demands are also characterized by demand concentrations of three types namely: geographic, industrial and purchasing. He states that this is unlike consumer markets whose demand is spread throughout the population. Industrial buying is *complex in nature* due to the multiple buying influences involved in the purchase. Webster (1984) notes the need for more technically qualified and professional buyers as compared to consumer market. These professionals are guided by more rational buying motives than the consumer buyers.

The *characteristics of the products involved*: Dalrymple and Parson (1983) explains that the technical nature of most industrial products also adds to the complexity because a great deal of factual information must be reviewed with the firm and agreements reached on the precise product specification. There is predominance of raw and semi finished goods in industrial purchasing and an emphasis on the importance of product service after the sale on the

industrial market. *Industrial channels of distribution* are generally shorter and more direct, and the middlemen in the industrial markets are different from those in the consumer market. Physical distribution is extremely important in the industrial market because of production line inventory requirements.

*Promotional activities* – Scott (1985) recognizes that decision-making is carried out by groups of changing composition. This is a prerequisite to the design of effective promotional strategy. There is a heavier emphasis on personal selling in industrial marketing, as the industrial sales people are more like consultants and technical problem solvers to their customers than sales people in the consumer market. There is minimal use of advertising in industrial marketing. *Pricing characteristics* – industrial products are priced under heavier legal and economic forces, than is true for the consumer market. Prices are often based on competitive bidding in the industrial market. The manufacturers often provide negotiated prices and other arrangements.

## 2.5 The Purchase Decision Process

Berwitz (1998) defines a decision as a conscious choice from among two or more alternatives. According to Kotler (2003), organizational buying is the decision making process by which an organization establishes the need for purchased products and services and identifies, evaluates and chooses among alternative brands and suppliers. The stages a buyer passes through in making choices about which products and services to buy, is the purchase decision process. Alijian and Farrell (1982) regards the purchasing process as determining the need, selecting the supplier, arriving at a proper price, terms and conditions, issuing the contract or order and follow-up to ensure proper delivery.

McCathy (1993) outlines the five stages of purchasing to be: *Problem recognition* - Perceiving a difference between an organizations ideal and actual situation as big enough to trigger a decision. *Information search* – This stage clarifies the problem for the buyer by suggesting a criterion to use for the purchase. The information search can be an internal search in which the buyer scans from memory, and previous experience. It can also extend into an external search when the internal information available is insufficient, the risk of making a wrong decision is high, and cost of gathering information is low. For organizations, this could include drafting specifications. *Alternative evaluation* – This stage involves

examining all alternatives available from the information search, visiting various suppliers to assess their offer and capability on a defined criteria. The *purchase decision* stage is the selection of a supplier based on the assessment and the negotiation of terms. At the *post purchase behavior* stage, the buyer evaluates suppliers using formal rating system.

## 2.6 The Buying Center

Organizational buying center is defined as the people in an organization who influence and participate in a buying decision and who share the risks and goals of that decision. There is a multiple buying influence where several people, at times even top management, share in making a purchase decision, ( Mowen and Minor, 2001). According to Reeder and Reeder (2000) a buying center is an informal cross-departmental decision unit in which the primary objective is the acquisition, impartation and processing of relevant purchasing related information.

Brassington and Pettitt (2000) differentiate the five roles in the buying center. The *users* are those organizational members who use the product. They may trigger the purchasing process by reporting a need, and may be consulted in setting the specifications for the product. *Buyers* are the purchasing agents who have the responsibility for working with suppliers and arranging the terms of the sale. They have the authority to select and negotiate with the suppliers. Buyers with different levels of seniority may exist to handle different types of transactions. *Deciders* are the people in the organization with the power to select or approve the suppliers. They have the formal or informal authority to make the decision.

*Gatekeepers* control the flow of information within the organization. They can choose what information reaches the key members of the buying center and the decision makers. The *influencers*' prime role is in writing specifications, information gathering, assessment and providing information on criteria for evaluating alternatives. They affect the outcome of the decision making process through their influence on others, that could stem formally from expertise, or informally by personal influence. Reeder and Reeder (2002) define key buying influencers as those persons who are capable of swaying other influences, either knowingly or unknowingly, because of their authority, knowledge or information. The ability to identify the key buying influencers and sell them on product attributes is vital to good marketing strategy.

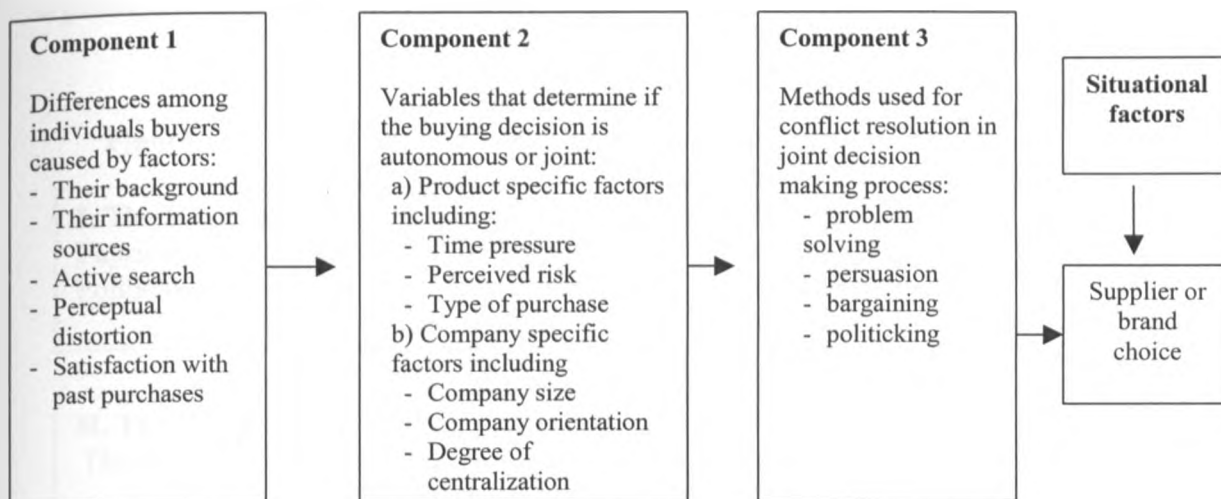
Brassington and Pettitt (2000) further note that the membership of the buying center, the roles played and who takes the lead may vary from one transaction to the other, and even from one stage to the next, within a single process. Haas (1987) indicates that the actual number of buying influences for any particular product is determined by factors such as, the size of the organization, breadth of use of the product, the monetary value of the product, the technical sophistication of the organizations purchasing personnel and the technical background of the product. According to Dobler and Burt (1996), the buying center may comprise of members from design, operations, purchasing, finance, quality and other departments to whom the purchase is relevant. The size of the buying center tends to be larger in a new task-buying situation than in straight re-buy or modified re-buy situations. The departmental influence varies with the type of product, and the stage of purchasing process, though purchasing is generally represented in all situations.

This buying center identifies the key factors that are considered in the selection decision, and hence are responsible for developing the purchase criteria. Reeder and Reeder (2002) state that the marketer needs to understand the size, and the interactions of the buying center members. This will help her/him to identify whom it is necessary to persuade of the vendors capabilities. Haas (1987) consents that due to the dynamics of the buying center; the industrial marketer has the challenge of identifying the key influencers to the purchase decision, and their purchasing motivation. Only then can the marketer prepare an appropriate strategy to win over the key influencers.

### **2.7 Organizational Purchase Behavior Models**

Sheth model of industrial buying behavior (1973) as elaborated by Havaladar (2003) emphasizes the joint decision-making by two or more individuals and the physiological aspects of the decision-making individual in the industrial buying behavior, (see figure 2-1). The model considers three components and situational factors to determine the choice of the supplier or a brand in the buying decision making process in an organization. The differences between individual buyers (component one) are caused by the background of individuals, which depends on their education, role in the organization and lifestyle. Perceptual distortion is the extent to which each individual participant modifies information to make it consistent with his beliefs and previous experience.



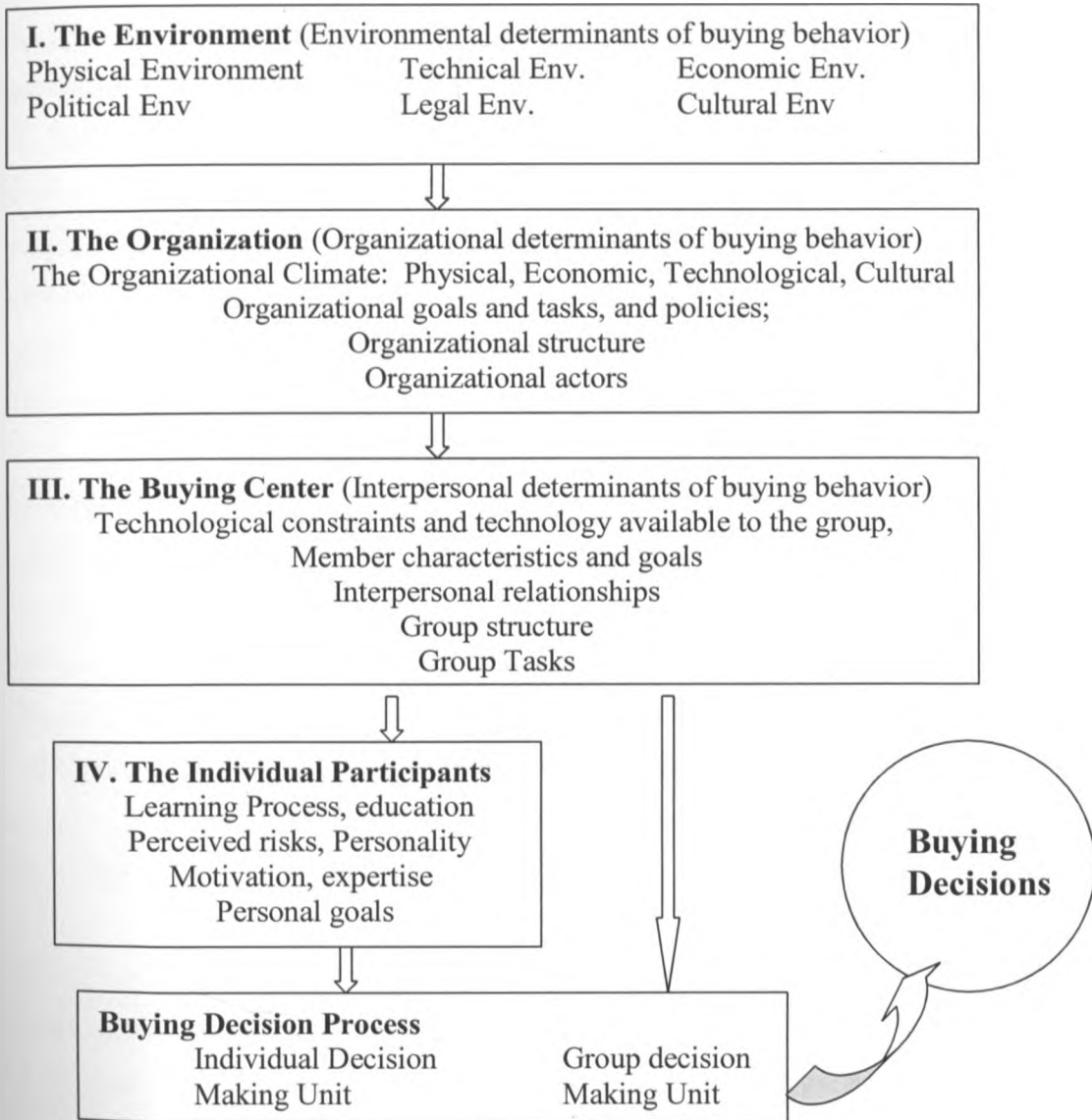


Source: Halvadar K.K (2002): *Industrial Marketing*, Tata Mcgraw hill Publishing Co. Ltd, New Delhi, pg 25

According to the Sheth model, product and company specific variables determine whether the buying decisions are autonomous or joint. The model suggests that the larger the size of the organization and the higher the degree of the decentralization, the greater the possibilities of joint decision-making. Component three indicates methods for conflict resolution in joint decision making processes. Problem solving and persuasion methods are used when there is an agreement on organizational objectives, while bargaining and politicking are otherwise used. Situational factors can be raised like economic conditions, labour dispute mergers and acquisition. The model does not explain their influence on the buying process. The end result of combining all these components and situational factors is a choice of the brand and supplier.

