CHAPTER 1

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CHAPTER I: INTRODUCTION

An important part of the marketing process is to understand why a customer or buyer makes a purchase. Without such an understanding, businesses find it hard to respond to the customer’s needs and wants. Marketing theory traditionally splits analysis of buyer or customer behaviour into two broad groups for analysis – Consumer Buyers and Industrial Buyers.

**Consumer buyers** are those who purchase items for their personal consumption / household. Consumers go for routine purchases in their everyday activities and they do not buy product for the purpose of making profit. The consumer is often called an “end user” because he is the last person who uses the product or service. A consumer is often called an “end user” because he is the last stop and does not usually transfer or sell the item to another party.

**Organizational buyers** are those who purchase items on behalf of their business or organization. Industrial buyers purchase goods in bulk for long term and further production from Industrial market which are needed for business purpose and for making profit.

1.1 Differences between Consumer and Organizational buyers

There are many differences between consumer and Organizational buying which have direct implications on the marketing of products & services.

1. Organizational buyers are generally few in numbers: Companies marketing industrial products will have fewer potential buyers than one marketing in consumer markets. Often 80 per cent of output, in the industrial category is sold to 10-15 organizations.
2. There is a long term and close relationship between Organizational buyers and sellers: As there is very much importance of the large customers, it makes sense for sellers to invest on long term relationships with its buyers. This is reflected in the growth of key account selling where dedicated sales and marketing teams are employed to service major customers.

3. Organizational buyers are more rational: Like all people organizational buyers are also affected by emotional factors. It is also probably true that on the whole organizational buying is more rational. Often decisions will be made on economic criteria. This is because organizational buyers have to justify their decisions to other members of their organisation.

4. Organizational buying is always driven by specific requirements: Organizational buyer determine product specifications and the sellers also tailor their product offerings to meet them. This is feasible because of the large potential revenue of such products.

5. Reciprocal buying may be important in organizational buying: Because an organizational buyer is in a powerful negotiating position with a seller, it may be possible to demand concessions in return for placing the order. In some situations the buyer may demand that the seller buys some of the buyer’s products in return for securing the order.

6. Organizational buying may be more risky: Business to business markets are sometimes characterized by a contract being agreed before the product is made. Further, the product itself may be highly technical and the seller may be faced with unforeseen problems once work has started.
7. Organizational buying is more complex: Many organizational purchases, notably those which involve large sums of money and are new to the company, involve many people at different levels of the organisation. The managing director, product engineers, production managers, purchasing manager and operatives may influence the decision of which expensive machine to purchase. The sales task may be to influence as many of these people as possible and may involve multi-level selling by means of a sales team, rather than an individual salesperson.

8. Negotiation is often important in organizational buying: Negotiation is often important in organizational buying because of the presence of professional buyers and sellers and the size and complexity of organizational buying. The supplier’s list price may be regarded as the starting point for negotiation, but the price actually paid will depend on the negotiation skills and power bases of buyers and sellers.

1.2 Organizational Buyer Behaviour

Organisational buyer behaviour has usefully been broken down into three elements by Fisher1.

1. **Structure:** ‘who’ factor – who participates in the decision-making process and their particular roles.

2. **Process:** ‘how’ factor – the pattern of information getting, analysis, evaluation and decision-making which takes place as the purchasing organization moves towards a decision.

3. **Content:** ‘what’ factor – the choice criteria used at different stages of the process and by different members of the decision-making unit.

______________________________

1.2.1 Structure

An important point in organisational buying is that the buyer or purchasing officer is often not the only person who influences the decision, or who actually has the authority to make the ultimate decision. Rather, the decision is in the hands of a decision-making unit (DMU), or buying centre. This is not necessarily a fixed entity. The people in the DMU may change as the decision-making process continues. Thus a managing director may be involved in the decision that new equipment should be purchased, but not in the decision as to which manufacturer to buy it from. Bonoma\(^2\) and Webster\(^3\) have identified six roles in the structure of the DMU.

1. **Initiators**: those who begin the purchase process.
2. **Users**: those who actually use the product.
3. **Deciders**: those who have the authority to select the supplier / model.
4. **Influencers**: those who provide information and add decision criteria throughout the process.
5. **Buyers**: those who have authority to execute the contractual arrangements.
6. **Gatekeepers**: those who control the flow of information, e.g. secretaries who may allow or prevent access to a DMU member, or a buyer whose agreement must be sought before a supplier can contact other members of the DMU.

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1.2.2 Process

The below describes the process for Industrial Buying process

**Figure No. 1.1: The Organizational decision making process (buy phases)**

<table>
<thead>
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<td>2. Determination of characteristics, specification and quantity of needed item</td>
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The exact nature of the process will vary and depend on the buying situation. In certain situations some stages will be omitted; for example, in a routine purchase situation the purchasing officer is unlikely to pass through stages 3, 4 and 5 (search for suppliers and an analysis and evaluation of their proposals). These stages will be bypassed, as the buyer, recognizing a need (shortage of stationery) from the existing supplier.

