

The inevitability and advantages of merging buying and marketing

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Abstract

Developed Western economies have seen a transition away from manufacturing and toward service-based economy. The whole nature of marketing has changed dramatically, moving away from an emphasis on product exchange and toward the supply of services. Because of the change from product-to capability-focused commerce, this study looks at how marketing and buying relate to one another. We anticipate a tighter relationship between the buying and marketing teams for two main reasons. To begin, the buying department will need to be more involved and marketers will need to obtain goods and services from third-party suppliers as they shift their emphasis from products to solutions. Secondly, in order to meet client demands, marketing and buying will need to work together more closely as customer-centric marketing and build-to-order manufacturing gain traction. Recruitment, training, and selection practices for marketers and buyers, as well as their responsibilities within the supply chain, will undergo transformations as a result of these novel aspects of the marketing-purchasing relationship. We go into more detail on these developments that are anticipated to happen in B2B firms, as well as the ramifications for managers.

Keywords: Purchasing, Marketing, Integration, Global trends, Customer centric marketing, Business markets

1. Introduction

Webster (1965), Robinson, Faris and Wind (1967), Webster and Wind (1972), and Sheth (1973) were the foundational publications in the field of formal research in organizational purchasing and industrial purchasing. There have been many reviews of the topic since then, including those by Bunn (1993), Johnston & Lewin (1996), Lewin and Donthu (2005), and Sheth (1996), which provide valuable insights into organizational buying decision-making processes, buying centers' roles and impacts, purchasing and individual situations' impacts, organizational effects on organizational buying. Also, according to Leichtthal, Iyer, Busch, and Tellefsen (2006), business-to-business marketing now a real marketing academic purchasing, topic.Organizational purchasing scenarios, relationship marketing, and branding are all now part of the thriving discipline of businessto-business research. Even if there is a growing need for a more holistic view of B2B marketing, studies on buying and supply chain management are still carried out in separate fields. According to Hardt, Reineke, & Spiller (2007) and Williams, & Henthorne (1994), strategic Giunipero. advantages like competitive supply chains,

improved product development, and faster times to market can only be achieved through tight integration of purchasing and supply chain activities, both internally and with the customer. Hence, as this special issue of Industrial Marketing Management would confirm, the integration of buying and supply chain management in both research and practice is crucial for the progress of the field. As a matter of fact, buying and marketing function independently within the company. A customer-centric business still has a purchasing department that is more in line with operations and manufacturing than with marketing's goals and objectives. Rather of working together to find and provide solutions for customers, marketing and buying are more often involved in meeting operational demands such just-in-time system installation, forecasting model creation, and inventory management. Also, most companies still see buying as just a buyer and their responsibilities are somewhat limited (Reinecke, Spiller, & Ungerman, 2007). Nevertheless, times changed since buying could be seen as an independent department with its own goals, resources, and plans.

The first is that manufacturing has lost a lot of its lustre in modern businesses, and industrial companies increasingly outsource manufacturing and other non-core functions to other companies. A service-dominant logic is supposedly on the horizon, since companies in almost every industry are shifting their focus from physical items to capabilities (Vargo & Lusch, 2004). The second point is that the strategic relevance of buying has grown, even as the buying department's impact on everyday items has diminished (Hardt et al., 2007; Pearson & Gritzmacher, 1990; Cox, 2001; Lamming, 1996). Retailers' sourcing methods, for instance, are now an integral part of their overall merchandising and assortment plans. Product design, new product development, and product customisation also need a strategic role for buying in industrial firms. Third, the company is now competing with companies all around the world, and it has access to raw materials and components from all over the world, thanks to globalization. The end effect has been the loss of buying power, which used to be a major factor in resource-based competitive advantages

