



MILLIONS

MANAGEMENT SOLUTIONS

**Marketing
Summary
Chapter 6**

Marketing chapter 6- Business-to-Business Markets

Business markets: buying & selling when the customer is another firm

Business-to-business (B2B) or Organizational Markets: the group of customers that include manufacturers, wholesalers, retailers, & other organizations

Organizations purchase goods and services for one of three reasons:

- 1) for use in operating the business (chairs, desks, copy machines, paper, etc.);
- 2) to include as a part in something else (raw materials, components); or
- 3) for resale (wholesalers/retailers purchase goods).

Factors that made a difference in Business Markets:

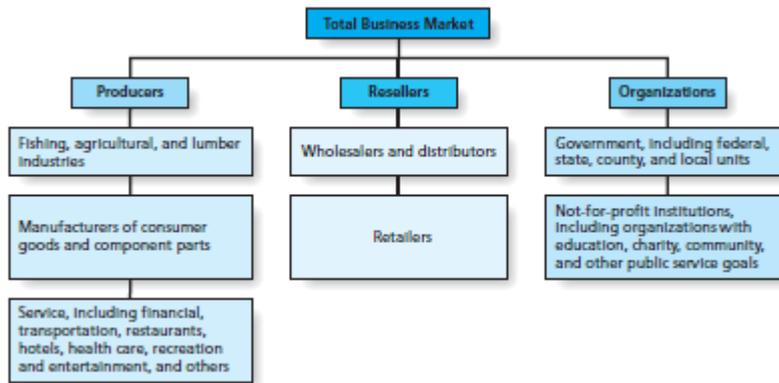
- **Multiple Buyers:** In business markets, products must meet the requirements of everyone involved in the company's purchase decision.
- **Number of Customers:** Organizational customers are few and far between compared to end consumers.
- **Size of Purchases:** Business-to-business products can dwarf consumer purchases both in the quantity of items ordered and in the price of individual purchases.
- **Geographic Concentration:** Business customers may be located close together in small geographic areas rather than being spread out across the country.

B2B Demand

- **Derived demand:** Business's demand for goods and services comes either directly or indirectly from consumers' demand
- **Inelastic demand:** demand in which changes in price have little or no effect on the amount demanded
- **Fluctuating demand -** Business demand also is subject to greater **fluctuations** than is consumer demand. This is because even modest changes in consumer demand can create large changes in business demand.
- **Joint demand:** demand for 2 or more goods that are used together to create a product

Types of business-to-business consumers

- **Producers:** the individuals/organizations that purchase product for use in the production of other goods & services
- **Resellers:** the individuals/organizations that buy finished goods for purpose of reselling, renting, or leasing to others to make a profit & to maintain their business operation
 - Wholesalers/distributors
 - retailers



- Government & Not-for-profit organizations
 - Government markets: the federal, state, country & local governments that buy goods & services to carry out public objectives and to support their operations; Government markets make up the largest single business and organizational market in the United States.
 - Not-for-profit organizations: the organizations with charitable, educational, community, & other public service goals that buy goods & services to support their functions and to attract & serve their members; Not-for-profit institutions such as hospitals, churches, universities, museums, Salvation Army and the Red Cross.

Business-to-business e-commerce & social media

Business-to-business (B2B) e-commerce: internet exchanges between 2 or more businesses or organizations.

Intranet: an internal corporate network that uses internet technology to link a company's departments, employees, & databases.

Extranet: a private, corporate computer network that links company departments, employees, & databases to suppliers, customers, & others outside the organization; Allow authorized suppliers, customers, and other outsiders to access the firm's intranet.

Private exchanges: systems that link an invited group of suppliers & partners over the web.