Webster and Wind model of organizational buying behavior (1972) identifies four classes of variables that determine the organizational buying behavior as being environmental, organizational, social and individual, (see figure 2-2).

**Figure 2-2 Webster and Wind Model of Organizational Buying**



*Source: Webster F and Y Wind: General model of organizational buying behavior: Journal of Marketing: 1972 Vol 36 No. 2A pg 14-18*

## 2.8 Influences on Organizational Buying

### Environmental Influence

Hutt and Speh (1990) argued that organizational buyers do not make decisions in isolation, but are influenced by a range of forces in the external environment, which provide information as well as constraints and opportunities. According to Webster and Wind (1972), the organization's decision is significantly influenced by the relationship of the organization and its members with the larger environment. Havaladar (2002) groups the macro environmental factors as economic, technological, government, legal, political, public, social and cultural. Hutt and Speh (1990) indicate that these factors interact and result in the complex nature of environmental influences that define the boundaries within which industrial buyers and sellers interact. Reeder and Reeder (2000) acknowledge that the forces in the macro environment are usually beyond any individual firm's ability to influence and control. They state that the biggest challenge from the macro environment is that it keeps changing at an accelerated rate.

The physical forces affect the buying behavior by defining the constraints within which the buying task must be accomplished, and the options available to the buying organization. Technology includes the physical plant and equipment owned and used by the firm. It also includes the policies and procedures, which serve as guidelines and the systems within the organization. Technology impacts what is bought and the nature of the buying process itself. It influences the nature and availability of goods and services and the nature of buying process in terms of communication, transportation, and electronic data processing capabilities.

The economic environment considers level of primary demand, economic outlook, level of inflation and availability of credit. Economic environment has its greatest impact in defining the availability of goods and services, the ability of buying organizations to finance transaction and the price that will be paid. Reeder and Reeder (2000) indicate that the worldwide economic conditions greatly influence an organization's ability and willingness to buy and sell. Due to the derived nature of industrial demand, changes in economic variables affect the organizational buyer's discretionary purchasing power and have an impact on the industrial producer. Havaladar (2002) confirms that the changes in economic environment

affect the derived nature of industrial demand, with the degree of impact varying among various industrial products and services.

The political legal climate exerts influence through creation of a legal environment within which the buying activities take place, factors affecting tariffs, trade agreement, government funding and protection from competition. Culture is the sum of shared meanings that characterize a society as a factor in the external environment. The organization and its members behave in a manner that reflects both the individual culture and the corporate culture.

### **Organizational Influence**

Kinoti (2001) acknowledges that every organization has goals and objectives, accepted procedures for purchase and an organizational structure, all of which influence its purchase decisions. Organizational influence is brought by factors within the firm and will affect its general operations internally. This includes tasks, organizational structure, technology and the people. These four variables are highly independent and define the information, expectations, goals and attitudes and assumptions used by each of the individual actors in the decision-making activities. Task refers to the work performed to achieve the goals and objectives of the firm. The buying task is one of those performed by the firm in the pursuit of its goals. The organizational structure refers to the system of communication, authority, status, reward, the hierarchy within the organization and the allocation of tasks and duties within the organization. All these aspects have a bearing on the organization's buying behavior.

According to Cravens (1996), the goals and objectives of an organization influence the type of products it needs and the criteria by which it evaluates the suppliers. In Webster (1984), purchasing objectives are referred to as "buying the right items in the right quantity at the right price for delivery at the right time and place." This definition is useful for identifying the major dimensions of the buyers' problems, product specifications and quality, the amount of purchase, price and delivery. Bingham and Raffield (1990) argued that the buyers' primary objective to purchase the right material in the right quantity, for delivery at the right time and in the right place, and from the right source, with the right service and at the right

price, may be difficult to achieve. They observed that for the seven rights to be balanced due to conflicting objectives, a trade off must be made to obtain the optimum mix of these rights.

### **Social / Interpersonal Influence**

Webster and Wind (1972) acknowledge that organizations are made up of people who interact in their day-to-day work. They share knowledge and attempt to influence the outcome of the process to their advantage. Webster (1972) noted that organizational buying is a complex decision making process usually involving many people with varying degrees of interaction; and driven by individual and organizational goals. Interpersonal influence is the influence of one person to another.

Webster & Wind (1972) identify three classes of variables involved in-group functioning in the buying center as, the various roles in the buying center, the variables relating to interpersonal interaction between members of the buying center and outsiders, and the dimensions of the functioning of the group as a whole must be considered. According to them, the nature of groups functioning is influenced by five classes of variables namely the individual member's goals and personal characteristics, the value of leadership within the group, the structure of the group, the tasks performed by the group and external influences. In their empirical study of manufacturers, Lau et. al. (1999) reported that purchase related factors such as the time constraint; uncertainty, importance and novelty of the purchase tend to influence the buying centres' structural dimensions of centralization and complexity.

### **Individual Influence**

Webster and Wind (1972) acknowledge that the individual is at the center of the buying process, operating within the buying center that in turn is subject to the influences of the broader environment. They state that the organizational buyer is motivated by a complex combination of individual and organizational objectives and are dependent on others for the satisfaction of these needs. They highlight that each participant in the buying process has personal motivations, perceptions and preferences. The behavior of these individuals is a complex interaction of personal, group and organizational behavior. The individual factors are influenced by the participant's education, income, age and personality. The individual buyer considers achievement motives and risk reduction motives in their decisions.

Brassington and Pettitt (2000) cite non-economic influences on the buying criteria to include prestige, career security, friendship and social needs, and other personal needs.

## **2.9 Buyer - Seller Relationship**

According to Lemon et al. (2002), the marketing trend towards building relationships with customers is continuing to grow and marketers have become increasingly interested in retaining customers over the long run. Singh and Sabol (2002) note that the growing importance of relationship marketing has heightened interest in the role of trust in fostering strong relationships. Glen et al (2000) propose that customer trust is an essential element in building strong customer relations and sustainable market share. It is the cornerstone of long-term relationships. Zikmund (1994) acknowledges that the most important asset a company has is its relationship with its customers. Buyers and sellers enjoy a continuing relationship over time and both parties seek mutually satisfying exchange relationship. Havaldar (2002), states that the survival and success of both the supplier and buyer firms depend on their interdependent relationship, commitment to quality and service and knowledge of external environmental factors. McCathy (2003) indicates that behavioral needs are relevant in that the buyers are human and want friendly relations with the suppliers, besides protecting their own interest-position in their company.

The quality of the relationship between the buying organization and existing supplier is a major factor in reducing the potential risks inherent in poor purchasing decisions. Brassington and Pettitt (2000) confirm that this has an influence on the purchase decision-making process. McCathy (2003) confirms that past and present relations between the seller and buyer are an important purchase criterion. The history of previous transactions between two organizations leads to understanding, expectations and perhaps an active desire to continue to trade, even at the cost of short-term sacrifice. Porter (1990) suggests that an organization with advantageous relationships with supplier networks has a competitive edge, because of the synergy between them in terms of joint problem solving and information exchange.

Brassington and Pettitt (2000, page 171), acknowledge that the

*On-going buyer-seller relationship is increasingly being recognized as a major influencer of organizational marketing strategies. Relationships are durable and resistant to change, leading to mutual cooperation and the full exploitation of synergy between the two organizations. Other less significant relationships can, however, be kept deliberately superficial. The purchasing organization has to develop a portfolio of different relationships of varying closeness and depth to suit the whole spectrum of its needs. Relationships do develop over time and pass through a number of developmental stages, from the initial awareness, to exploration and expansion phases, establishing trust, to commitment. Some relationships then pass on to dissolution, due to complacency or one party's neglect of the other.*

Bendapudi and Leone (2002) acknowledge that customers form relationships with the employees who serve them as well as with the vendor firms these employees represent. In many cases, a customer relation with an employee who is closest to them, a key contact employee may be stronger than the customer relationship with the vendor firm. The customers may value the key contact employee's competence, practical application of knowledge, interpersonal factors and friendly relations. Barton and Bradford (1999) observe that vendor firms encourage the relationship-building efforts of their employees with business-to-business customers as well as with end consumers, because they view these relationships as a means to strengthen the firm's relationships with the customers. When a vendor firm's key contact employee is no longer available to serve the customer, the loss may fundamentally alter the firm's relationship with the customer (Taux and Brown, 1998). It may be a catalyst for the customer to reevaluate the business relation with the firm, making the customer less open to building additional bonds with the firm and more open to moving to a competitor over time.

## **2.10 Marketing Mix**

Adcock et al (2001) defined the marketing mix as the controllable variables that the company puts together to satisfy a target group. The particular combination of the variables (product, price, place, promotion, physical evidence, people and processes) used by an organization can give it a competitive edge, by creating a unique offering, that the potential buyers will recognize and value, and that distinguishes an organizations' products from others.

## **Product**

In organizational purchases, the emphasis is mainly on fitness for functional purpose, quality and peripheral services like technical support, delivery and customization. Brassington and Pettitt (2000) state that the product element in the marketing mix includes product features and benefits, branding, packaging and after sales service. A study by Calantone and Gary (2000) confirmed that quality is a key component in the success of any firm. Quality not only enhances the reputation of the firm and its products in the eyes of the buyers, but also can allow the firm to earn higher profits, expand market share and generally to grow the business. Alvarez and Galera (2001) carried out a study on industrial marketing applications on quality measurements techniques in the purchase of agricultural machinery and found that the service and quality attributes of the products are considered as more critical than their prices.

Sinclair (1990) reports a study that was undertaken to examine the determinant attribute/quality attribute relationship in office furniture, on the basis of their influence on purchase decisions and on the basis of their use in assessing quality. The three most important attributes influencing purchase decisions were found to be the absence of defects, structural integrity, and reliability. Several scholars including Kinoti's (2001), Webster (1984), Hatt (1990) and McCathy (2003), acknowledge quality as an important consideration in the purchase criterion. Ouko (1993) emphasized that quality conscious firms consider the quality of the product and the standards of production to be of critical consideration, while engineering firms placed a high ranking on technical specifications.