2. Purchasing and marketing — traditional roles

Traditionally, marketing's primary concern has been with demand generation and fulfillment of customer needs, while purchasing has focused attention on suppliers to ensure manufacturing and capacity utilization. Thus, dyadic relations for marketing and purchasing are different and therefore, their priorities and strategies are often independent and contradictory to one another. In the industrial organization, manufacturing and operations were the main conduits of integration between marketing and purchasing (see Fig. 1).Communications and contacts marketing and purchasing in the traditional industrial organization were restricted to dictates of manufacturing and operations. For example, the classic organizational problem of "make-versusbuy" to meet customer demand was determined by the evaluation of production and contracting costs (Walker & Weber, 1984). Purchasing's importance increased when the organization

cheaper labor and preferred access to supplies and components. To rephrase, buying has taken on a more pivotal and strategic function for businesses throughout the globe in this age of intense global rivalry for resources. As an example, the world is on the prowl for fossil fuels, coal, and iron ore, and rivals from Russia, China, and India are stepping up their game. While the global capacity for completed goods has been growing, procurement is under even more pressure to prioritize the end user in the supply chain. These new realities call for an increased understanding and collab-oration between purchasing and marketing beyond their traditional roles within the organization. This paper identifies various issues and solutions for a better integration of purchasing and marketing in the next-generation organization. The following section reviews the traditional roles of purchasing and marketing prior to identifying the causes and impact of emergent organizational realities. A framework for the integration of purchasing and marketing is then offered along with some managerial implications and suggestions for future research.

favored a "buy" decision, and its main priorities reductions in the costs procurement. Similarly, the closer relationships sought with suppliers was also motivated by reductions in the costs of manufacturing and operations. Close supplier relations are critical to the successful implementation of just-in-time manufacturing and zero inventory models (Frazier, Spek- man, & O'Neal, 1988). For example, the competitive advantages that Dell Inc. enjoyed over other computer manufacturers were largely due to its just-in-time manufacturing that was enabled through aggressive negotiations with its suppliers (Breen, 2004). While purchasing was focused on reducing the costs of transactions as well as the costs of manufacturing and operations, marketing's concerns had been theenhancement of customer service and satisfaction. Purchasing's inward

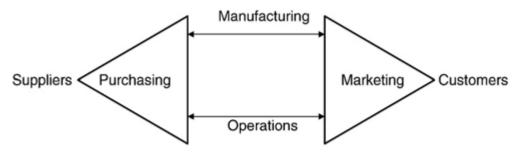


Fig. 1. Distinct foci of marketing and purchasing.

focus and marketing's outward focus remained disparate outlook on realities for the same organization.

Recent literature within purchasing has addressed the strategic importance of purchasing to the organization, including the impor- tance of the purchase situation, and the priorities of developing closer relationships with suppliers (Anderson, Hakansson & Johanson, 1994; Biemans & Brand, 1995; Cannon & Homburg, 2001; Hunter, Bunn, & Perrault, 2006; Iyer, 1996; Leenders & Blenkhorn, 1988). The strategic importance of purchasing has been accentuated by the decreased prominence of manufacturing and the outsourcing of what could otherwise be considered a key source of competitive advantage (Browning, Zabriskie, & Huellmantel, 1983; Iyer, 1996). What matters is the evaluation of the purchase situation in light of the strategic importance of assets that are to be procured over the market interface (Hunter et al., 2006; Iyer, 1996).

Research in recent times has also called attention to the supplier-buyer

relationship in purchasing (Anderson & Narus, 1990; Blenkhorn & Banting, 1991; Cannon & Homburg, 2001; Cannon & Perreault, 1999; Leenders & Blenkhorn, 1988; Leonidou, 2004; Sheth & Sharma, 1997; Tanner, 1999; Wilson, 1995; Wilson & Mummalaneni, 1986). Approaches such as reverse marketing have stressed closer collaboration with suppliers (Blenkhorn & Banting, 1991; Leenders & Blenkhorn, 1988), while insights from relationship marketing stress effective partnerships and relation- ships with suppliers (Biemans & Brand, 1995; Sheth & Sharma, 1997).