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In general, the more complex the decision and the more expensive the item, the more likely it is that each stage will be passed through and that the process will take more time.

1. **Need or problem of recognition**

Needs and problems may be recognised either through internal or external factors. An internal factor would be the realization of under capacity of the plant or equipment leading to the decision to purchase additional plant or equipment. Thus, internal recognition leads to active behaviour (internal / active). The problems which are recognised internally but are not be acted upon, the condition may be termed Internal / passive. An example: An Operation manager may realise that there is a problem with a machine but, given more pressing problems, decides to live with it. Other potential problems may not be recognised internally and only become problems because of external cues. A production manager may be quite satisfied with the production process until being made aware of another more efficient method.

2. **Determination of characteristics, specification and quantity of needed item**

At this stage of the decision-making unit (DMU) draws up a description of the characteristics, specification and quantity of the needed item.

3. **Search for and qualification of potential sources**

A great deal of variation in the degree of search takes place in organisational buying. Generally the cheaper, less important the item and the more information the buyer possesses, the less search takes place.

4. **Acquisition and analysis of proposals**

Companies floats an Request for Proposal (RFP) to a number of companies which through its technical expertise and general reputation are considered to be qualified to supply the product / service, the proposals will then be requested for and analysis will be done.

5. **Evaluation of proposals and selection of suppliers**

Each proposal received will then be evaluated as per the criteria deemed important to each DMU member. Different DMU member may use different criteria when judging proposals. Although this may cause problems, the outcome of this procedure is the selection of a supplier or suppliers.
6. **Selection of an order routine**

Next the details of the contract along with the deliverables and payments terms are worked upon. Usually this is conducted by the purchasing officer.

7. **Performance feedback and evaluation**

This process may either be formal where a purchasing department draws up an evaluation form for user departments to complete or informal through everyday conversation.

1.2.3 **Content**

This aspect of organisational buyer behaviour\(^5\) refers to the choice criteria used by members of the DMU to evaluate supplier proposals. These criteria are likely to be determined by the performance criteria used to evaluate the members themselves. A procurement manager who is judged by the extent to which they reduce cost is likely to be more cost-conscious than a production engineer who is evaluated in terms of the technical efficiency of the production processes. As with consumers, organisational buying is characterized by both functional (economic) and psychological (emotive) criteria.

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1.3 Factors Affecting Organizational buyer behavior

Cardozo identified three factors that influence the composition of the DMU, the nature of the decision-making process and the criteria used to evaluate product offerings: ⁶

- The buy class
- The product type
- The importance of the purchase to the buying organization

These three factors are illustrated in Figure below:

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1.3.1 The buy class

Industrial purchasing decisions were studied by Robinson, Faris and Wind, who concluded that buyer behaviour was influenced by the nature of the buy class.\(^7\)

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The writer distinguished between a new task, a modified re-buy and a straight re-buy. A new task is something when the need for the said product was never seen before hence there is little or no relevant experience in the company for the said product or service and a great deal of information is required. A *straight re-buy*, on the other hand, occurs where an organisation buys previously purchased items from suppliers already judged acceptable. Routine purchasing procedures are set up to facilitate straight re-buys. The *modified re-buy* lies between the two extremes. A regular requirement for the type of product exists and the buying alternatives are known, but sufficient change has occurred to require some alteration of the normal supply procedure.

The buy classes affect organisational buying in the following ways. The structure of the DMU changes as per the type of buy. For a straight re-buy, only the purchasing officer is involved, whereas for a new buy, senior management, middle management, engineers, production managers and purchasing officers are likely to be involved. Modified re-buys often involve engineers, production managers and purchasing officers. Second, the decision-making process is likely to be much longer as the buy class changes from a straight re-buy to a modified re-buy and then, a new task. Third, in terms of influencing DMU members, they are likely to be much more receptive in new task and modified re-buy situations than for straight re-buys.

### 1.3.2. The product type

Products can be classified according to four types:

1. Materials to be used in the Manufacturing process, e.g. Iron;
2. Components to be incorporated in finished product
   
   E.g. carburetor

3. Plant and equipment
   
   } Production facilities

4. Products and services for maintenance, repair and operation (MROs)
   
   E.g. Spares, lubricants
This classification is based upon a customer’s perspective – how the product is used – and may be applied to identify differences in organisational buyer behaviour. First, the people who take part in the decision-making process tend to differ according to product type.

For example, it has been found that senior management tend to get involved in the purchase of plant and equipment or, occasionally, when new materials are purchased, if the change is of fundamental importance to company operations; for example, if a move from aluminium to plastic is being contemplated. Rarely do they involve themselves in component or MRO supply. Similarly, design engineers tend to be involved in buying components and materials but not normally MRO and plant and equipment. Second, the decision-making process tends to be slower and more complex as product type moves from: MRO ® Components ® Materials ® Plant and equipment

1.4 Importance of purchase to buying organisation

A purchase is likely to be perceived as important to the buying organisation when it involves large sums of money, when the cost of making the wrong decision, for example in lost production, is high and when there is considerable uncertainty about the outcome of alternative offerings. In such situations, many people at different organisational levels are likely to be involved in the decision and the process is likely to be long, with extensive search and analysis of information.