According to Hill et. al, (1998), Brassington and Pettitt (2000) and Kinoti's (2001), beyond the product quality, industrial buyers also consider the suppliers ability to deliver supplies of consistent quality, as this reduces the cost of inspection of incoming shipments. Allen and Wilson (1984) agree that price is a consideration in most purchasing decisions; however, quality and service will not usually be sacrificed for price alone. This study intends to establish the extent to which the product considerations on quality, consistency of quality, reliability of product, packaging, technical support, customization, delivery and after sales service are made in the purchase of cabinets.



## **Price**

Buyers judge value in terms of their perception of what they are getting for their money, and often view price as an indicator of quality of a product. Brassington and Pettitt (2000) state that the appropriate price is not necessarily the lowest, but one representing good value for money, taking into account the whole service package on offer. McCathy (2003) points out that basic purchasing needs are economic. An organization considers the ideal cost of selecting a supplier and product. The original cost and ongoing cost are also considered. A study done by Ouko (1993) found that the users of consumable supplies considered financing terms as an important attribute. Anderson (1995) notes that the purpose for a customer & supplier engaging in a collaborative relationship is to work together in ways that add value or reduce costs in the exchange between firms. According to Cooper and Slagmulder (1999) buying firms are paying more attention to working with suppliers that deliver value by helping lower customers firms costs. These include the customer firms' direct product, acquisition and operations costs

Allen and Wilson (1984), Berkwitz (1998) and Webster (1984), all agree that price is a key consideration in most purchasing decisions; however, quality and service will not usually be sacrificed for price alone. Price is often more important in buying accessory equipment whose quality is standardized. They indicate that price is not as important for infrequently purchased products as it is for frequently purchased ones. Churchill and Peter (1995), argue that although organizational buyers are concerned about price, they are willing to pay more if it will enable the company to boost profits by improving efficiency or increasing output. This study intends to establish the extent to which the pricing of cabinets, affects the organizational buyers purchase decision.

## **Place**

Place refers to the intermediaries and the role they play in getting goods to the right place at the right time for the end buyer and the physical distribution issues involved in making it all happen. Payne (1993) notes that the place element of the marketing mix should be accessible to target market and consistent with the retailers position. In this study, the term place also refers to the supplier of the network cabinets. Brassington and Pettitt (2000) identify place in terms of retailer image, logistics, the location and layout of store, and atmosphere. Hatt (1990) and McCathy (2000) ranked fast and reliable delivery services as second only to product quality since any interruption in the flow of key raw materials or components can

halt the production process, resulting in costly delays and lost sales. Dobler and Burt (1996) state that in the choice of a supplier, the buyer also considers the existence of effective quality control processes, and tries to understand the suppliers' attitude towards quality.

Webster (1984) considered a vendor's reliability as the most important criterion for evaluating vendors. Brassington and Pettitt (2000) and Sinclair (1990) agree on the weight placed by suppliers' reliability. McCathy (2003) urges that the seller reliability, general cooperativeness, ability to provide speedy maintenance and repair, steady supply and dependability could heavily influence a purchase decision. Bingham and Raffield (1990) indicate that organizational buyers need to be convinced of the seller's integrity. Kinoti (2001) further cites geographical location as important in the choice of a supplier.

Bingham and Raffield (1990) and Berkwitz (1998) indicate that organizational buyers consider the past performance on previous contracts and adequacy of past sales support in the choice of a supplier. Berkwitz (1998) also adds to the criteria the ability to meet required delivery schedule, technical capability, and warranties and claim policies in the event of poor performance, production facilities and capability. Brassington and Pettitt (2000) include customer service as an economic influence on the choice of place to purchase goods from. This study will investigate the place/supplier considerations made in the purchase of network cabinets.

### **Promotion**

Promotion refers to various forms of communication with the customer, advertising, sales and sales promotion management; direct marketing and public relations management, (Brassington and Pettitt, 2000). These could include availability of product information, the speed of response to enquiries, action on complaints, feedback to customers and site visits. Kotler and Armstrong (2004) argue that in direct marketing, reaching consumers requires careful training of sales people in how to offer customers information, interact with customers, meet their needs and handle their complaints. This study seeks to establish the extent to which these forms of promotion affect the purchase decision on network cabinets.

Kotler (2004) distinguishes four categories of offerings varying from a pure tangible good without any service, a tangible good with accompanying service to enhance its customer

appeal, a major service with accompanying minor goods and a pure service. Network cabinets would be placed in the second category of tangible good with accompanying service. This then makes the extra 3Ps (people, physical evidence and processes) of service relevant in the marketing mix for the offer of network cabinets. Payne (1993) states that many manufacturing firms need to manage their services just as the service companies do. He argues that services have become a vital means of competition in all forms of businesses and offer the potential to achieve a significant competitive advantage. Leading manufacturers are now adding value by the addition of services traditionally outside their existing business domain. Companies are increasingly offering customer focused bundles of goods, services, support, self-service and knowledge.

### **People**

Payne (1993) recognizes people as essential in both the production and delivery of services. People are increasingly becoming part of the differentiation by which service companies seek to create added value and gain competitive advantage. Kotler (2004) suggest that the selection, training and motivation of employees can have a huge difference in customer satisfaction. Employees ideally exhibit competence, a caring attitude, responsiveness, initiative, problem solving ability and good will. Adcock et al (2001) note that the technical and functional skill level required by the employee giving the service is crucial since the nature of most service encounters require direct personal contact. Customer service has been included as a service marketing mix element because customers have grown more demanding, requiring higher levels of service. It has also increased in importance as a competitive weapon, and the need to build closer and more enduring relations with customers.

### **Physical evidence and presentation**

Adcock et al (2001) define physical evidence as the environment in which the service is delivered, where the firm and the customer interact from, and any tangible components that facilitate performance or communication of the service. According to Kotler and Armstrong (2004), the physical evidence and presentation is reflected in the look and style of dealing with customers that realizes its intended customer's value proposition e.g. cleanliness, speed and other benefit. The stores atmosphere and layout should suit the larger market and move customers to buy.

## **Processes**

Payne (1993) defines process as all work activity. It includes the procedures, tasks, schedules, mechanisms, activities and routines by which a product or service is delivered to the customer. Processes support the delivery of service. He suggests that close cooperation is needed between the marketing and operations staffs that are involved in process management. Adcock et al (2001) argue that when procedures are unnecessarily complex, and customers do not see the need for bureaucracy, there is a tendency to reject the offering. Payne (1993) emphasises the need to ensure that the actual operations are consistent with the claims and promises made to the customers.

## **Conclusion**

Berkwitz (1989), Ouko (1993), Kinoti (2001), and Alvarez and Galera (2001) all support that several factors influence the criteria used in the purchase of different non-consumer goods by the organizational buyer. The criterion varies from item to item and can therefore not be generalized for non consumer goods. Despite the growing role of network cabinets in the organizations' operations, and enlarging volumes of purchase, little has been done to determine what the buyers consider critical in the purchase of the same. It is therefore important to conduct a survey to establish this criterion. This will guide the industrial marketers to design an effective marketing strategy and marketing mix for the network cabinet. New task buyers for cabinets can also use the results as a reference in the attributes to consider in their decision.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Research Design**

This was a descriptive survey that aimed at identifying the purchase criteria considered for network cabinets, the relative importance of the factors in the criteria, and the variance of the criteria among the various buyers. According to Cooper and Schindler (2003), a study concerned with finding out what, where, who and how of a phenomenon is a descriptive study.

#### **3.2 The Population**

The population consisted of all the customers who purchased network cabinets between January 2003 and March 2005, from Power Technics Ltd (PTL). Records in the PTL sales reports show that there have been a total of one hundred and three (103) customers. The addresses available on the database were for only eighty-three of the 103 customers. A census survey was conducted, and all the eighty-three were contacted but only seventy-three responded to the questionnaires.

The respondent network cabinets' buyers were categorized into three;

- a) thirty-four were industrial buyers who used the network cabinets in their own organizations network,
- b) twenty-nine were contractors who installed the cabinets for their clients as part of a project,
- c) while ten were traders who resold the network cabinets without any reprocessing

#### **3.3 Data Collection Method**

Data was collected by use of a structured questionnaire, (see appendix 3). The questionnaire was divided into three parts. Part A had general information questions that gathered the biodata of the organization. This was used to classify the organizations as industrial, contractors or traders (resellers). Part B had 5-point Likert type scale questions that identified the criteria considered and their importance in the purchase of network cabinets. Part C had open-ended questions that sought to establish the factors that affect the buyers' preference for PTL network cabinets.

The questionnaires were distributed by email, drop and pick method, while the rest were personally administered on phone and by personal visits, as was convenient for the respondents. The respondents were members of the buying center, which makes purchase decisions on network cabinets. Their positions ranged from managing directors, network administrators, sales directors and system engineers to project managers among others, who are key decision makers in the purchase of network cabinets. One respondent was contacted from each company.

Twenty of the one hundred and three companies initially listed could not be contacted by phone or email, while others had no recorded addresses on the customers' database. A total of eighty-three questionnaires were distributed out of which ten received no response, (see appendix 4). This gave a response rate of 88% and a non-response rate of 12%.

### **3.4 Operational Definition of Factors**

Some of the factors discussed in the literature review had been selected for use in this study. The factors were defined in the table 3.1 next.

**Table 3.1 Operational definition of factors on the purchase criteria**

Influence		Factors considered	Relevant question
Environmental	Economic	Availability of credit Price of cabinet	26-28
	Technology	Production facilities & capability	6
Organizational		Policies & procedures, Delivery period Product specifications, Quality Delivery to destination	35, 36 18, 14 25
Interpersonal	Buying center	Time constraint; uncertainty, importance and novelty of the purchase, authority, key influencers,	37 - 39
Individual	Personal preference	Education, Income, age Personality, experience and expertise	40 - 41
Seller Buyer relationship		Length of relationship	12
		History of previous transactions Key contact employee	13
Marketing mix	Price	Listed price, Discount levels Credit facility	26 - 28
	Product	Product quality, Consistency of quality Reliability, Technical support Technical specifications and Customization Packaging, Aesthetics, After sales service	14 - 25
	Place / Supplier	Company image and Reputation Seller's integrity Location	1 - 5
		Ability to meet required delivery schedule Ability to provide speedy repair Technical capability Production facilities and capability	6 - 8
		Reliability, Dependability, Logistics Delivery services Steady supply Performance on previous contracts Adequacy of past sales support Warranties and claim policies in the event of poor performance	9 - 14, 24
	Promotion	Catalogue, Feedback to customers Action on complaints, Response to enquiries	29 - 34
	People / customer service	Customer service, Key contact employee	11, 13
Physical evidence	Atmosphere and layout of store	46	
Processes	Complexity of procedures	47	

### **3.5 Data Analysis**

The general information in Part A of the questionnaire was analysed by computing the frequencies and percentages of the responses. This information was used to categorize the buyers into traders, contractors or industrial users and establish their profile. Results from Part B of the questionnaire were used to respond to objectives one, two and three of this study. A 5-point Likert scale was used to measure the extent to which the organizational buyers considered each of the factors, in their purchase decision. The scale had 5 points for (to a very large extent), 4 points for (large extent), 3 points for (some extent), 2 points for (to a very small extent) and 1 point for (to no extent at all) responses. The responses to part B of the questionnaire were edited and coded as above.