However, the end-customer rarely enters the picture in all of the above new approaches to conceptualizing the organizational buying processes, situations, contexts and relationships. Purchasing relation- ships are merely considered the mirror image of the relationships that the organization seeks with its customers through the marketing interface. Thus, issues and perspectives customer relationship marketing and management are transposed on the relationships with suppliers, without considering the fact that marketing's relationships with customers is qualitatively different and dictated by different compared to purchasing's priorities as relationships with suppliers. The result is a Janusfaced organization, one face looking forward to the customer and the other facing the supplier. The importance of marketing's relationship with purchasing is thus, rarely addressed by extant research.

New realities now challenge the dichotomy that exists within most organization on the distinct roles and responsibilities of marketing and purchasing. These new realities are addressed in the next section.

3. The emergent organization

Services have been the fastest growing sector in industrial economies and the loss of manufacturing in these economies is considered inevitable. Also, considering that more value addition takes place through services, the emerging view is that services, rather than products, are central to marketing. Vargo and Lusch (2004)) suggest that the models on which most economic and marketing knowledge is based are goods-oriented and output-based. These models increase our understanding only of a production-based system where goods are first manufactured and then marketed. Instead, Vargo and Lusch (2004)) suggest that the focus of businesses is shifting away from tangible products and processes to intangibles such as skills, informa- tion, and knowledge. There is also a shift towards greater interactivity, connectivity, and maintaining ongoing relationships. Described as the product-to-service-shift, this movement is becoming increasingly important to academics and practitioners.

The central implication of a service-centered logic is that the

appropriate role of marketing should be a focus on the service provided rather than the product sold (Vargo & Lusch, 2004). A service-centered view of exchange implies customized offerings to better fit customers' needs and identifying firm resources — both internal and external — to better satisfy the needs of customers. Service-centered firms develop networks that allow firms to offer solutions to customers that may

involve sourcing from both within and outside the firm. Goods are appliances for service and ownership will no longer be critical for buying firms (Vargo & Lusch, 2004). Similarly, Achrol and Kotler (1999) have also suggested that the marketing function may become a customerconsulting function. Customer consulting framework would enable marketers to evaluate the services that the customer needs and also provide those services. In this emerging environment, purchasing's role in external sourcing will be critical since purchasing will be best positioned to identify the required competencies outside the firm the same way the human resources department is able to identify the competencies needed within the firm.

Vargo and Lusch (2004)) suggest that the use of the singular "service" as opposed to the plural form, "services," is intentional. They suggest that "service" implies a process that firms use resources to benefit customers, whereas "services" are the

output. Ultimately, with this focus on services, the most successful organizations are those whose core competence lies in marketing and all its related market-sensing processes (Day, 1999; Haeckel, 1999). This is where the critical role of purchasing

3.1. Drivers for this change

There are major economic drivers for this change toward a service-dominant logic or a solution-focused marketing strategy. First, competition in most sectors is intense and growing. In the last three decades, the major competitors in global markets are no longer restricted to firms from Europe and United States, but have now emerged from various emerging markets, most notably from China and India. The playing field is also now the entire world, with more growth in emerging economies. But, at the same time, emerging economies such as China and India present a new challenging mix of traditional business practices with modern competitive skills. The rising economic strength and modernization in these economies call for new modalities of competition. In this new competitive environment, solution-based marketing strategies will be more successful as compared to competition based merely on product design or cost economies. Such solutions-based approaches call for a focus on the process rather than on the product (Tuli et al., 2007).

Second, increased multilateral negotiations between countries,

aided largely by the World Trade Organization (WTO), have resulted in the decrease of most inter-country barriers to trade. The relative absence of barriers has made it possible to engage in production in areas that provide the best locational advantages rather than producing near demand centers (Dunning, 1998). This shift of production away from demand centers has made manufacturing less relevant for firms and therefore firms have been willing to source products and services from other firms, thus enabling service dominance or solution-based marketing strategies. This trend is particularly true currently for high value and engineering products, but it is growing for almost all products (Brady, Davis, & Gann, 2005).

