

Successful relationships require knowledge of decision making

By JAY AKRIDGE and ALLAN GRAY

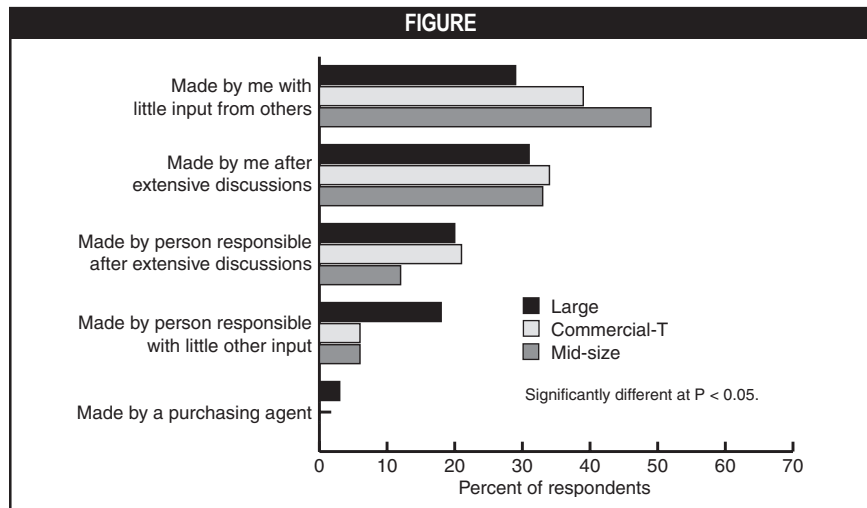
Purchasing decisions of agricultural producers are often complex and involve several people. Multiple decision makers and influencers within the operation play different and often confusing roles in choosing what and how to buy. Also, there are many outside influencers that may have a significant say in producers' decisions, including local dealers, other farmers, consultants and manufacturers. In this installment of the 2003 Commercial Producer Survey, we will explore the decision making process and decision influencers of large commercial producers.

The decision process

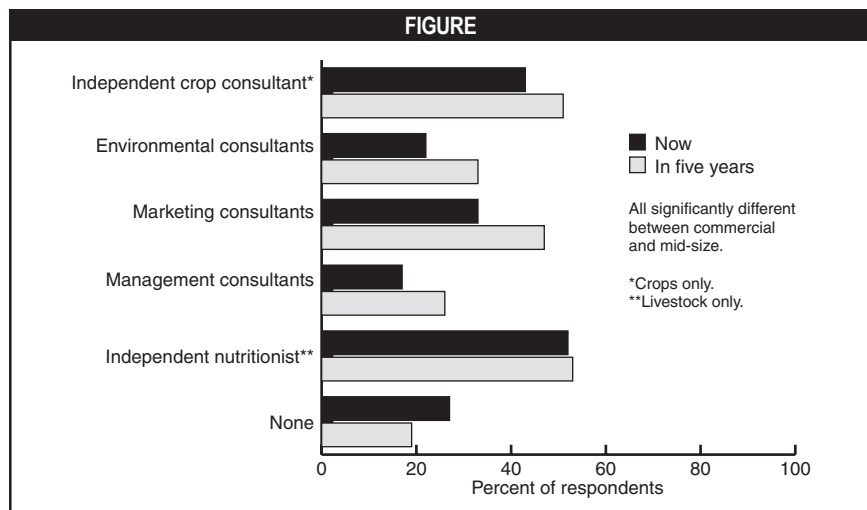
Expendable supply decisions are complex. Nearly two-thirds of the primary decision makers on large commercial farms indicate that decisions are made after extensive discussions with others on the farm or by someone other than themselves (Figure 1, p. 14). Only about 39% of the commercial-T producers indicated they were the sole decision maker for expendables, yet almost half of midsize producers indicate making expendable supply decisions with little input from others on the farm.

There is a tendency for corn/soybean producers to involve more people in expendable purchase decisions while cotton producers tend to rely less on input from others within their farm operation. Hog producers are the most independent in their decision making on the livestock side, while dairies are the most complex with the most delegation of

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1. How purchase decisions are made for expendable items by size.



2. Use of independent, paid consultants by commercial producers.

decision authority of any farm type.

Capital purchases have an even stronger tendency to include input from others on the farm, especially for larger commercial producers. The tendency for corn/soybean producers to involve more people in the purchase decision for capital items held as it did for expendables. Cotton producers also tended to less often involve others in the purchase of capital items. On the livestock side, all farm types had substantially more involvement of others

in the decision process.

Outside influences

In addition to being influenced by those in the farming operation, commercial producers are also influenced by people outside of the farm business. Independent paid consultants are often used by producers and may influence the purchase decision. Currently, more than 40% of commercial crop producers use independent paid crop consultants, and more than half expect to be doing

so within five years (Figure 2, p. 14).

Livestock producers use independent paid consultants extensively. Only about one-fourth of all commercial producers (crop and livestock) said they do not employ any independent paid consultants now. They expect to grow their use of independent consultants significantly over the next five years in nearly every category. More than half of the commercial livestock producers report currently utilizing independent paid nutritionists, but they don't expect that to grow much in the next five years.