1.5 Concept of Corporate Performance Management (CPM)

Corporate performance management (CPM)⁹ is the area of business intelligence (BI)

involved with monitoring and managing an organization’s performance according to key performance indicators (KPIs) such as revenue, return on investment (ROI), overhead, and operational costs. CPM is also known as business performance management (BPM) or enterprise performance management (EPM).

The use of a corporate performance management (CPM) system is often limited to the finance personnel within organizations. In fact, CPM is still sometimes narrowly pegged as financial performance management. At first glance, the odds seem stacked against creating an enterprise CPM system, but a closer look reveals a variety of opportunities for leveraging CPM tools company-wide.

One of the major challenges to establishing a broader CPM strategy stems from the way in which CPM software was first developed years ago. Many of the initial CPM applications were point products focused on a particular need, primarily finance-related. And even though CPM vendors have expanded their offerings into full product suites, a lot of buying is still driven by individual business cases.

Management systems today do a good job of budgeting, financial and management reporting, and rudimentary business intelligence analysis, but these information and process islands are usually disconnected from real-world decisions and corporate actions. Think about who owns these initiatives in the organization: finance, IT, the lines-of-business, operations and other corporate functions—there is probably more duplication of effort (and systems) than we know.

The promise of CPM is to bring together these processes and technologies into an integrated system and unified way of managing the business that is more powerful than its individual parts. A true “management system” integrates all areas of the business from a common strategy and vision, through a common business language, and establishes a culture of accountability and results.

One of the main sources of competitive advantage is the ability to adapt to change. To add material value in today’s rapidly changing, increasingly complex, and global business environment, Organization’s management system must be able to quickly adapt to all kinds of change: organizational, market, competitive, and regulatory change. It must
make fact-based decision-making a core competency, it must provide an environment for continuous, collaborative “what if” modelling and analysis that interconnects uncertainty, risk, and volatility, and it must give visibility and insight into the true drivers of value in the business. And on top of all that, to drive the right behavior, it must directly connect people performance and results to rewards and compensation. In short, Organization’s management system must be agile. CPM is a valuable place to start.

CPM integrates the myriad of answers to complex questions including: “What do we want to happen in the business, and what is the right way to make it happen?” CPM helps align the answers with strategy using the right balance of standardization and flexibility to drive sustainable performance.

Historically used within finance departments, CPM software is now designed to be used enterprise-wide, often as a complement to business intelligence systems. CPM software includes forecasting, budgeting and planning functions, as well as graphical scorecards and dashboards to display and deliver corporate information. A CPM interface usually displays figures for key performance indicators so that employees can track individual and project performance relative to corporate goals and strategies. Some companies use established management methodologies with their CPM systems, such as balanced scorecard or Six Sigma.

CPM adds up for organizations to utilize it in order to drive their business in today’s market of major competition, globalization and increasing demands for better stakeholder returns. Despite all these reasons companies find it hard to implement systems which complement their business and align personal performance to corporate strategies. This results in unsatisfactory results and inefficient performances. To be successful, top management must improve their decision making processes and reengineer the required business processes.
Performance Management\textsuperscript{10} includes processes that effectively communicate company aligned goals, evaluate employee performance and reward them fairly. Clear goal planning, skill development and a true pay-for-performance culture are talent management practices that successful companies use to demonstrate that their employees are valued. Effective performance metrics has been proven to increase employee morale and overall productivity. Engaged, productive employees are essential to any company outperforming its competitor.

Rising costs, increased competition, time required to hire and train new talent etc. have made retention of top performers’ imperative to the bottom line. Recognizing gaps and developing skills enable managers to properly map out succession plans while employees develop attainable career paths.

1.5.1 Reporting

Reporting requirements have changed dramatically in organizations. Organizations today are much more streamlined and the business world is much more competitive than before. An organization’s business changes rapidly and frequently and, as a result, everyone must

operate at business speed. In order to respond effectively and produce relevant reports, businesses have to engage a large number of people across the organization to create, collaborate on, and deploy reports.

**Figure No. 1.5: Representation of Reporting in CPM Solution**

As a comprehensive reporting solution, CPM reporting removes the limitations on report development normally found with different products and interfaces for various report requirements or users. It reduces IT bottlenecks and allows for a more timely distribution of information; all of which gives report users and authors the opportunity to respond quickly and effectively and allows managers to get answers themselves.

Various types of report are:

1. Managed reports
2. Transactional & Operational reports
3. Ad-hoc reports
4. Production reports
5. Statement – style reports
1.5.2 Analysis

Multidimensional analysis is a powerful means of extracting maximum value from the corporate data. It organizes information into dimensions such as time periods, products, customers and locations, and measures such as revenue, profitability and customer retention. By organizing information in this way, multidimensional analysis lets a better understanding of the business. It can help follow trends in customer behavior, spot anomalies across products, compare annual sales in a region by product line or customer type, see performance trends over time or even test a strategic plan.