Third, businesses have also become more diverse. For example, according to U.S. Census Bureau, there were about 6 million businesses in the U.S. alone in the year 2000. Of these 6 million businesses, 99% had less than 6 employees. 95,000 businesses had more than 100 employees and only 16,000 had more than 500 employees. These large businesses with more than 500

emerges. Purchasing or sourcing becomes the internal supplier to the marketing department. Purchasing no longer is driven by the manufacturing process but by the marketing process.

employees operate out of an average of 54 locations each. The Census Bureau also shows a simultaneous growth in large businesses (e.g., Bank of America) and small businesses. This increasing diversity of business- to-business firms of different sizes has enabled demand diversity, which calls for non-standard or customized solutions.

Fourth, emerging and existing technologies such as Web 2.0 and VoIP have led to decreases in transactional costs of dealing with other firms. Newer technologies have made both location and time less

constraining. In addition, modern logistics technologies enabling low costs of transportation have made it possible to locate sourcing far away from the centers of demand. With the actual physical location no longer being a major constraint, firms have moved towards more value-added solutions.

Fifth, as markets have globalized, so have B2B customers. With the evolution of purchasing into a strategic function, the role of the purchasing manager in some of the more proactive firms has also become more strategic. This has led to more centralized purchasing leading to identification of interactions that are relational (central purchasing) and others that are transactional (local order taking and supplying). Also, purchasing has moved away from product purchasing to solution purchasing, an outcome that is seen in outsourcing.

Finally, marketing is changing from a logic of manufacturing first and then selling to meet demand from end-users. For example, after the Second World War, most firms manufactured the product first and then used marketing to sell the product and conduct "demand management" (Kotler, 1973). However, firms such as Pella windows first get the order from the customer and then manufacture the product, i.e., they engage in reverse marketing (Sharma & LaPlaca, 2005). Manufacturing, in this context, is merely the fulfillment of a customer solution. In this era of reverse marketing, standardized products and services become less important and customized or personalized solutions become more important. The trends towards personalized solutions and services call for a much closer integration of

purchasing and marketing. In the next section, we trace the conceptual underpinnings of the

purchasing-marketing integration.

4. Conceptual underpinnings of purchasing-marketing Integration

We propose a conceptual model to aid our understanding of the issues that we present in Fig. 2. The need for closer supplier relationships and the imperatives of a solution-focus call for an integration of purchasing and marketing beyond what is currently observed in most organizations. The exigencies of a competitive and lean supply chain from raw materials to market demand call

for an in-depth analysis of sourcing and outsourcing issues as much as internal marketing efforts. Increases in manufacturing costs as well as the greater margins obtained from providing services has led many organizations to outsource manufacturing. For example, firms such as IBM have, in the past decade or more, positioned themselves as providers of services

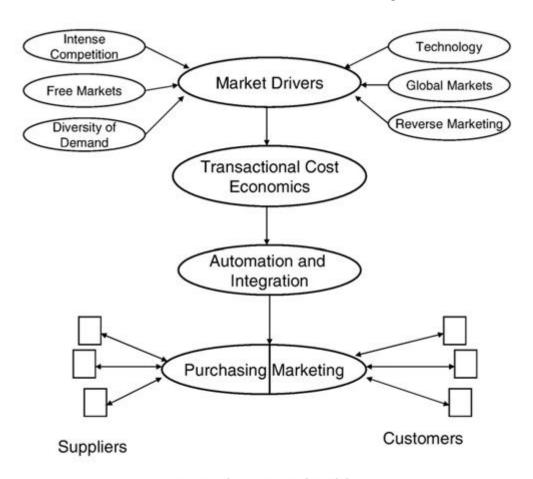


Fig. 2. The conceptual model.

rather than products. Such firms have outsourced the tangible aspects of their products to low-cost locations and to third-party and related-party providers. As a result, purchasing's importance has grown in sourcing for manufactured products and components (Trent and Monczka, 2003).