The mean scores and standard deviation for each factor were computed for all the buyers. The results were sorted and ranked in order of importance to all organizational buyers. The mean scores and standard deviation for each factor were then calculated for each category of buyers, and the results compared to establish their relative importance to the buyers.

Qualitative data from the open-ended questions was grouped into various related factors. The frequencies of their occurrences were computed to determine the key factors that affected the buyers' preference for PTL network cabinets. This was in response to objective three of this study.



## CHAPTER FOUR

### DATA ANALYSIS, FINDINGS AND DISCUSSIONS

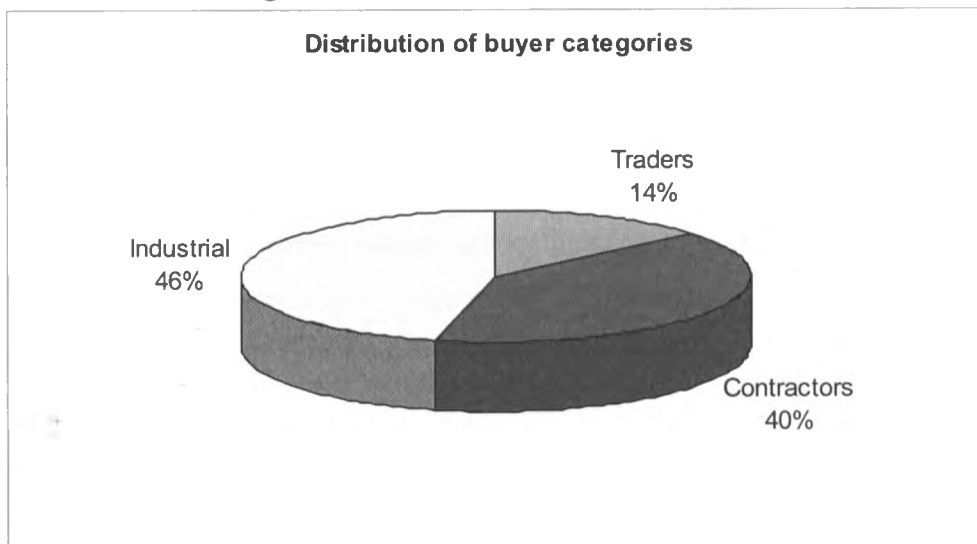
#### 4.1 Introduction

In this chapter, data pertaining to the purchase criteria used by organizational buyers of network cabinets was analyzed. The relative importance of the various factors on the purchase criteria was established for the three groups of buyers.

#### 4.2 Profile of respondent companies

The results from Part A of the questionnaire were used to establish the profile of the companies (as shown on table 4.1) and to categorize them into the three buyers' type: traders, contactors and industrial users. 46% were industrial buyers who used the network cabinets in their own organization's network, 40% were contractors who installed the cabinets for their clients as part of a project, while 14% were traders who resell the network cabinets without any reprocessing (fig 4.1).

*Fig 4.1 Distribution of buyer categories*



Industrial users and contractors form the bulk of the cabinet buyers at Power Technics Ltd. This makes the two categories to be of a high importance to the PTL cabinets business. It would be commendable for PTL to give priority to the requirements of the two categories of buyers, in their purchase of network cabinets.

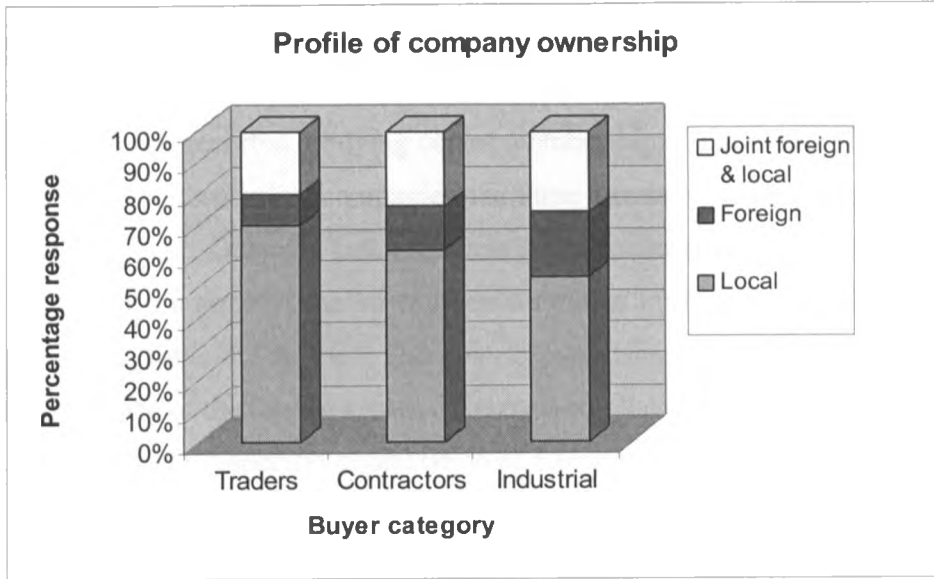
**Table 4:1 Profile of network cabinet buyers**

Use of cabinet	Aspect	Traders		Contractors		Industrial		Overall	
		Frequency	%	Frequency	%	Frequency	%	Frequency	%
Use of cabinet	Buyer Type	10	14	29	40	34	46	73	100
	Totals	10	14	29	40	34	46	73	100
Ownership		Frequency	%	Frequency	%	Frequency	%	Frequency	%
	Local	7	70	18	62	18	53	43	59
	Foreign	1	10	4	14	7	21	12	16
	Joint foreign & local	2	20	7	24	9	26	18	25
	Totals	10	100	29	100	34	100	73	100
Number of employees		Frequency	%	Frequency	%	Frequency	%	Frequency	%
	1 to 20	4	40	6	21	5	15	15	21
	21 to 50	3	30	12	41	8	24	23	32
	51 to 150	2	20	8	28	5	15	15	21
	151 to 300	0	0	1	3	5	15	6	8
	Over 300	1	10	2	7	11	32	14	19
	Totals	10	100	29	100	34	100	73	100
Decision makers		Frequency	%	Frequency	%	Frequency	%	Frequency	%
	1 person	2	20	7	24	6	18	15	20
	2 people	4	40	10	35	12	35	26	36
	3 persons	3	30	7	24	11	32	21	29
	4 people	0	0	4	14	4	12	8	11
	>4 people	1	10	1	3	1	3	3	4
	Totals	10	100	29	100	34	100	73	100

Source: Research data

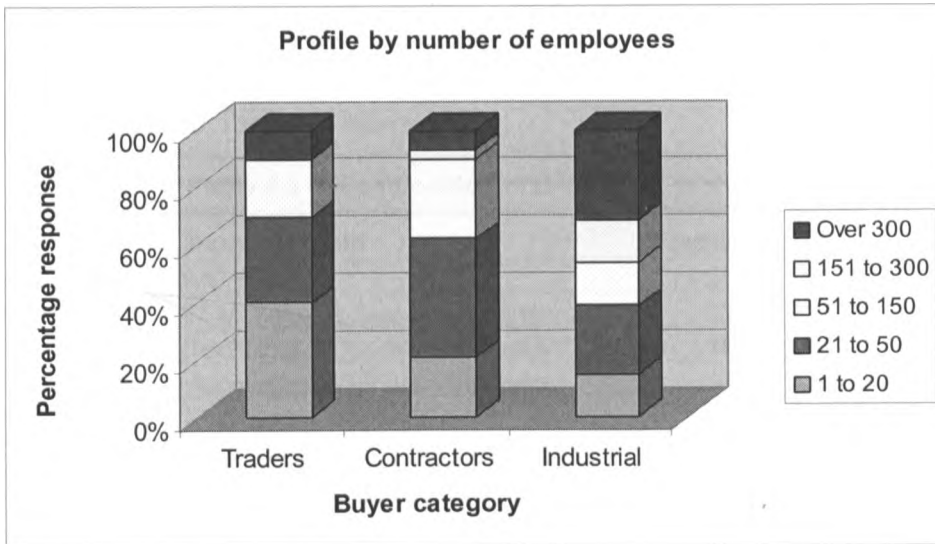
Majority of the network cabinet buyers are companies that are fully locally owned by Kenyans. This comprises of 70% of traders, 62% of contractors and 53% of the industrial users. Local and foreign citizens jointly own a significant number of the companies. These comprise of 20% of traders, 24% of contractors and 26% of industrial users. The rest of the companies are foreign owned (fig 4.2). The ownership of a company may influence the decisions that the firm makes, which includes its purchase criteria.

Fig 4.2 Profile of company ownership



The respondent companies were grouped in terms of the number of employees. 21% of companies are small with a maximum of twenty employees. 32% had 21 to 50 employees while another 21% had 51 to 150 employees. Only 8% had 151 to 300 while the rest had over 300 staff members. The distribution of the company sizes varied among the buyer categories as shown on fig 4.3 below.

Fig 4.3 Profile by number of employees



As shown on Table 4.2 below, the number of staff involved in making decisions (the buying center) on the purchase of network cabinets differs between organizations. 20% of the companies had only one staff member making decisions on the purchase of network cabinets. 36% of the companies reported a buying center membership of two staff. This was the most frequent size. 29% of respondent companies had three members in their buying center, while 11% had four members. Only 4% had more than four members in the decision making team. The distribution of the sizes of the buying centers varies from one size of company to the other as shown on Table 4.2 below. There is no established pattern or ratio of number of employees to the size of the buying center. The marketer therefore needs to establish the size of the buying center in the specific organization of interest.

<b>No. of employees</b>	<b>1 person</b>	<b>2 people</b>	<b>3 people</b>	<b>4 people</b>	<b>over 4 people</b>	<b>Totals</b>
1 to 20	7	5	1	0	2	<b>15</b>
21 to 50	5	5	8	5	0	<b>23</b>
51 to 150	2	7	4	2	0	<b>15</b>
151 to 300	1	2	3	0	0	<b>6</b>
Over 300	0	7	5	1	1	<b>14</b>
<b>Totals</b>	<b>15</b>	<b>26</b>	<b>21</b>	<b>8</b>	<b>3</b>	<b>0</b>
Percentage	20%	36%	29%	11%	4%	100%

*Source: Research data*

The respondents were asked to list the positions of the staff members who were involved in making decisions regarding the purchase of network cabinets. A variety of positions were named as summarized on Table 4.3 below.

	<b>Positions held</b>	<b>Frequency</b>	<b>%</b>
1	MD & CEO	35	21.0
2	IT Manager & Systems Engineers	33	19.8
3	Technical & Operations Manager	28	16.8
4	Accountant & Finance Manager	16	9.6
5	Purchasing Manager	12	7.2
6	Administrator	10	6.0
7	Project Manager	10	6.0
8	Sales Manager	7	4.2
9	Engineer In Charge	6	3.6
10	Others	10	6.0
		<b>167</b>	<b>100</b>

*Source: Research data*

The most recurrent positions involved in making these decisions are the top officials of the companies, namely the chief executive officers and the managing directors, with a 21% recurrence. The IT managers and system engineers, who are mainly in charge of the ICT networks in any organization followed closely at 19.8%. The technical and operations managers then followed this group, as shown on the table above.

