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Why integrating purchasing with marketing is both inevitable and beneficial

Jagdish N. Sheth [a], Arun Sharma [b,*], Gopalkrishnan R. Iyer [c]

[a] Emory University, United States
[b] Department of Marketing at the University of Miami, United States
[c] Center for Services Marketing and Management at Florida Atlantic University, United States

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ABSTRACT

The shift away from manufacturing in Western developed economies has resulted in economies in which service industries are dominant. Marketing itself has undergone a paradigmatic shift from a focus on the exchange of goods to the provision of capabilities. This paper examines the relationship between marketing and purchasing as a result of the shift from product- to capability-focused commerce. We suggest that the marketing and purchasing departments will become closer due to two major reasons. First, as marketers increasingly become solution-oriented rather than product-focused, they will need to source products and services from third-party vendors and will require deeper involvement of the purchasing department. Second, with the emergence of customer-centric marketing coupled with build-to-order manufacturing, marketing and purchasing will have to be better aligned to deliver solutions to customers. These new dimensions in the marketing–purchasing interaction will also lead to changes in the selection, training, and recruitment of marketers and purchasers as well as their roles in the supply chain. We elaborate on these changes likely to occur in business-to-business organizations and along with implications for managers.

1. Introduction

Formal research in organizational buying and industrial purchasing began with the seminal works of Robinson, Faris and Wind (1967), Webster (1965), Webster and Wind (1972) and Sheth (1973). Since then, research has revealed tremendous insights into the decision-making processes in organizational buying, the roles and impact of buying centers, the impact of purchasing situations, and the individual and organizational effects on organizational buying [see Bunn (1993), Johnston & Lewin (1996), Lewin and Donthu (2005), and Sheth (1996), for reviews of the field]. At the same time, the field of business-to-business marketing has emerged as a legitimate area of academic inquiry and research within marketing (Lichtenthal, Iyer, Busch, & Tellefsen, 2006).

The field of business-to-business research has been able to successfully integrate areas such as organization buying, buying situations, relationship marketing and branding. However, research on purchasing and supply chain management is currently conducted in disparate domains despite the emerging realities and practical exigencies of an integrated perspective on business-to-business marketing. Strategic benefits, such as competitive supply chains, improved product development and faster times to market, can be realized only when purchasing and supply chain activities are closely integrated not only with each other, but also to the customer (Hardt, Reineke, & Spiller, 2007; Williams, Giunipero, & Henthorne, 1994). Therefore, the integration of purchasing and supply chain management in research and practice is critical to the advancement of the discipline, as this special issue of *Industrial Marketing Management* would attest.

In practice as well, purchasing and marketing operate in distinct silos within the organization. Even in customer-focused companies, purchasing is aligned more with manufacturing and operations, and remains distinct from the aims and objectives of marketing. Interactions between marketing and purchasing occur more for operational dictates, such as the implementation of just-in-time systems, development of forecasting models, and inventory management, rather than for identifying and delivering customer solutions. Moreover, purchasing is still focused on its narrow and transactional role as merely a buyer in most organizations (Reinecke, Spiller, & Ungerman, 2007).

Organizational realities, however, have now changed considerably from the era when purchasing could be considered a distinct department with its own objectives, budget and strategies. First, the importance of manufacturing in today's business firms is now considerably eroded and industrial firms rely more on outsourcing non-core activities, including manufacturing and other operations, rather than performing them in-house. Across practically all industries, firms are now emphasizing capabilities rather than tangible goods, leading some observers to herald the coming of a service-dominant logic in marketing (Vargo & Lusch, 2004). Second, while the purchasing department's influence on routine products has decreased over time, the strategic importance of purchasing has only attained increased prominence (Hardt et al., 2007; Pearson & Gritzmacher, 1990; Cox, 2001; Lamming, 1996. For example, sourcing strategies in industries such as retailing are today a very important and strategic

* Corresponding author. Department of Marketing, University of Miami, PO Box 248147, Coral Gables, FL 33146. Tel.: +1 305 284 1770; fax: +1 305 284 5326.
E-mail address: asharma@exchange.sba.miami.edu (A. Sharma).

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component of the retailer's merchandising and assortment strategy. Similarly, in the industrial firm, it cannot be denied that product design, new product development and product customization require a strategic role for purchasing. Third, globalization has not only exposed the firm to global sources for raw materials and components, but also to global competition. The resulting impact has been on erosion of traditional sources of resource-based competitive advantage, such as privileged access to materials and components, and lower labor costs, which were once aided largely by purchasing. In other words, in the era of global competition for raw materials and other resources, the role of purchasing has become more important and strategic for firms worldwide. For example, there is a global hunt for resources such as oil, coal and iron ore, and global competitors from emerging economies of China, India and Russia are being very aggressive. At the same time, increase in worldwide capacity for finished products has further put pressure on procurement to focus on the end-customer in the supply chain.