But, since purchasing's priorities are now set by the customer demand, the role of the traditional purchase department, which focused more on routine buying of materials and components as opposed to strategic sourcing, has also declined. Such a decline is also predicted by transaction cost economics. Central to transaction cost economics approaches is the concept of supplier opportunism. While effective and lean supply chains call for closer relationships and single source supply, the possibility of suppliers acting contrary to the firm's objectives remains a reality (Buvik and

John, 2000). According to transaction cost economics, such supplier opportunism would be present whenever it is feasible and economically advantages for the supplier (Williamson, 1975). As more number of firms outsource their manufacturing and reduce their emphasis on the traditional activities of the purchasing function, such as vendor qualification and selection, they expose themselves more to supplier opportunism (Williamson, 1985). For example, Mattel recently engaged in a voluntary recall of millions of toysthat may have contained hazardous levels of lead paint and blamed its manufacturing partner in China for not engaging in adequate quality control in procuring paint from its suppliers (Casey, 2007; Casey & Zamiska, 2007). Thus, even when outsourcing, purchasing requires a more strategic focus on organizational objectives. Reliance on outsourcing may also contribute to leakages of "architectural knowledge" and proprietary information sources on which rest the firm's competitive advantages (Iyer, 1996). To mitigate these risks and the risks of supplier opportunism, firms may have to develop complex incentive and contract structures that may serve only to increase the costs of procurement (Williamson, 1975).On the other hand, there are distinct advantages if the purchasing function were to be retained in-house and performed its traditional activities, including new ones such as monitoring and control of manufacturing outsourced and products. Customer demand for quality is better met and the core priority for purchasing is a focus on value rather than costs alone. At the same time, it has been noted that primary disadvantages of internal procurement include the rise in bureaucratic costs of staffing a separate procurement division and dulled incentives that contribute to managerial (Williamson, 1975). Therefore, purchasing's objectives need to be better aligned within the organization.

The majority of research in terms of functional relationships has been conducted in the area of channels, where firms want closer relationships with their distribution partners. However, stronger relationship with the purchasing department calls for an examination of relational assets and the investment in supply chain made by each functional area. Relational assets developed by purchasing can affect the marketing department's relational orientation. There are two

4.1. Automation and integration

With increased global competition, firms have started examining processes for both effectiveness

types of relational assets. The first type of assets is non-transaction-specific. Examples of nontransaction-specific assets in our context are technical expertise, access to raw materials, and cost structures. The second type of assets is transaction-specific and may include specific machinery or human assets obtained exclusively for the supply relationship. Both these assets create dependence; in other words, the buyerseller relation- ship is maintained to achieve the desired goals (Frazier, 1983). In retailing, dependence of a channel member on a supplier has been shown to be positively related to the retailer's long-term-orientation (Ganesan, 1994). Relational assets signal commitment and therefore, purchasing's investment in such assets creation of closer supply enables the relationships.

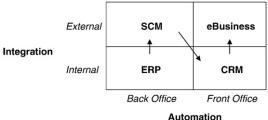
At the same time, transaction-specific investments made by the marketing function can help cement long-term relationships with customers. Such transaction-specific investments increase the com- mitment between partners (Blau, 1964; Cook & Emerson, 1978) and signal credible commitments that support continuing exchange (Williamson, 1983). For example, increases in the level of the sales agency's manufacturer-specific assets contribute to mutual depen- dence between the agency and the manufacturer, leading to higher levels of relationship orientation (Weiss & Kurland, 1997). Assets created by marketing can be characterized by the degree to which they are transactionspecific, i.e., idiosyncratic to the exchange and non-redeployable in other exchanges. Higher levels of transaction-specific investments lead to increased costs of replacing an exchange partner (Barney & Ouchi, 1986; Heide and Weiss, 1995). Thus, relationship-specific assets can be present both in the supply relationships as well as in the relationship with the firm's customers. A closer integration between marketing and purchasing is needed to safeguard these relationship-specific assets. Α balanced relationship and a somewhat seamless value chain is obtained when investments in relational assets are made for the same value chain relationship and there is adequate coordination between marketing and purchasing within the organization to make ensure commitment and continuity in both ends of the value chain.