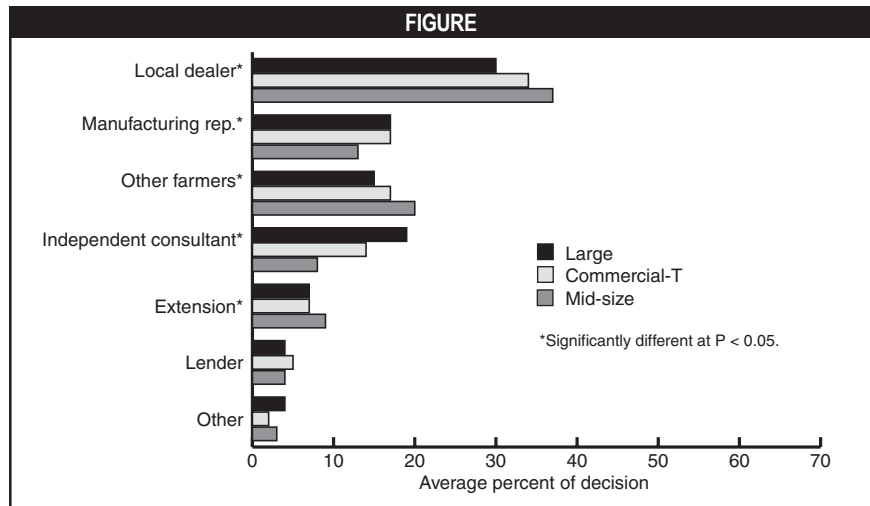
To better understand how producers' decisions are influenced by those outside the farming operation, the survey asked producers to assign 100 points among a list of outside influencers of their decisions.

The list included local dealers, other farmers, manufacturer representatives, independent consultants, extension, lenders and others. By having producers assign 100 points, we can get a sense of how producers rank the various people that could influence their purchase decisions.

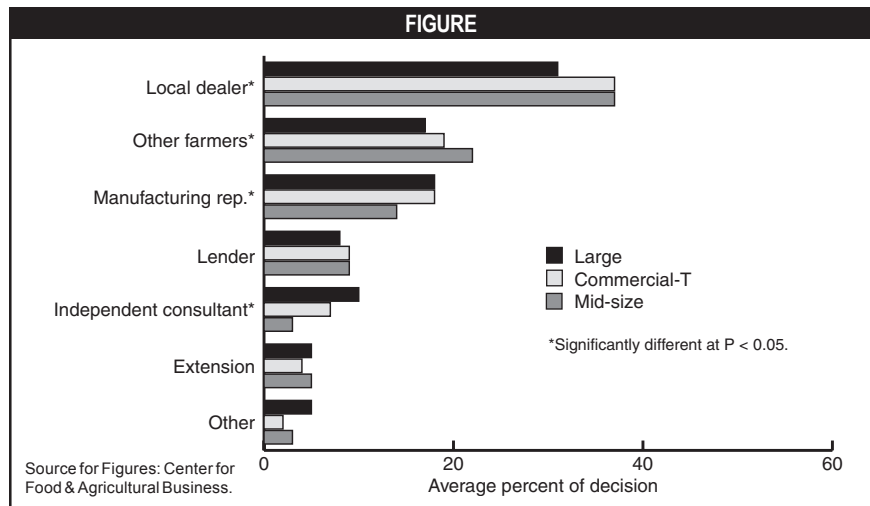
Among the outside influencers, the local dealer is significantly more important for all producers with more than 30% of the outside influence. In fact, the dealer has nearly double the impact of manufacturer reps or other producers. Extension services and lenders scored low as influencers on expendable purchases among all producers. Large producers tend to rely more on the manufacturer rep and less on the dealer or other farmers in comparison to commercial-T and mid-size producers for expendable purchase decisions (Figure 3). However, even among large producers, the dealer remained a dominant influencer.

The influence of other producers and of the extension service on the purchase of expendables has dropped significantly since 1998. Independent consultants and manufacturer reps have increased in importance since 1998 with manufacturer reps supplanting other farmers as the second-most influential outside source, on average. Even among those who hire independent consultants, the local dealer is predominately the outside influencer for expendables, ranking even higher than the consultant.

For capital purchases, local dealers are the biggest outside influence, by a large margin, with dealers making up 37% of commercial-T producers' outside influence and 31% of large producers' outside influence. Other producers are



3. Influence outside the farm on purchases of expendable items by size.



4. Influence outside the farm on purchases of capital items by size.

in second place, dropping significantly since 1998, and manufacturer reps rated third.

Still, the manufacturer rep is relatively more important for the larger producer than for the more traditional producer (Figure 4).

Upshot

In the business-to-business farm supply market, producer decisions are increasingly complex, demanding a much more sophisticated selling strategy. The majority of commercial producers reported that others on the farm were clearly involved in the decision process.

This suggests a complex buying situation where the salesperson must establish multiple relationships with the account and understand not only the values and motivations of the key decision maker, but also of each influencer. He/she must also understand the politics and the business needs of the account as well as the personal needs of

the ultimate buyer.

There are increasingly fewer situations where it is sufficient to have a relationship with a single individual and expect to be successful.

The complex purchase decision process is further complicated by a myriad of outside influencers who are in a position to influence a producer's decisions in a variety of ways and to different degrees. The highly successful supplier must understand the dynamics of these relationships and how these outside influences impact the ultimate input purchase decision process — working with an elaborate system of influencers.

In the end, successful relationships with commercial producers require understanding who and how the purchase decision is made. Considering the impact of internal and external influencers, meeting with multiple decision makers and relating to the business needs as well as the technical and personal needs of a primary decision maker will all be needed to remain successful.

Source for Figures: Center for Food & Agricultural Business.