In the fifteen companies that have single member buying centers, the positions of the decision makers follows the same pattern. Majority are MDs and CEOs, followed by the IT managers and System Engineers and then the Technical managers. The compositions of the buying centers shows a cross departmental membership as was noted by Reeder and Reeder (2000). Since the composition varies from one organization to the other, the challenge for the marketer is to identify the members and the key influencer to target in any one buying center. The interests of the members would differ depending on their positions in the organization, and their use for the cabinet. It is then important for the marketer to establish what the interests of the members in the buying center are. Only then can the marketer prepare an appropriate strategy to win over the key influencers, (Haas, 1987).

### **4.3 Purchase criteria for network cabinets**

The first objective was to determine the criteria that organizational buyers consider in the purchase of network cabinets. Respondent customers were given a questionnaire detailing various variables on the choice of supplier and the cabinet product, and asked to indicate the extent to which they would consider them in their purchase criteria. The level of consideration was gauged on a 5-point Likert scale ranging from 'very large extent' (5 points) to 'no extent at all' (1 point). The score 'very small extent' and 'to no extent at all' represented a factor that was considered to a small extent. The score 'to some extent' represent a factor that was considered to a moderate extent. The scores 'to a very large extent' and 'to a large extent' represent a factor that was considered to a large extent. The differences in the extent of consideration are significant only if the standard deviation (std dev) from the mean score is 1 or more (Standard deviation >1). It is otherwise not significant (Standard deviation <1).

The following tables and graphs show the findings on the extent of consideration for the factors in the purchase of network cabinets. The factors were bundled into the product, the supplier (place), the price, the people (the buying center and sales team) and other influences that included promotion, processes and physical evidence.

### The Place – Supplier

Table 4.4 below shows the findings on the extent of consideration for the supplier-related factors in the purchase of network cabinets.

<b>Table 4.4 Ranking of supplier-related factors</b>			
	<b>Factors considered</b>	<b>Mean Score</b>	<b>Standard Deviation</b>
S1	Reliability & dependability	4.78	0.48
S2	Ability to meet required delivery schedule	4.62	0.83
S3	Ability to provide speedy repair	4.44	0.96
S4	Satisfaction with previous cabinets	4.34	0.99
S5	Customer service	4.32	0.86
S6	Production facilities & capabilities	4.21	1.09
S7	Logistics	3.97	1.05
S8	Reputation & image of firm	3.92	1.00
S9	History of previous transactions	3.85	1.21
S10	Relationship with supplier company	3.66	1.19
S11	Relationship with key contact employee	3.40	1.11
S12	Company management	3.27	1.24
S13	Company size	2.71	1.30
S14	Location of company	2.63	1.21
S15	Company ownership	2.33	1.25

*Source: Research data*

As summarized on Table 4.4 above, the reliability and dependability of the supplier, ability to meet required delivery schedule and provide speedy repair, satisfaction with previous cabinets, and the customer service offered are the factors that are consistently used to a large extent by the buyers in the choice of supplier or place from where to purchase network cabinets. The degree of consideration does not differ significantly between the buyers. (Standard deviation <1) Webster (1984) considered a vendor's reliability as the most important criterion for evaluating vendors. This is overwhelmingly supported by the results, since this factor is ranked right at the top. McCarthy (2003) emphasised the importance of the supplier's ability to provide speedy repair in the evaluation. This is also consistent with the results since the factor is highly ranked and used to a large extent. These five factors that are

ranked as the top consideration by the buyers are key characteristics that every cabinets manufacturer should aspire to uphold in order to be favourably considered as a supplier by the buyers. All buyers would need to conduct business with suppliers who are reliable and dependable, this way they can have confidence in the services, goods and support they expect to receive from their suppliers.

The large extent of consideration for the ability of supplier to meet the required delivery schedule is consistent with Berwittz (1998), who listed it as critical in purchase criteria. Many organizations have scheduled installations for IT equipments that would require network cabinets. The suppliers' ability to meet the required delivery schedule would affect the buyers overall project schedule, hence the reason it is an important consideration. The production facilities and capabilities of the supplier are also considered to a large extent, with a significant difference in the extent of consideration among the buyers. (Standard deviation >1).

Factors that are considered in a moderate extent include logistics, reputation and image of the supplier firm, history of previous transactions, relationship with the supplier company and with the key contact employee and the company management. In all these factors, there is a significant difference in the extent of consideration among the buyers. (Standard deviation >1). Zikmund (1994) acknowledges that the most important asset a company has is its relationship with its customers. This is supported by the moderate extent of consideration for the relationship factors. McCathy (2003) confirms that the history of previous transactions between two organizations can influence the purchase criteria.

The size, location and ownership of the company are considered to a very small extent, and the level of consideration differs significantly among the buyers. (Standard deviation >1). This means that buyers will purchase network cabinets from suppliers who demonstrate the factors that were considered to a large extent, as listed earlier, irrespective of the size, location and ownership of the manufacturer. In his study on the purchase criteria used by coffee dealers, Kinoti (2001) cites geographical location of the supplier as a critical consideration. This is inconsistent with the results shown in Table 4.4 above, since the consideration for location is very low. This may be explained by the difference in the type of products involved in the two studies.

### The Product – The Network Cabinet

Table 4.5 below shows the findings on the extent of consideration for the product-related factors in the purchase of network cabinets.

	<b>Factors considered</b>	<b>Mean Score</b>	<b>Standard Deviation</b>
P1	Consistency of cabinet quality	4.74	0.62
P2	Reliability of cabinet	4.73	0.65
P3	Quality of cabinet	4.73	0.73
P4	Meeting customer requirements	4.63	0.77
P5	Technical specifications	4.55	0.80
P6	Availability of cabinet	4.30	0.91
P7	Warranties and claim policies	4.30	1.01
P8	Technical support	4.14	0.93
P9	After sales service	4.12	0.91
P10	Extent of customizations	4.07	0.90
P11	Aesthetics – the look	3.85	1.04
P12	Packaging	3.38	1.16

*Source: Research data*

The table above shows that majority of the product related factors are ranked very highly by the buyers. The aesthetics and packaging are considered to only a moderate extent in the purchase criteria of network cabinets. There is a significant difference in the extent of consideration among the buyers. (Standard deviation >1). As depicted by the Table 4.5 above, all other factors are consistently used to a large extent by the buyers in the choice of the network cabinet. The degree of consideration does not differ significantly between the buyers, with the exception of warranties and claim policies in the event of poor performance.

Quality, reliability and consistency of quality are the most important factors in the choice of the product as implied on Table 4.5 above. This is very consistent with the views of several scholars, Calantone and Gary (2000), Sinclair (1990), Kinoti (2001), Hatt (1990) and McCathy (2003) as discussed earlier in the literature review. In organizational purchases, the emphasis is mainly on fitness for functional purpose, quality, technical support, delivery and customisation.



It is important to note that among all the product-related variables, none had a mean score below 3.38. This means that the marketers must ensure that their network cabinets meet the quality expectations of the buyers consistently and reliably. The cabinets must also meet the customers' requirements within the technical specifications, and be readily available. In the light of these results, it is very important for the manufacturer to avail network cabinets that are fit for their basic function, above all other factors.

### The Price

Table 4.6 below shows the findings on the extent of consideration for the product-related factors in the purchase of network cabinets.

<b>Table 4.6 Ranking of price-related factors</b>			
	<b>Factors considered</b>	<b>Mean Score</b>	<b>Standard Deviation</b>
1	Price of cabinet	4.33	0.76
2	Discount offered	3.89	1.01
3	Terms of payment	3.82	1.18

*Source: Research data*

The price of a cabinet is a variable that is considered to a large extent in the purchase criteria of the same. The level of consideration does not differ significantly among the buyers. (Standard deviation <1). The discount offered and terms of payment are considered to a moderate extent by some of the buyers. Several scholars as earlier discussed in the literature review, agree that price is a key consideration in most purchasing decisions. McCathy (2003) points out that basic purchasing needs are economic. Brassington and Pettitt (2000) note that the appropriate price is not necessarily the lowest but one representing good value for money, taking into account the whole service package on offer. Buyers need to get value for their money and hence the reason the price of a cabinet is rated very highly. The marketer must price the product competitively for the buyers to be favourably persuaded.

## The Buying Center

Table 4.7 below shows the findings on the extent of consideration for the buying centre factors in the purchase of network cabinets.

<b>Table 4.7      Ranking of buying center-related factors</b>			
	<b>Factors considered</b>	<b>Mean Score</b>	<b>Standard Deviation</b>
1	Importance & Novelty	3.67	1.03
2	Staff expertise	3.64	1.28
3	Staff Experience	3.55	1.18
4	Key influencers authority	3.48	1.16
5	Representation of key departments	2.95	1.28
6	Relations among staff	2.36	1.39

*Source: Research data*

As shown Table 4.7 above, there are significant differences (Standard deviation >1) in the consideration of the buying center factors in the purchase of network cabinets. The importance and novelty of the purchase, the expertise and experience of the staff involved in buying is considered to a moderate extent. The representation of key departments and the relations among staff involved in buying are considered to a very small extent. None of the factors on the buying center was considered to a large extent. This means that the buying center is generally given a moderate to low priority consideration among the customers. The low consideration of these factors may be due to the fact that buying centers are part of the buyer company's staff, and not the suppliers. Hence the issues surrounding the center may not be thoroughly scrutinized and considered, as compared to factors that relate outwards-with the supplier. In other words, the buying center may be taken for granted by the buyer.

## Other Influences

Table 4.8 below shows the findings on the extent of consideration for the product-related factors in the purchase of network cabinets.

<b>Table 4.8      Ranking of other influences</b>			
	<b>Factors considered</b>	<b>Mean Score</b>	<b>Standard Deviation</b>
F1	Delivery Period	4.34	0.87
F2	Keeping promises	4.33	0.94
F3	Action on complaints	4.26	0.93
F4	Response to enquiries	4.05	0.93
F5	Feedback to customer	3.99	1.05
F6	Time constraint	3.99	1.05
F7	Policies & procedures	3.47	1.09
F8	Complexity of suppliers procedures	3.41	1.21
F9	Availability of cabinet catalogs	3.23	1.10
F10	Site visits by technical staff	3.18	1.24
F11	Layout & atmosphere of firm	2.88	1.29

*Source: Research data*

Other influences that are consistently considered to a large extent in the purchase criteria of network cabinets include the delivery period, keeping of promises, action on complaints and the response to enquiries. The degree of consideration does not differ significantly among the buyers (Standard deviation <1). The delivery period is closely related to ability to keep the required delivery schedule. As discussed earlier, buyers would prefer to conduct business with suppliers who can deliver according to the agreed schedule. This is also in line with keeping promises, where the buyers would prefer to work with suppliers who can keep their promises on delivery and technical support for cabinets. Action on complaints is a critical factor in that buyers need to be sure that they can get a solution should the product purchased not measure up to their expectations.