and efficiency. Efficiency involves cost-benefit analysis, and firms seek the maximization of the

output-to-input ratio of dollars spent. As such, firms have started adopting process improvement plans (through strategies such as Six Sigma) and even engaging in business process outsourcing (BPO). A measure of effectiveness is the intangible outcome of processes. For example, the enhancement of customer loyalty and "share of wallet" are effective outcomes of customer relationship management. Several firms have taken very specific steps to increase efficiency and

4.2. Increase in process automation

Process automation came of age with advanced telecommunication devices and continues to become a large part of a firm's operations. There are multiple reasons for this phenomenon. First, as mentioned earlier, firms are now more sensitive to the costs of processes and are attempting to reduce these through automation. Second, automation allows firms to operate 24/7 in concert with their customers. As services become the dominant paradigm, customers' access to the firm's capabilities anytime and from anywhere becomes top priority. Third, automation allows firms to simultaneously provide information to their employees and customers, thereby reducing interaction costs. This also allows employees or customers with specific or special needs to have easy access to the information they need. Fourth, automation allows employees and customers to



between internal and external production is becoming less meaningful and could be

Conclusion

The traditional role of purchasing as a conduit for the firm's supply and manufacturing operations is likely to be transformed by various trends in the market. With increasing number of firms deemphasizing their manufacturing activities and stressing customer solutions, purchasing needs to be more aligned and integrated with marketing. These trends have shifted the source of competitive advantage from *knowing how to do* to *knowing how to put it together*. Thus, the real source of competitive advantage now derives from the ability of firms to provide integrated solutions

effectiveness. One of the methods of doing this is to enhance the cooperation between purchasing and marketing. As an example, Dell Computers maintains no inventory. The production schedule is provided to all vendors a couple of days before production and allows the suppliers to provide justin-time and just-in-sequence inventory. In this system, marketing and purchas- ing have to partner to ensure quick deliveries as well as develop betterlong term forecasts.

deliberate more on the strategic aspects of their decisions, since there is less employee time involved in routine processes. Fifth, process automation reduces error as employees and customers input their requirements directly into an ordering system. Finally, technologies such as EDI (electronic data interchange) allow computers to communicate with other computers, reducing the need for people and enhancing the efficiency of processes.

Automation has enabled greater access to information and integration of functions. The evolution of automation and integration is noted in Fig. 3.

In summary, automation and integration is making the boundary between the functional areas disappear. In our context, the boundary

eliminated. Instead, the purchasing function should have the flexibility of insourcing or outsourcing any product or capability.

rather than simply delivering a product or service at a competitive price and in a timely manner. (Davis, Brady, & Hobday, 2006).

The idea of providing solutions is neither new nor radical in industries such as management consulting, construction, software development and film production. Here, the firm interacts with disparate organizations to manage a focus on the ultimate solution. However, traditionally, business-to-business and industrial management have relied on the smoke-stack organization as the model for developing purchasing's roles,

responsibilities, functions, and contributions. In the new era of solutions marketing, purchasing needs to be reinvented with a focus on customer solutions rather than pre-specified products. The focus on customer solutions calls for the realignment of purchasing more with marketing and less with production and operations.

The alignment of purchasing with marketing enables the firm to develop more effective customer solutions. It transforms the purchasing function in many ways — including searching for vendors of solutions rather than products, specifications of supplier performance that are developed based on solutions rather than on simply timely and reliable delivery of products, and understanding customers on the demand side of the chain as much as coordinating with suppliers on the

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supply side of the chain. Marketing's role is one of an integrator with a focus clearly on customer solutions. With this imperative, marketing would lead the organization in gearing itself completely towards the provision of the solution. Disparate functions within the organization as well as those that are outsourced would be coordinated by marketing to deliver the most effective customer solution profitably. Purchasing's new role would also involve being the outsourcing coordinator, putting together various services contracted from various vendors to collate the best customer solution promised by marketing. A new era of closer alignment and integration between purchasing and marketing has just begun.

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