Figure No. 1.6: Representation of Analysis in CPM Solution

User can perform multidimensional analysis quickly and easily using the Analysis capabilities. Access and analyze large data sets efficiently with fast and predictable response times. View trends over time and isolate and explore issues, drilling down to details and moving from one dimension, or level of information, to another. As a business analyst, user can take advantage of the analysis capability to improve productivity and leverage set definitions across user groups.
1.5.3 Dashboard

Dashboard is Flash-based capability that lets users assemble and interact with sophisticated dashboards from trusted, report-ready information. Extend dashboards beyond just gauges or charts by embedding tool-built or external elements such as RSS feeds, Web pages, search facility and more directly into the dashboard. Deliver a single view of the information that matters most to business users with easy-to-use information.

Figure No. 1.7: Representation of Dashboard in CPM Solution

Personalized dashboards require an intuitive environment so users can request, edit and adapt dashboard content. This means:

- Business users and executives can change content or layout of existing dashboards without difficulty and frustration.
- Business users have no constraints on the type of content and how to view it, i.e., not limited to premade reports or IT views of reports.
- Dashboards are fast and easy to assemble, based on trusted, IT-validated reports and data, so business people don’t have to author reports from scratch.

These requirements drive dashboards to have an easy-to-use drag-and-drop interface and freedom from (and for) IT—so business people can craft the dashboard that fits their need.
1.5.4 Budgeting

Budgeting in CPM is a process of creating more accurate companywide (across various departments such as Sales, Finance, Human Resource, Production etc.) budgets with far less labor and gain a deeper understanding of the factors that drive the organizations profitability. Budgeting process can follow either top-down, bottom-up or a combination of both. Version control, iterations and reference to previous data are the key requirements during a budgeting cycle within an organization along with adding collaborative comments and supporting details to budgets. Build forward-looking views that incorporate historical and plan data in order to model and evaluate unlimited scenarios. Manage, protect, and analyze those scenarios using tools to automatically compare variances between budgeted figures and actuals.

Figure No. 1.8: Representation of Budgeting in CPM Solution
1.5.5 Forecasting

For most companies, forecasts are created infrequently and without oversight. And despite the best of intentions, the efforts that go into creating a forecast far exceed the benefits they aim to provide. Pulling data from multiple sources to forecast across departments – and through those same departments to a detailed level is a challenge. Automating the forecasting efforts will not only provide a level of granularity the organizations did not have previously, but also a frequency that will transform its business.

Figure No. 1.9: Representation of Forecasting in CPM Solution

Key features of forecasting solutions include:

- A centralized business logic because you no longer have to create and maintain formulas in a spreadsheet.
- The flexibility and sophistication organizations need to meet the forecasting needs of various departments.
- Automated integration of actual, planned and forecasted data.
- Increase accuracy and consistency.
- Collaborative accountably and increased visibility through workflow capabilities – allowing organization to track inputs, changes and approvals.
1.5.6 Detailed & Operational Planning

Planning enables organizations with even the most complex business models to build enterprise-wide plans, budgets and forecasts faster and more efficiently. Planning serves as the cornerstone for enterprise-wide financial performance management. It provides organizations with real-time visibility into resource requirements and future business results and supports proven best practices such as driver-based planning and rolling forecasts.

**Figure No. 1.10: Representation of detailed & Operational Planning in CPM Solution**

- Replace rigid, annual budgeting with continuous planning—daily, weekly or monthly.
- Engage the organization. Users enter data in their own business language instead of unfamiliar financial terms—making it easy to model key business drivers.
- Gaining greater flexibility by creating its own business rules and structures—then modify the model as the organization evolves.
- Scale to thousands of participants to support top-down and bottom-up planning.
1.5.7 Consolidation

Financial consolidation is the process of combining financial data from several departments or business entities within an organization, usually for reporting purposes.

**Figure No. 1.11: Representation of Consolidation in CPM Solution**

In the new global economy, with the world growing increasingly smaller and with businesses expanding across borders, finance and accounting teams seek applications that will raise the value that they offer to their organizations. In order to meet the changing needs of the marketplace, new technologies have emerged, easing the challenges of precisely consolidating company financial results across business units and territories.

Many organizations rely on spreadsheets for consolidation—only to find that these programs lack the specialized functionality to meet their business needs. Without access to a system built on a centralized database, companies encounter problems in their attempts to combine information from disparate sources.

The lack of a standardized and consistent monthly process for financial consolidation leaves many organizations in a jam. Many companies rely on manual efforts to organize and understand information from different accounting systems, charts of accounts,
currencies and calendars. Organizations also need to apply adjustments and reconcile account balances.