The policies and procedures of the buyer company, complexity of suppliers' procedures, time constraint, feedback to customer and site visits are all considered moderately, with significant differences in the extent of use among the buyers. Adcock et al (2001) argued that when procedures are unnecessarily complex, there would be a tendency for the customers to reject the offering. The authors' view is moderately supported by the results as shown above.

The layout and atmosphere of supplier firm are only considered to a small extent, with significant differences in the degree of consideration. Kotler and Armstrong (2004) stated that the supplier firm's atmosphere and layout should suit the larger market and more customers to buy. The levels of consideration for these factors, as seen on Table 4.8 above totally disregard the importance as advocated by the authors.

#### 4.4 Comparison of purchase criteria between the various buyer categories

The second objective was to assess the relative importance of the factors considered by the buying organizations. The mean scores and standard deviations for each factor of consideration in the purchase criteria were computed separately for the three categories of buyers. The mean scores for each factor have been compared as shown below.

#### The Place/Supplier

Table 4.9 below shows the results of the extent of consideration on the supplier-related factors by each category of buyers, in the purchase of network cabinets.

		Traders		Contractors		Industrial	
	Factors considered	Mean	Standard Deviation	Mean	Standard Deviation	Mean	Standard Deviation
S1	Reliability & dependability	5.00	0.00	4.76	0.51	4.74	0.51
S2	Ability to meet required delivery schedule	4.80	0.63	4.69	0.60	4.50	1.02
S3	Ability to provide speedy repair	4.60	1.26	4.14	1.13	4.65	0.60
S4	Satisfaction with previous cabinets	4.50	0.71	4.41	0.98	4.24	1.07
S5	Customer service	4.40	1.07	4.24	0.83	4.35	0.85
S6	Logistics	4.30	1.25	4.14	0.83	3.74	1.14
S7	History of previous transactions	4.30	1.25	4.00	1.13	3.59	1.23
S8	Reputation & image of firm	4.20	0.63	3.83	0.93	3.91	1.14
S9	Production facilities & capabilities	4.20	1.32	4.10	1.05	4.29	1.09
S10	Relationship with supplier co.	3.90	1.20	3.83	1.00	3.44	1.33
S11	Relationship with key contact employee	3.70	1.16	3.59	1.05	3.15	1.13
S12	Company management	3.30	1.34	3.38	1.12	3.18	1.34
S13	Location of company	3.10	1.52	2.93	0.88	2.24	1.26
S14	Company size	2.40	1.26	2.45	1.18	3.03	1.36
S15	Company ownership	1.90	1.29	2.28	1.19	2.50	1.29

*Source: Research data*

The top five factors that all buyers consider consistently and to a large extent in their choice of supplier for network cabinets are: reliability and dependability, ability to meet required delivery schedule and provide speedy repair, satisfaction with previous cabinets and customer service. The level of consideration on the reliability and dependability of the supplier is very high and has no significant differences across all the three groups of buyers. This means that these five factors are equally important to all the buyers.

The ability to meet the required delivery schedule and satisfaction with previous cabinets are two factors that are considered to a large extent, with no significant differences in the levels of consideration among the traders and contractors. These levels however, have significant differences among the industrial users. Unlike the industrial users, the traders and contractors buy to resell the cabinets to their clients, either directly or as part of a project. This may explain why they are very particular about the delivery schedule, as they also have to work within restrictive time frames. The reputation and image of the suppliers firm is more important to the traders than to the other buyers. The trader considers this factor to a large extent, while the others consider it only to a moderate extent.

Relationship with supplier company and with key contact employee and the company management are equally important to all buyer types. All buyers consider these factors only to a moderate extent and with significant differences in the degree of consideration. The location of the company is more important to the trader, with a moderate extent of use, as compared to the contractors and industrial users, who only consider this to a very small extent. The size of the supplier's company is more important to the industrial user, with a moderate extent of consideration, as compared to the others, who consider this to a very small extent. The ownership of the suppliers company is of less importance to the trader than to the other two, although all consider this factor to a very small extent.

## The Product

Table 4.10 below shows the results of the extent of consideration on the product-related factors by each category of buyers, in the purchase of network cabinets.

<b>Table 4.10 Relative Importance of product-related factors</b>							
	<b>Factors considered</b>	<b>Traders</b>		<b>Contractors</b>		<b>Industrial</b>	
		<b>Mean score</b>	<b>Standard deviation</b>	<b>Mean score</b>	<b>Standard deviation</b>	<b>Mean score</b>	<b>Standard deviation</b>
P1	Consistency of cabinet quality	5.00	0.00	4.72	0.45	4.68	0.81
P2	Reliability of cabinet	4.90	0.32	4.69	0.60	4.71	0.76
P3	Quality of cabinet	4.90	0.32	4.66	0.81	4.74	0.75
P4	Warranties and claim policies	4.80	0.42	3.93	1.16	4.47	0.90
P5	Meeting customer requirements	4.70	0.48	4.69	0.54	4.56	0.99
P6	Technical Specifications	4.70	0.48	4.45	0.91	4.59	0.78
P7	Availability of cabinet	4.50	0.85	4.41	0.82	4.15	0.99
P8	Technical Support	4.20	0.63	4.03	1.02	4.21	0.95
P9	Extent of customizations	4.20	0.79	4.00	0.85	4.09	1.00
P10	After sales service	4.20	0.79	3.86	1.06	4.32	0.77
P11	Aesthetics	3.80	1.32	3.97	0.91	3.76	1.07
P12	Packaging	3.50	1.35	3.55	1.24	3.21	1.04

*Source: Research data*

Table 4.10 above shows that in the choice of the network cabinets to purchase, there is a large extent of very consistent consideration of the consistency of cabinet quality, reliability and quality of cabinet, meeting customer requirements and technical specifications and the availability of the cabinet', across the three categories of buyers. There is no significant difference in the degree of consideration. This means that they are equally important to all the buyers. Technical support and extent of customization are factors that are also consistently considered to a large extent by all buyers, with significant differences in the degree of use among the contractors and industrial users respectively.

The traders and the industrial users consider warranties and claim policies in the event of poor performance and technical support to a large extent, with insignificant differences in the degrees of use. These two factors are relatively less important to the contractors. Aesthetics and packaging are equally important to all buyers as they are only moderately considered by all.

## The Price

Table 4.11 below shows the results of the extent of consideration on the price-related factors by each category of buyers, in the purchase of network cabinets.

<b>Table 4.11 Relative importance of price-related factors</b>							
		<b>Traders</b>		<b>Contractors</b>		<b>Industrial</b>	
	<b>Factors - The Price</b>	<b>Mean score</b>	<b>Standard deviation</b>	<b>Mean score</b>	<b>Standard deviation</b>	<b>Mean score</b>	<b>Standard deviation</b>
1	Price of cabinet	4.70	0.48	4.31	0.85	4.24	0.74
2	Discount offered	4.10	1.10	4.07	0.84	3.68	1.09
3	Terms of payment	4.10	1.37	4.00	1.07	3.59	1.21

*Source: Research data*

Price of the cabinet is a factor that is considered to a large extent by the three categories of buyers, with no significant differences in the degree of use. The discounts offered and terms of payment are relatively more important to the contractors and traders, as compared to the industrial user. This may be explained by the fact that these two categories of buyers aim at making a profit from the resale of the cabinets, whether directly or as part of a project. The industrial user only considers these two factors to a moderate extent, with significant differences in the degree of use, whereas the others consider those factors to a large extent.

## The Buying Center

Table 4.12 below shows the results of the extent of consideration on the buying centre factors by each category of buyers, in the purchase of network cabinets.

<b>Table 4.12 Relative importance of buying center factors</b>							
		<b>Traders</b>		<b>Contractors</b>		<b>Industrial</b>	
	<b>Factors - The Buying Center</b>	<b>Mean score</b>	<b>Standard deviation</b>	<b>Mean score</b>	<b>Standard deviation</b>	<b>Mean score</b>	<b>Standard deviation</b>
1	Importance & Novelty	3.20	1.03	3.93	0.84	3.59	1.13
2	Key influencer's authority	3.30	1.06	3.76	1.06	3.29	1.24
3	Staff experience	3.80	1.23	3.72	1.03	3.32	1.27
4	Staff expertise	3.80	1.32	3.76	1.12	3.50	1.42
5	Representation of key departments	2.80	1.32	2.86	1.22	3.06	1.35
6	Relations among staff	2.70	1.42	2.79	1.45	1.88	1.20

*Source: Research data*



The importance and novelty of purchase, the key influencer's authority, the experience and expertise of the staff involved in buying, are all factors on the buying center that are relatively equal in importance among all categories of buyers. They are used to a moderate extent with significant differences in the degree of use, except for the importance and novelty of purchase for the contractors, which has insignificant differences in the consideration.

The representation of key departments is relatively more important to the industrial user, than it is for traders and contractors. The industrial users consider it to a moderate extent, while the others use it to a very small extent. The relations among staff involved in buying are considered to a very small extent, although it is relatively less important to the industrial user as compared to the other two categories.

### Other Influences

Table 4.13 below shows the results of the extent of consideration on the product-related factors by each category of buyers, in the purchase of network cabinets.

		Traders		Contractors		Industrial	
	Factors - Other influences	Mean score	Standard deviation	Mean score	Standard deviation	Mean score	Standard deviation
F1	Keeping promises	4.70	0.48	4.38	0.90	4.18	1.06
F2	Feedback to customer	4.30	0.67	4.17	0.89	3.74	1.21
F3	Action on complaints	4.30	0.95	4.28	0.88	4.24	0.99
F4	Delivery period	4.30	1.06	4.52	0.63	4.21	0.98
F5	Response to enquiries	4.20	0.63	4.24	0.79	3.85	1.08
F6	Complexity of suppliers procedures	3.60	1.17	3.52	1.15	3.26	1.29
F7	Time constraint	3.60	1.43	4.38	0.68	3.76	1.10
F8	Availability of cabinet catalogs	3.40	1.07	3.24	1.15	3.18	1.09
F9	Site visits by technical staff	3.30	1.16	3.14	1.27	3.18	1.27
F10	Policies & procedures	3.20	1.32	3.59	0.82	3.44	1.24
F11	Layout & atmosphere of firm	3.10	1.52	3.10	1.11	2.62	1.35

*Source: Research data*

Action on complaints, keeping promises and delivery period are factors that are consistently considered to a large extent in the purchase criteria among all groups of buyers. There are no significant differences in the degree of consideration of action on complaints, meaning that this factor is relatively equally important to all buyers. Keeping of promises is relatively

more important to the traders and contractors than it is to the industrial user, while the delivery period is relatively less important to the traders.

Response to queries is a less important factor in the purchase criteria for the industrial user as compared to the others. The industrial buyer considers it only to a moderate extent with significant differences in the degree of use, while the other buyers consider it to a large extent, with no significant differences at all.

The complexity of the supplier's procedures, availability of cabinets catalog, site visits by supplier's technical staff and the policies and procedures of the buyers are equally important to all buyer types. They are all considered to a moderate extent, with significant differences in the degree of use, with the exception of policies and procedures among the contractors.