These new realities call for an increased understanding and collaboration 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.

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 between marketing and purchasing in the traditional industrial organization were restricted to dictates of manufacturing and operations. For example, the classic organizational problem of "make-versus-buy" to meet customer demand was determined by the evaluation of production and contracting costs (Walker & Weber, 1984). Purchasing's importance increased when the organization favored a "buy" decision, and its main priorities were reductions in the costs of 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, Spekman, & 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 the enhancement of customer service and satisfaction. Purchasing's inward focus and marketing's outward focus remained disparate outlook on realities for the same organization.

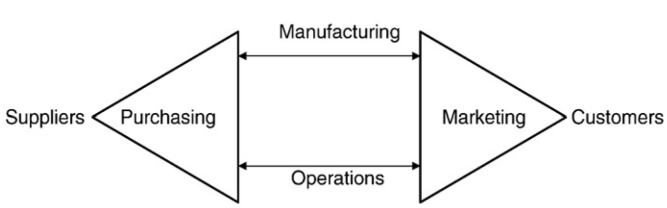

Fig. 1. Distinct foci of marketing and purchasing.

Recent literature within purchasing has addressed the strategic importance of purchasing to the organization, including the importance 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 relationships 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 relationships are merely considered the mirror image of the relationships that the organization seeks with its customers through the marketing interface. Thus, issues and perspectives in 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 priorities as compared to purchasing's relationships with suppliers. The result is a Janus-faced 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, information, 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 customer-consulting 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 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.

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 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

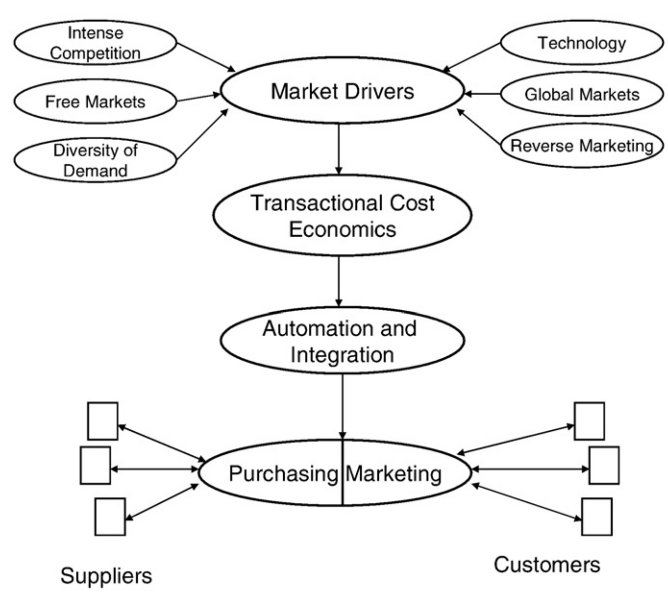

Fig. 2. The conceptual model.

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 toys that 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 outsourced manufacturing 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 may contribute to managerial shirking (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 types of relational assets. The first type of assets is non-transaction-specific. Examples of non-transaction-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 buyer–seller relationship 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 enables the creation of closer supply 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 commitment 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 dependence 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 transaction-specific, 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. A 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.

4.1. Automation and integration

With increased global competition, firms have started examining processes for both effectiveness 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 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 just-in-time and just-in-sequence inventory. In this system, marketing and purchasing have to partner to ensure quick deliveries as well as develop better long term forecasts.

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 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

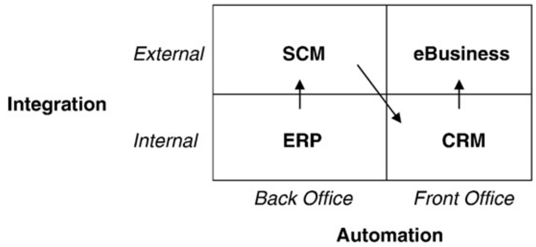

Fig. 3. Integration and automation in e-procurement.

between internal and external production is becoming less meaningful and could be eliminated. Instead, the purchasing function should have the flexibility of insourcing or outsourcing any product or capability.

5. Marketing-driven organization

Based on our earlier discussion on service-dominant logic, we expect the marketing function to evolve in four major ways.