**CPM comes through on these demands by:**

1. Delivering the right information to the right person based on roles in the form of business intelligence in a customized manner.
2. It links the company’s strategy with performance metrics and distributes these metrics and resulting analysis company wide.
3. It integrates the company’s informational assets throughout the company’s value chain.
4. It enables integration of analytical tools and technologies within the key process of the business to encourage individual performance.
5. Every process of the value chain right from manufacturing to human resources, Finance to sales is covered by CPM and it takes the aggregated data from operational and financial consistently and presents functional results against performance metrics which were defined by the company.
6. Top management utilizes this information at their enterprise level which they use to evaluate the situation and decide on the appropriate corrective action where and when required.

**1.6 CPM Environment**

A well-functioning and efficient CPM environment is made of the factors listed below:

1. Speed – flexible decision making and faster response to real time situations
2. Business Intelligence – It enables the organization to use the data as an asset by converting it to information. It gives the organization a competitive edge in all sectors of the value chain.
3. Strategic focus – they key performance metrics are measured accurately and give the exact picture of the impacts of the strategies implemented by the company.
4. Accountability – It enables a visible flow of information and enforces individual accountability. Compensation or benefits is directly related to an individual’s performance.

5. R.O.I of information – by converting qualitative and quantitative data into information and using it to check performances and understand it enables the organization to forecast variations and help take better

Corporate performance management (CPM) is a process that aligns metrics, people, goals and technology in order to improve performance across the entire organization. Further we have a look at some of the key benefits that can be achieved through CPM implementation from both the business and technology perspectives.

1.7 Business Benefits of CPM\(^\text{12}\)

1. **Goal alignment** helps in replacing fragmented, discontinuous top-down planning with a seamless, collaborative planning process that brings synergies between business strategies, business measures such as key performance indicators (KPIs) and business actions. The CPM dashboard illustrates how an organization's resources – people, information, decision-making process and IT technologies – ensures individual performance targets can be proactively measured and tracked to meet value expectations of multiple stakeholders.

2. **Increased business agility** provides decision-makers with immediate access to mission-critical information and helps in timely decision making. The CPM dashboard identifies areas of opportunity and allows different business scenarios to be evaluated quickly by leveraging what-if, goal seeking, risk mitigation and optimization methodologies.

3. **Comprehensive regulatory compliance** empowers organizations to meet new stringent legal and statutory reporting regulations that require new standards of transparency and accountability. The CPM dashboard links operational statements to dynamic business plans, streamlines verification processes, highlights anomalies, provides audit trails and performs due diligence analysis.

4. **Improved consolidation process** accesses and combines all corporate data regardless of source for an enterprise-wide snapshot of performance across multiple departments and business units, and reduces the budgeting cycle by eliminating spreadsheet management, data transfer errors, manual reconciliation and version control issues. The CPM dashboard incorporates bottom-up data aggregation algorithms to facilitate drill-through to multiple organization levels (i.e., line of business, marketing division, sales district and product segment).

5. **Streamlined reporting** minimizes problems associated with reporting detailed financial and operational data from multiple applications, databases and legacy systems. The CPM dashboard provides KPIs, proactive alerts, anomaly detection and drill-through information for multiple constituents: management – a tactical focus with business entity-specific information; and individuals – an operational focus with process-level information.

6. **Collaborative management** synchronizes communication of goals, strategies and metrics across broad geographic areas and allows users to view, update, share and work simultaneously on common information. The CPM dashboard allows individuals to collaborate on information prior to action and coordinates decisions at the strategic, tactical and operational levels to ensure enterprise-wide resource optimization.
1.8 Technology Benefits of CPM\textsuperscript{13}

1. **One source of truth** integrates key management processes such as planning, budgeting, forecasting, consolidation, reporting and analysis on a single IT platform in a closed-loop environment. Changes are replicated automatically throughout the system. The CPM dashboard ensures that the entire organization is referencing the same data and business rules, and eliminates alternative versioning and data integrity issues.

2. **Enterprise-wide analytics** leverages a variety of statistical forecasting methodologies, data mining techniques and optimization approaches to support marketing, sales, planning and operational activities. The CPM dashboard can incorporate KPIs and cascading analytics to identify root causes of performance issues, analyze emerging trends, highlight process bottlenecks and track analytics for core business solutions such as customer relationship management (CRM), supply chain management (SCM) and enterprise resource planning (ERP).

3. **Enhanced data visualization** enhances an organization's ability to separate critical information from extensive data. The CPM dashboard provides charts, graphs, stoplights, alerts and maps to display multiple measures simultaneously, allowing business users to zero in on important business issues and navigate the information at the speed of thought.

4. **Real-time data availability** empowers organizations to make faster, smarter decisions in real time by capturing and transforming data from operational back-end legacy systems and customer-facing front-end systems into a near real-time data store. The CPM dashboard can then leverage the analysis engine to generate actionable KPIs and employ a rules-driven decision engine to make business recommendations using triggers and alerts.