Time constraint is relatively a more important factor in the contractors' purchase criteria, as compared to the other buyer types. The contractor considers time constraint to a large extent, with no significant differences in the degree of use, as compared to the traders and industrial users who only consider this factor to a moderate extent and with significant differences in the degree of use.

The layout and atmosphere of the supplier's firm is less important to the industrial user as compared to the other buyers. The industrial user considers this factor to a very small extent, with significant differences in the degree of use, while the other buyers consider the factor to a moderate extent.

#### 4.5 Factors affecting preference for Power Technics Limited network cabinets

The last part of the questionnaire had open-ended questions, seeking to establish the key factors that affect the buyers' preference for Power Technics limited network cabinets. The qualitative data from the open-ended questions was grouped into the various related factors. The frequencies and percentages of their occurrences were computed as represented in the tables below.

The table below shows the responses to the question "Which is the single most important factor that influences where you buy your cabinets?"

	<b>Factor listed</b>	<b>Frequency</b>	<b>%</b>
1	Quality	33	47
2	Price	15	21
3	Technical specifications	6	9
4	Reliability of supplier	5	7
5	Delivery on schedule	3	4
6	Relationship	3	4
7	Credit facility	2	3
8	Customer service	2	3
9	Availability	1	1
		<b>70</b>	<b>100</b>

*Source: Research data*

Three of the seventy-three companies studied did not answer this question. 47% of those who responded to this question listed quality and quality related factors as the most important factor that influences their choice of supplier for network cabinets. This result is consistent with the findings on the product-related factors discussed earlier. It implies that the network cabinet manufacturers must ensure that their product consistently and reliably meets quality expectations of the buyers. The next most important factor that influences where buyers purchase their cabinets was price, followed by technical specifications. Marketers must hence ensure that their prices are competitive and that the product is manufactured in line with the expected technical specifications, (Table 4.14).

The responses for the same question were grouped in the various buyer categories, with the results as shown on Table 4.15 below. The order of preference still remained the same for all buyers combined.

Factors listed	Frequency	Traders	Contractors	Industrial
Quality	33	33	39	58
Price	15	33	25	15
Technical specifications	6	11	4	12
Credit facility	2	11	0	3
Customer service	2	11	4	0
Reliability of supplier	5	0	10	6
Delivery on schedule	3	0	7	3
Relationship	3	0	7	3
Availability	1	0	4	0
	<b>70</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

*Source: Research data*

Respondents were asked to indicate where else they bought their cabinets, besides Power Technics Ltd. 52% of the seventy-three respondents indicated having bought cabinets only from PTL. From the 48% who had other suppliers, Table 4.16 below shows the distribution.

	Suppliers listed	Frequency	%
1	Power Engineering	12	22
2	Coast Data	11	20
3	IGO Wireless	4	7
4	Electric Link	3	5
5	Flow light	3	5
6	Others	22	40
		<b>55</b>	<b>100</b>

*Source: Research data*

Another twenty-two suppliers were named with a frequency of only one each, while Power Engineering and Coast Data topped the list as shown on Table 4.16 above. Among the other suppliers named includes PT 's own customers who are resellers and contractors. The list also names several offshore suppliers. Power Technics Ltd. (PTL) manufacturers and sells the network cabinets in both wholesale and retail modes. This means that PTLs range of competitors includes the local manufacturers, offshore manufacturers, cabinet wholesalers and retailers. The results above support the information given in the background of this

research, that the wide number of players has made the competition in this market very intense.

Table 4.17 below summarizes the responses to the question “What factors make you prefer other suppliers’ cabinets to PT cabinets?” Twenty-nine of seventy-three respondents did not answer this question. The ten main factors were listed as shown.

	<b>Factor</b>	<b>Frequency</b>	<b>%</b>
1	Lower prices	24	29
2	Availability	11	13
3	Delay in delivery	11	13
4	Higher quality	6	7
5	Credit facility	5	6
6	Customer preference	4	5
7	Technical specifications	4	5
8	Wider range of sizes	4	5
9	Project supply	2	2
10	Sales team expertise	2	2
11	Other factors	10	12

*Source: Research data*

The results show that price is the most frequent reason why buyers would shun PTL cabinets to buy from other suppliers. It may be commendable for PTL to consider more competitive pricing for the various sizes of cabinets offered. It would be helpful for PTL to establish what prices the competition offers for the same cabinets. Unavailability of cabinets and delay in delivery are other reasons that cause buyers to prefer other suppliers’ cabinets. PT team should ensure that there is adequate stock of the cabinets to ensure instant availability to the buyers. A reorder level for production of stock should be activated to reduce the time taken to process a request for a cabinet. This would in turn reduce the delay in the delivery of the product to the buyers.

When asked to list the areas that may have caused them dissatisfaction, 71% of the 73 respondents stated that they had not experienced any dissatisfaction. The customers who had experienced dissatisfaction raised a total of thirty-three issues as summarized on Table 4.18 below.

	<b>Causes listed</b>	<b>Frequency</b>	<b>%</b>
1	Wrong specification	7	21
2	Late delivery	6	18
3	Logistics	3	9
4	Prices	3	9
5	Response to complaints	3	9
6	Castor wheels	2	6
7	Customization	2	6
8	Locks	2	6
9	Quality control	2	6
10	Others	3	9
		<b>33</b>	<b>100</b>

*Source: Research data*

Specifications not followed and late deliveries were the most frequent causes of dissatisfaction for the buyers. From these results, it would be recommended for PTL network cabinet department to set up an internal quality control function that confirms that the right specifications are followed in the production and assembly of the product. This would help ensure that the customers' requirements and instructions are closely adhered to, in order to reduce the complaints on specifications

The respondents were asked to suggest areas they would like improved on the PTL network cabinets. 27% of the seventy-three respondents did not suggest any areas of improvement. Several areas were listed as summarized on table 4.19 below.

	<b>Aspects to improve</b>	<b>Frequency</b>	<b>%</b>
1	Structural design	26	21
2	Delivery	21	17
3	Additional features	19	15
4	Lower prices	16	13
5	Quality	11	9
6	Customer service & support	9	7
7	Meet specifications	6	5
8	Credit facility	5	4
9	Variety	5	4
10	Others	5	4
		<b>123</b>	<b>100</b>

*Source: Research data*

As shown above, structural design, delivery, issues on additional features and lower prices were the most recurrent of the areas pointed out for improvement. PTL cabinet team should review the aspects that were grouped under structural design and embark on improving the same. These issues included easier side access, aesthetics and efficiency of internal layout, top entry, lighter material and door locks. Ensuring adequate stocks are available at all times could enhance delivery issues.

The question “What is the single most important factor you would like maintained (remain as it is) on the Power Technics Ltd. Cabinets?” yielded the results shown below. Nine of the seventy-three respondents did not identify any factor. A summary of the responses from the sixty-four customers is shown on Table 4.20 below.

	<b>Factor listed</b>	<b>Frequency</b>	<b>%</b>
1	Quality	41	64
2	Design	3	5
3	Material quality	3	5
4	Standard sizes	3	5
5	Technical specifications	3	5
6	Delivery on schedule	2	3
7	Price	2	3
8	Availability	1	2
9	Being around - local	1	2
10	Customer service	1	2
11	Delivery service	1	2
12	Flexibility	1	2
13	Relationship	1	2
14	Tinted glass door	1	2
		<b>64</b>	<b>100</b>

*Source: Research data*

The quality of PTL cabinets got an overwhelming vote of 64% of the total responses. This means that it is the one factor that the buyers appreciate most on the PTL cabinets. As discussed earlier on this survey, the question on what single most factor influenced the choice of cabinet, quality was voted top at 47%. It would be very important for PTL to maintain this important characteristic of high quality that is a salient point on their network cabinets. Their marketers can also capitalize on this factor of quality to help justify the prices, which negatively affected the preference for PTL cabinets as discussed earlier on.



## **CHAPTER FIVE**

### **CONCLUSIONS**

#### **5.1 Introduction**

This chapter gives a summary of the findings and conclusions drawn after analyzing data from the network cabinet buyers at Power Technics Limited. A census survey was conducted through the use of a questionnaire. A total of seventy-three responses were analyzed, out of the possible eighty-three expected. Data was analyzed through the use of mean scores to rank the factors in their order of importance. The standard deviations were computed to determine the differences in the degree to which the buyers use each factor.

#### **5.2 Summary**

The objectives of this study were to establish the criteria and the relative importance of the factors considered by organizational buyers in the purchase of network cabinets. The study also sought to determine the key factors that affect buyers' preference for PT 's network cabinets.

Industrial users are the largest category of network cabinet buyers at PTL, closely followed by the contractors. This makes the two categories of buyers very crucial to the PTL network cabinets business. It would be important for PTL to consider the views of these buyers as far as the cabinets are concerned, and seek to meet their requirements.

It was evident that in majority of the organizations studied, more than one person is involved in making the purchase decisions on cabinets. The marketers need to identify who in the specific organization form the buying centers. The marketer then needs to establish their positions in the organizations and what would be of interest to them. This way the marketer can prepare a marketing strategy on the cabinets that appeals to the people who matter.

The study established the various factors that are considered in the purchase criteria for cabinets. The factors were grouped into place (supplier), product, price, buying center and other influences. In each group, the factors were ranked in order of extent of use, and the degree to which each factor is considered among the buyers. The network cabinet buyers considered the factors in each group to different extents. The levels of consideration were large, moderate or small extent.

This research revealed that all companies that buy network cabinets actually consider purchase criteria in their decision-making. The supplier's reliability and dependability, ability to meet required delivery schedule and provide speedy repair, satisfaction with previous cabinets, and the customer service offered are the factors that are very important to the buyers. It would be advantageous for a cabinet's manufacturer to take a position that is strong on these characteristics.

The product-related factors were consistently considered to a large extent, with very insignificant differences in the degree of use. This implied that the buyers are very particular about the product that they buy. It is hence important for cabinet manufacturers to ensure that their products meet the expectations of the buyers in terms of quality, technical support, specified requirements and availability. The results showed that majority of the buyers consider quality as the single most influencing factor in determining where they buy their cabinets. The study also revealed that the quality of the cabinets is one factor that most of the buyers would like maintained on the PTL cabinets. This means that PTL needs to maintain the high quality of product offered to customers, since it is clearly a strong point.

The prices of the cabinets are also an important factor in the purchase criteria. It is clear from the results that buyers would appreciate lower priced cabinets, yet still expect high quality products at the same time. Many buyers stated that lower prices would be the main reason to prefer other suppliers' cabinets to Power Technics cabinets. In this case, PT could to review their cabinet prices to make them more competitive. This should be done in light of the several competitors who are actively in adding Power Technics' share in the market for cabinets. Care should be taken not to compromise the quality of the cabinet in order to lower the cost of production. Lowering of prices could risk being misinterpreted to mean a lower quality offer. It would be important therefore, to strike a workable balance so as to maintain profitability and retain the customers.

The results revealed a variation in the relative importance of some factors in the purchase criteria between the traders, contractors and industrial users. These differences could be attributed to the varied uses of the cabinets and circumstances under which each category normally operates. There were some factors whose relative importance in consideration was within the same range for all the buyer categories. The study revealed that many buyers

have a favourable preference for the PTL cabinets. However the results revealed some areas that the buyers would want improved. It would be useful for PTL to consider the suggestions given for improvement and act on what it can.