5.1. Solution versus customer focus

Traditionally, marketing has focused on the selection of a specific target market of customers and then understanding and analyzing the needs of such target customers. The firm specialized in the ability to market to a specific target group of customers. However, in solutions-selling, the focus is on the needs of the individual customer as opposed to a group. This requires the ability to market to a diverse group of customers as opposed to a group of similar customers. Scale economies here are obtained by drawing customizable solutions from an ever growing knowledge base of solutions and firms specialize in the ability to cater to specific customer needs. Several large consulting companies that market to diverse industries already practice such solutions-selling. For each customer, a team of personnel with diverse skills and specializations are assembled to provide a solution. Each marketed solution then becomes part of a knowledge base from which it can be retrieved, adapted and customized to provide solutions for future needs. Thus, while traditional marketing was focused on understanding the characteristics of markets and segments, solutions-selling calls for the understanding of the characteristics of customer needs. To engage in solutions-selling, firms need to focus on the right factors to bring about an organization-wide change so to be able to develop effective solutions at profitable prices (Tuli et al., 2007). In such organizations, purchasing's role is re-aligned to a seeker of skills needed for solutions rather than products needed for manufacturing and operations.

5.2. Diversity in supply

As marketing firms become more solution-focused rather than product-focused, procurement will become more diverse. Buying firms will seek diverse solutions that will lead to marketing firms requiring diverse suppliers, both internal and external. Consulting firms such as Accenture are ahead of the cycle as they source solutions from a diverse set of suppliers, depending on the needs of the customer. Outsourcing activities in management consulting and software development today involve specific solutions rather than the traditional focus on obtaining products to implement the firm's solutions. Thus, purchasing has to re-invent itself from contract purchasing of products to contract implementation of specific solutions.

5.3. Purchasing as a strategic function

With marketing firms delivering solutions to an increasingly demanding customer, purchasing will play a strategic role in the firm. The purchasing function will increasingly develop supply lines in an era of commodity shortages and customer solutions. The shift will be from the purchasing department predominantly being a traditionally process-oriented department to a strategic department.

5.4. Marketing will lead

Traditionally, the manufacturing function dominated the firm and almost all operational functions revolved around manufacturing schedules. In the emerging era, firms will be driven by the demand created by the marketing function. Purchasing's alignment would now be more with marketing demand schedule rather than the process schedule outlined by manufacturing and operations. Marketing will thus emerge as leader in the organizational process relationship.

5.5. Organizational Changes

Based on the closer marketing – purchasing interface, we expect major changes in the functioning of firms. These changes will reflect the culture, structure, systems and processes firms will need to undertake to enhance the partnering of marketing and purchasing. These are discussed below.

5.6. Internal marketing

The first shift in the marketing function will be in the area of internal marketing. Internal marketing refers to the marketing of organizational priorities to employees and achieving greater inter-functional coordination towards the achievement of organizational goals (Berry, 1981). Because marketing organizations will need resources to satisfy customer needs through fulfillment, marketing organizations will need to become better at obtaining resources internally from within their own organization. Therefore, the marketing function will have to treat purchasing as they would treat a customer and will have to develop partnering plans that will satisfy the needs of purchasing. Purchasing will have to become an integral part of the marketing function's internal strategy.

5.7. Evaluation of the marketing function

Traditionally, marketing has been regarded as a cost center. With increasing responsibility of creating demand, marketing will be responsible for profitability of each customer. The marketing function will be evaluated on a balanced score-card that will include P&L, share of wallet and customer satisfaction. In this era, marketing will also look at the purchasing function as a partner that can help them achieve their objectives. They will no longer be two functions within an organization, but will move toward two integrated functions. For example, before a salesperson takes an order, they will ensure that purchasing is aware of the requirements.

5.8. Increase in diversity

Customer diversity is increasing due to global markets and customer fragmentation. As customer diversity increases, firms will seek diverse solutions, which in turn would lead to supplier diversity. Purchasing function will need help in managing such diversity. Since marketing has traditionally managed customer diversity, it can be an expert in this area. In other words, purchasing becomes part of the solution generating process and becomes more involved in fulfilling customer needs.

5.9. Increase in relationships and reciprocity

The purchasing function was typically process driven and did not develop relationships, except for routinely-consumed products. As the purchasing function becomes more strategic, relationships with key suppliers will be sought. Marketing's competency in relationship management will aid purchasing in forming relationships with solutions suppliers. The increase in marketing–purchasing cooperation would enable a seamless supply chain oriented towards solving customer needs.

6. 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 de-emphasizing 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 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 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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