5. **Web-based portal** provides a single, Web-based access point that can be tailored to meet the unique needs of individual business users and allows users to publish reports, analyses, queries and charts. The CPM dashboard portal leverages zero footprint to minimize maintenance costs while providing extensive hierarchical drill-down and analysis capabilities.

The above stated tangible benefits of CPM and the CPM dashboard reflect just the tip of the iceberg. As CPM and the CPM dashboard evolve, they will replace misaligned and disjointed decision making to emerge as the new "central command" for the 21st century. Once the infrastructure is developed to support CPM, it can be leveraged and reused across the organization many times.

### 1.9 CPM Challenges\(^{14}\)

With all the business and technological benefits of CPM also comes certain challenges which needs to be overcome. Few of the organizations adopting CPM encounter challenges such as:

1. **Political Tendencies**
   All organizations and its managers will agree with a suggestion that managerial processes should be optimized and no reason exists to disagree with generally good ideas such as a balanced scorecard. However, emotion does not always agree with rational thought where managers fear that CPM will expose or threaten their power since they will not be able to hide behind their own data and analysis. Such managers are often dismissed as bureaucratic and static and not committed to results. Some managers are often reluctant to openly express their doubts. In such cases, they will employ all kinds of evasive maneuvers to delay / derail the implementation of CPM. The challenge is to identify those hidden negative influences and address them in a subtle way.

2. **Spreadsheet Temptations**  
Everyone understands the limitations of spreadsheets for anything beyond personal productivity. However, most people find it very difficult to give them up. Spreadsheets have enormous flexibility and provide excellent speed. By pressing the "enter" key, the result appears immediately. These features are very powerful and appealing, despite the understanding that this kind of speed and flexibility is counterproductive on a larger scale. The challenge is to limit spreadsheets to where they belong: personal productivity.

3. **Short-Term Thinking**  
The current business culture creates pressures for projects to stay short and focused and not to cross budget periods. Longer commitments cannot be guaranteed. However, without a larger vision, the result is disastrous with every department implementing its own little solution for its specific issues, each reaching its own small return on investment in a short period of time. The big picture then becomes a patchwork and severely sub optimized. The single version of the truth is further away then ever, the number of interfaces between systems is staggering and the IT organization has to step in and take the time to clean everything up again. The challenge is to balance short-term results with a longer-term vision.

4. **Hidden Costs**  
A CPM implementation can lead to substantial cost savings, but it requires that hidden costs be made visible first. All the intangible cost which goes into manual work needs to be brought on paper and then compared with the high investment.

5. **Change Management**  
A full-blown CPM initiative has a high impact on management and can be compared with the impact on the operational processes of introducing an ERP system. Having gone through several of these megaprojects, managers say that they are tired or disillusioned by the disappointing results. One can argue that the impact of a CPM initiative on management is even greater than that of an ERP
implementation because CPM touches management processes and is, therefore, much more visible and tangible for management itself. Change management appears to be the biggest challenge for CPM.

1.10 Limitations of Current CPM Systems\(^{15}\)

1. *Management Reporting:* Data in an organisation is stored in various systems and in different formats. This arises a regular need for adhoc analysis.

2. *Performance Measures:* There are innumerable measures and not all are target based and most of them are focussed on financial aspects. They are also not very effective in making reporting hence they do not give required results.

3. *Consolidation & Operational Planning:* there is a lot of detail and iterations with drivers

4. *Forecasting:* Bad and poor assumptions are made on the basis on insufficient or flawed data. They are heavily dependent on spreadsheets and have little understanding of metrics which drive the business.

5. *Cost Analysis:* It has limited capability to analysis the costs and not enough knowledge on the important cost drivers.

6. *Profitability Analysis:* The cost of each process is not distributed and understood across all levels and it is not evenly leveled across the various products either.

7. *Information Delivery:* There is poor integration with results in duplicity of data and increases time and costs of a process.

\(^{15}\) (June 2013). *Magic Quadrant for Corporate Performance Management Suites.* Gartner.
Corporate Performance Management is a framework, which can be used in an enterprise to optimize their processes by effective decision making. It links strategic planning, budgeting, forecasting and modelling with operational and financial reporting. It also connects all the actors across the value chain of a company. The benefits of CPM focus more on the incentive system like management is rewarded based on delivering against initiatives designed to deliver strategic objectives. A seamless, visible framework is a major challenge, but by emphasizing on the shortcomings of each tool and process the organization can be successful in it enterprise wide performance.

1.11 Market Overview

The CPM application suite market continues to evolve. It's composed of consistent Leaders (mega vendors IBM, Oracle and SAP) that command significant market share, Challengers with CPM suites aligned with their other offerings, Visionaries that exploit unique innovation and/or execution opportunities, and Niche Players that leverage unique functional, technical, geographic, industry or pricing capabilities. During 2013\textsuperscript{16}, vendors demonstrated ongoing investments in their CPM suite offerings, but differentiated themselves in terms of the amount, source and allocation of these resources. Specialist vendors found growth opportunities, and three of them (Adaptive Insights, Axiom EPM and Solver) met Gartner's minimum inclusion criteria as suite vendors. Vendors in this market continue to develop new functional capabilities by leveraging the Nexus of Forces, especially cloud and IMC; and new industry and function-specific capabilities have emerged.