This research shows that buyers have very high expectations on the suppliers from whom they purchase network cabinets. The manufacturer has to identify the areas in which to strengthen their cabinets offer.

Power Technics Ltd and other local manufacturers may utilize the results of this study to guide them in availing cabinets in line with the required criteria. They may use the results to design an effective marketing strategy for network cabinets. Organizational marketers may also gain insight to the main factors that are considered in the organizational buying decisions. They may thus be better able to develop a marketing mix that satisfies the customers. Firms in other non-consumer goods industries may use the results as a guide to what organizational buyers consider in their purchase decisions. Organizational buyers can use the results to view what attributes are considered important for network cabinets.

### **5.3 Limitations**

This study focused on organizational buyers of network cabinets who are customers at Power Technics Limited. Due to time, technical and financial constraints, only buyers within Nairobi were contacted. The customer's database had deficient records in that the full addresses of twenty single-order clients were not available. Not all customers could be conveniently contacted on telephone and email within the available time. Some clients were unwilling to respond to some sections of the questionnaire, especially the open-ended questions and cited confidentiality as the main reason.

### **5.4 Suggestions for future research**

A research on the purchase criteria among buyers in other towns and among organizations who buy from other local cabinet manufacturers would help establish if the results of this study are unique to PTL customers in Nairobi or not. A research on the value analysis of PTL cabinets against those from other cabinet's manufacturers would help establish what value the customers attach to the various products offered.

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4. What factors make you prefer other suppliers' cabinets to Power Technics cabinets?

.....  
.....  
.....  
.....

5. Are there instances that you have experienced dissatisfaction with Power Technics Ltd cabinets?

- i) Yes
- ii) No

If yes, please state the cause of your dissatisfaction.

.....  
.....  
.....  
.....

6. In order of priority, please list the three most important factors you would like improved (made better) on the PTL cabinets.

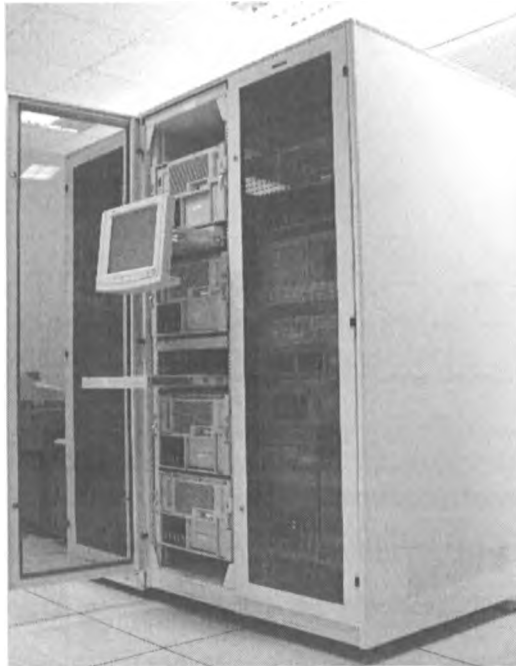
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7. What is the single most important factor you would like maintained (remain as it is) on the Power Technics Ltd. Cabinets?

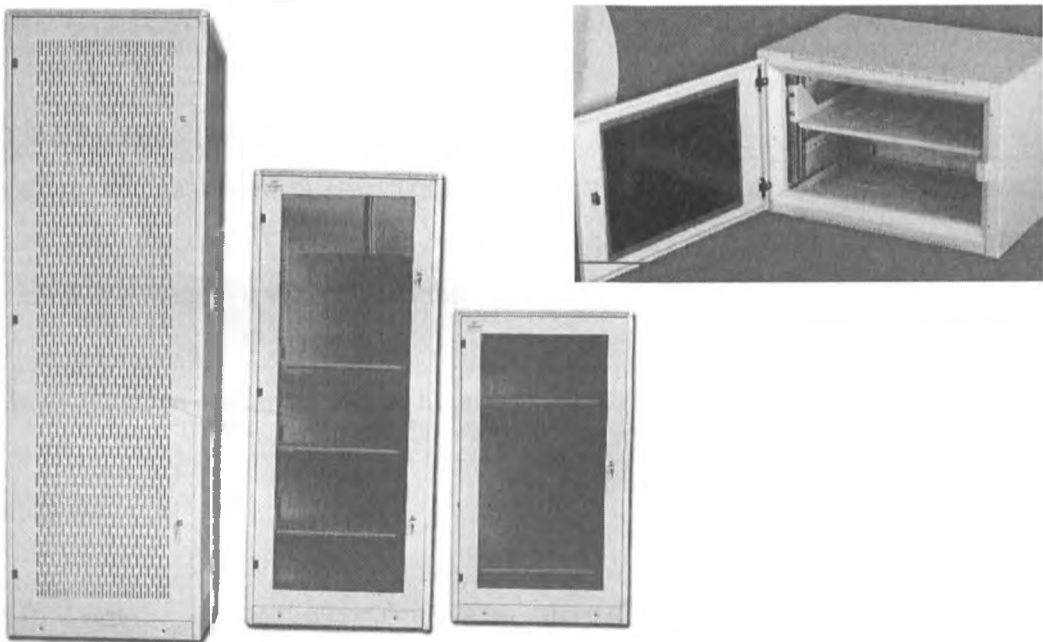
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## Appendix 1

### Power Technics Network Cabinets



A free standing cabinet in use



A range of freestanding cabinets



## Appendix 2

### Letter of Introduction

May 2005

Mwaniki P. Warue  
Box 492 - 00618  
Ruaraka

Dear Sir/Madam,

#### **RE: MBA RESEARCH PROJECT**

I am a student at the University of Nairobi pursuing a Master's degree in Business Administration. I am undertaking a research project in partial fulfillment of the academic requirements. The research seeks to study the purchase decision criteria for network cabinets by various companies. Your esteemed company has been selected to form part of this study. I will be very grateful if you would spare some time from your busy schedule, to respond to the questions listed on the attached questionnaire, as truthfully as possible.

Your response will be treated in strict confidence. Even where respondents have given their names, these names will not appear in the final report. The findings of this research can be availed to you upon completion of the research.

Your assistance and co-operation will be highly appreciated

Yours faithfully,

Mwaniki P. Warue  
**MBA Student**

Mrs. Mary Kimonye  
Lecturer, Dept of Business Administration  
**Project Supervisor**

**Appendix 3**  
**Questionnaire**

**Introduction**

The questionnaire is designed to gather information as part of a research that seeks to study the purchase criteria for network cabinets by various organizations. This Management Research will be submitted in partial fulfillment of the requirements for the degree of Master of Business Administration (MBA), Faculty of Commerce, University of Nairobi

**Part A: General Information**

1. Name of company: .....
2. Business of the company: .....
3. Ownership of the company
  - i. Local (Kenyan)
  - ii. Foreign
  - iii. Joint local and foreign
  - iv. Other (Specify).....
4. Number of employees in the company
  - a) 1- 20    b) 21- 50    c) 51 – 150    d) 151- 300    e) Over 300
5. Which of these best describes how you use the cabinets that you buy?
  - i. Trader - Resell without reprocessing
  - ii. Contractor - Install for your clients as part of a project implementation
  - iii. Industrial - Used in the organizations network
  - iv. Other; Specify .....
6. Are the decisions on purchasing of cabinets made by one person?
  - i. Yes
  - ii No

Please list the position(s) of the person (s) who are involved in making decisions on where you buy your cabinets?

- a).....
- b).....
- c).....

d) .....

7. Position held by respondent: .....

8. Name of respondent (optional) .....

**Part B:**

1. Please indicate the extent to which you consider the following factors important when buying cabinets, by ticking in only one box in the row.

a) **Criteria for choosing the network cabinet supplier**

	<b>Factors considered in choosing the supplier</b>	<b>To a very large extent</b>	<b>To a large extent</b>	<b>To some extent</b>	<b>To a very small extent</b>	<b>To no extent at all</b>
1.	Company management					
2	Company ownership					
3	Company size					
4	Location of company					
5	Reputation & image of firm					
6	Production facilities and capability					
7	Ability to meet required delivery schedule					
8	Ability to provide speedy repair					
9	Reliability and dependability					
10	Logistics					
11	Customer service					
12	Relationship with supplier company					
13	Relationship with key contact employee					
14	History of previous transactions					
15	Satisfaction with previous cabinets					

**b) Criteria for choosing the network cabinets**

	<b>Factor considered</b>	<b>To a very large extent</b>	<b>To a large extent</b>	<b>To some extent</b>	<b>To a very small extent</b>	<b>To no extent at all</b>
16	Quality of cabinet					
17	Consistency of cabinet quality					
18	Reliability of cabinet					
19	Availability of cabinet					
20	Technical specifications					
21	Meeting customer requirements					
22	Extent of customization					
23	Technical support					
24	Warranties and claim policies in case of poor performance					
25	Packaging					
26	Aesthetics – the look					
27	After sales service					
28	Price of cabinet					
29	Discount offered					
30	Terms of payment					
31	Response to enquiries					
32	Site visits					
33	Keeping promises					
34	Feedback to customer					
35	Action on complaints					
36	Availability of cabinets catalog					

## Appendix 4

### Network Cabinets Customers from January 2003 to March 2005

*Source: Power Technics Customers database (2005)*

<b>List of customers who responded</b>			
1	IUCN	38	East African Seafood
2	Delta Network	39	Computer Point
3	Communications Solutions	40	Encapsulated muth sys
4	Shelter Afrique	41	Computer Technics
5	Cliff Almond	42	Sprint Consulting
6	Mearsk Kenya	43	Standard Chartered
7	Safaricom Ltd	44	Tekko Tours
8	Dodhia Packaging	45	Telnet
9	Swift Global	46	Electric Contact
10	Patronics Services	47	Radbone Clark
11	Mobile Planet	48	Associated Steel
12	Ibero K.	49	MFI
13	UUNET	50	Adnet Comm
14	Security Group	51	Circuit Business
15	Linksoft Communications	52	Major Electricals
16	Network Source	53	Tamcon Consulting
17	Phillips Pharmaceuticals	54	Well Fargo
18	Software distributors	55	US Army Medi
19	Kenya Airways	56	Kenya Web
20	Ultimate Engineering	57	Level 36
21	Kenya Data Network	58	Connectivity Solutions
22	H Young	59	Cisle Kenya
23	Seven Seas Technology	60	Sasa Net
24	Adwest Communications	61	Vega Data
25	M J Vekaria	62	Musiara
26	Express Automation	63	Mugtronics
27	Wilken Communication	64	Siemens
28	WECAN computers	65	Aga Khan Hospital
29	HFCK	66	Diamond trust bank
30	Triton Network	67	UUNET MSA
31	Pete Aviation	68	Sasemart
32	Jubilee Insurance	69	Sky Technologies
33	Stanbic Bank	70	Galileo
34	Comtec	71	Chirag Kenya
35	Engineering Devt	72	Star electronics
36	Simbanet Communication	73	Interconnect
37	Mehta Electricals		