As in previous years when evaluating vendors, we rated CPM market share and revenue levels as important factors, in conjunction with all the criteria for Completeness of Vision and Ability to Execute, market factors that have the most impact on each vendor's performance. This Magic Quadrant highlights capabilities in three primary areas of market

\textsuperscript{16} Christopher Iervolino, J. E. (19 March 2014). \textit{Magic Quadrant for Corporate Performance Management Suites}. 30
evolution. In order of importance, they are:

- The vendor's ability to provide a viable cloud-based (preferably multitenant SaaS) offering and demonstrate its ability to support cloud users. As the traction for cloud-based CPM solutions accelerates, this becomes increasingly important.
- The vendor's support of more comprehensive strategic financial planning processes.
- The vendor's CPM analytics capabilities compared with other vendors in the market.

The corporate performance management (CPM) application suite market is mature and composed of vendors offering solutions that are widely adopted by large and midsize organizations.

Typically CPM deployments are categorized into one of two types:

- Office-of-finance CPM — largely involves the improvement of financial processes
- Strategic CPM — supports organization wide transformation and growth

In addition to the term CPM, vendors use descriptions such as enterprise performance management (EPM) and simply performance management.

CPM's role in enabling a broader approach to performance management is firmly established; however, CPM offerings are still evolving. CPM efforts typically focus on financial budgeting, planning and forecasting (BP&F), or financial consolidation and reporting. These efforts are being extended to link to and support related operational planning processes, such as workforce, sales, capital, demand and IT financial planning, as well as other areas where driver-based planning is critical. CPM suites are being extended into functional domains to support these specific processes and/or provide the process to link these operational areas back to financial and enterprise performance targets. There are multiple vendors out there in the market who extend various offerings in the form of Performance management suites.
Gartner uses magic quadrant to specify the position of each of the vendor based on the features and functionalities offered by each of the available vendor in the form of completeness of the solution, flexibility, scalability etc. in the market.

Figure No. 1.12: Magic Quadrant for Corporate Performance Management Suites

Source: Gartner (March 2014)

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A Magic Quadrant provides a graphical competitive positioning of four types of technology providers, in markets where growth is high and provider differentiation is distinct:

**A. Leaders**

Leaders have a large percentage of the CPM suite market share and demonstrate superior CPM sales levels. They can deliver breadth and depth of CPM suite functionality, as well as provide enterprise wide implementations to support a broad CPM strategy. Leaders excel at vision, successfully articulate a business proposition that resonates with buyers, are well-recognized in the space, have broad international presence in execution, and are supported by the viability and operational capability to deliver on a global basis.

**B. Challengers**

Challengers must have strong sales revenue and multinational capabilities. They offer good breadth of functionality, but their solutions may lack one or more CPM components. They may provide offerings that are complementary to their established business applications to leverage these offerings for their installed client base. Challengers may have a more limited vision of CPM than Leaders.

**C. Visionaries**

Visionaries have a strong strategy for delivering a CPM suite. They are distinguished by the openness and flexibility of their application architectures and offer depth of functionality in the areas they address, but may have gaps relative to broader functionality requirements. Visionaries are market thought leaders and innovators; however, they may have yet to achieve sufficient scale and/or market share, or there may be concerns about their ability to grow and provide consistent execution.

**D. Niche Players**

Niche Players do well in a specific segment of the CPM suite market, or have limited capability to innovate or outperform other vendors in the market. These vendors may be focused on a specific domain or aspect of CPM and are likely to lack depth of functionality,
or they may have gaps relative to broader CPM suite functionality requirements. Niche Players may have reasonably broad CPM suites, but limited implementation and support capabilities and relatively limited customer bases, or they may not have achieved the necessary scale to solidify their market positions. Some have a limited geographic presence.

Worldwide business intelligence (BI) and analytics software, consisting of BI platforms, corporate performance management (CPM) suites, analytic applications and advanced analytics, totalled $14.4 billion in 2013, an 8 percent increase from 2012 revenue of $13.3 billion, according to Gartner, Inc.

<table>
<thead>
<tr>
<th>Company</th>
<th>2013 Revenue</th>
<th>2013 Market Share (%)</th>
<th>2012 Revenue</th>
<th>2012 – 2013 Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAP</td>
<td>3,057.0</td>
<td>21.3</td>
<td>2,902.0</td>
<td>5.3</td>
</tr>
<tr>
<td>Oracle</td>
<td>1,994.0</td>
<td>13.9</td>
<td>1,952.0</td>
<td>2.1</td>
</tr>
<tr>
<td>IBM</td>
<td>1,820.0</td>
<td>12.7</td>
<td>1,735.0</td>
<td>4.9</td>
</tr>
<tr>
<td>SAS Institute</td>
<td>1,696.0</td>
<td>11.8</td>
<td>1,600.0</td>
<td>6.0</td>
</tr>
<tr>
<td>Microsoft</td>
<td>1,379.0</td>
<td>9.6</td>
<td>1,190.0</td>
<td>15.9</td>
</tr>
<tr>
<td>Others</td>
<td>4,422.0</td>
<td>30.8</td>
<td>3,932.0</td>
<td>12.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14,368.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>13,311.0</strong></td>
<td><strong>7.9</strong></td>
</tr>
</tbody>
</table>

Source: Gartner (April 2014)

On a segment level, data discovery requirements drove growth in BI Platforms showing a slow but steady shift in emphasis from reporting centric to analysis centric tools (see Table 2). Advanced analytics is also growing quickly, showing the increasing focus organizations give to predictive and prescriptive analytics.

Table No. 1.3: Business Intelligence and Analytics Software by Segment, Worldwide, 2012-2013 (Millions of Dollars)\(^{20}\)

<table>
<thead>
<tr>
<th>Sub Segment</th>
<th>2013 Revenue</th>
<th>2013 Market Share (%)</th>
<th>2012 Revenue</th>
<th>2012-2013 Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analytic Applications</td>
<td>2,001</td>
<td>13.9</td>
<td>1,890</td>
<td>5.8</td>
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<tr>
<td>And Performance Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BI Platforms</td>
<td>8,550</td>
<td>59.5</td>
<td>7,857</td>
<td>8.8</td>
</tr>
<tr>
<td>CPM Suites</td>
<td>2,735</td>
<td>19.0</td>
<td>2,602</td>
<td>5.1</td>
</tr>
<tr>
<td>Advanced Analytics</td>
<td>1,082</td>
<td>7.5</td>
<td>962</td>
<td>12.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14,368</strong></td>
<td><strong>100.0</strong></td>
<td><strong>13,311</strong></td>
<td><strong>7.9</strong></td>
</tr>
</tbody>
</table>

Source: Gartner (April 2014)

1.12 New Trends & Innovations

The Traction for Cloud-Based Solutions Is Accelerating The increasing number of cloud-based CPM offerings provides enterprises with additional options to improve cost control, planning processes, financial insights and end-user autonomy. The adoption rate of multitenant SaaS and cloud-hosted CPM applications is accelerating. Vendor offerings vary in functionality, ease of use, upgrade characteristics and pricing, dictated largely by the solution's degree of multitenancy and vendors’ cloud development and support capabilities. Tasked with the continual improvement of operational efficiencies and challenged to discover new means to manage performance, the office of finance is increasingly looking to the cloud. The most common reasons that cloud solutions are used within the office of finance are to enhance cost control, to compensate for decreasing levels of IT application support and to enable more urgent initiatives requiring a short time to value. Many SaaS options also emphasize enhanced ease of use, as well as simpler implementations. Customers generally find cloud solutions more practical when requirements are well-

defined, and the implementation and ongoing support and upgrade costs of other alternatives are deemed to be too high.

CPM cloud solutions are continuing to evolve. Large organizations may be able to use CPM cloud solutions to complement on-premises solutions for planning, analytics and data collection, especially when project time frames are short and consulting resources are limited. Given the appropriate use cases, a hybrid on-premises/cloud approach could be a viable option.

**CPM and Operational Planning Processes Are Becoming More Integrated**

Integration has always been a core theme defining this market's direction. For instance, CPM solutions help link strategic financial and operational plans by providing drill through/ across capabilities between them, but the options are limited by data accessibility. The ability to manage data movement and metadata coordination between CPM modules and related sources, such as general ledgers, spreadsheets and other data sources, continue to be of paramount importance. What is changing is the expanding definition of "integration."

**Demand Continues for More Powerful CPM Analytics**

CPM application users require access to more detailed operational data to investigate critical issues or to employ forecasting algorithms that require highly granular timely data. CPM vendors, especially those with separate business analytics offerings, are continuing to embed advanced analytics and more flexible data discovery features into their solutions, along with enhanced mobile information delivery and collaboration capabilities. There continues to be a growing need for user-friendly analytics within CPM solutions. These capabilities facilitate a common understanding of the business, better leverage data that support CPM processes, and enable more collaborative planning models. They also help facilitate the adoption of more sophisticated predictive and prescriptive analytic capabilities, such as discovering patterns in historical financial data and detecting signals in operational data relevant to higher-level strategic plans.
1.3 Objectives of the Study

1. **To take a review of the buying behaviour of the customers before the real “buying” takes place.**

   The buying behaviour of the customer before the real ‘buying’ takes place is explained by
   - Need identification factors
   - Evaluation factors

2. **To study the states and processes of the customers behaviour during the “buying” proper.**

   The buying behaviour of the customer during the ‘buying’ proper is explained by
   - Purchase Decision (Product)
   - Purchase Decision (Services)

3. **To analyse and interpret the “post –buying” behaviour.**

   The post buying behaviour of the customer is explained by
   - Post Purchase Evaluation Factors