The dark side of B2B E-commerce

- **Hackers** threaten security--steal credit card numbers or trade secrets
- Well-meaning employees can be security threats when careless with their **passwords**
- Most firms safeguard e-commerce transactions using **firewalls** that are hardware and software that ensure only authorized individuals gain entry to a computer system

B2B & Social Media

5 most popular resources people turn to at work to get information they need for their day-to-day jobs:

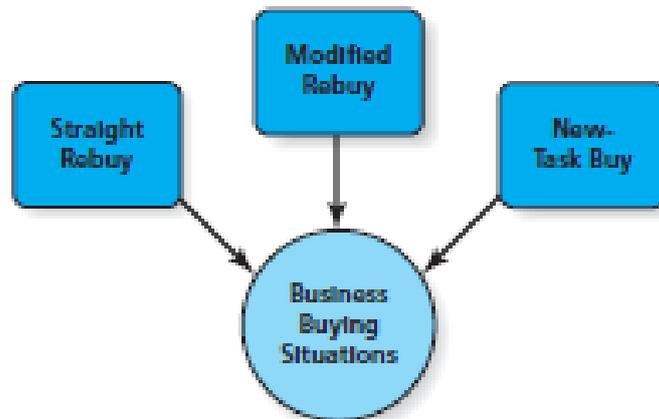
1. Webinars & podcasts
2. Online ratings and reviews of business products or services
3. Company pages on social networking sites (such as: Facebook, LinkedIn)
4. Company blogs
5. Searches of business-related information on social media sites

“social media channels were most effective to reach & engage prospects at mid-to-large-size companies”

Key reasons why LinkedIn has become most associated social networking web with B2B

- LinkedIn reduces the separation gap
- LinkedIn is primarily for corporate professionals
- LinkedIn can lead to quality introductions
- LinkedIn can help you reconnect with alumni & colleagues.

Business Buying situations & the business buying decision process



Buyclass: one of 3 classifications of business buying situations that characterizes the degree of time & effort required to make a decision

- Straight Rebuy: the routine purchase of items that a B2B customer regularly needs that require minimal decision making process.
- Modified rebuy: occurs when a firm decides to shop around for suppliers with better prices, quality, or delivery times. This situation also can occur when the organization confronts new needs for products it already buys.
- New-task buy: a new B2B purchase that’s complex or risky & that requires extensive decision making; a first-time purchase

Professional Buyer: Trained professional buyers with these titles typically carry out buying in B2B markets.

- Purchasing Agents
- Procurement officers
- Directors of material management

Buying centers: include all people in an organization who participate in a purchasing decision.

- The **initiator** begins the buying process by first recognizing that the firm needs to make a purchase.
- An **influencer** affects the buying decision by dispensing advice, expertise.
- The **decider** is the member of the buying center who makes the final decision and has the greatest power within the buying center.
- The **buyer** is the person who executes the purchase and handle the details of the transaction.
- The **user** is the member of the buying center who actually needs and uses the product.

Table 6.3 | Roles in the Buying Center

| Role | Potential Player | Responsibility |
|--------------|--|--|
| • Initiator | • Production employees, sales manager, almost anyone | • Recognizes that a purchase needs to be made |
| • User | • Production employees, secretaries, almost anyone | • Individual(s) who will ultimately use the product |
| • Gatekeeper | • Buyer/purchasing agent | • Controls flow of information to others in the organization |
| • Influencer | • Engineers, quality control experts, technical specialists, outside consultants | • Affects decision by giving advice and sharing expertise |
| • Decider | • Purchasing agent, managers, CEO | • Makes the final purchase decision |
| • Buyer | • Purchasing agent | • Executes the purchase decision |

Steps in the business buying decision process

1. Recognize the problem

The first step occurs when someone sees that a purchase can solve a problem. Recognition often stems from a need to replace outdated equipment, Changes in technology, or from Marketing communications

2 events may occur in the problem-recognition process:

- Make purchase requisition or request
- Depending on the complexity of purchases, the firm may form a buying center

2. Search for information

Buying center members search for information about products and suppliers and develop product specifications

- Develop product specifications
 - Product specifications: a written description of the quality, size, weight, and other details required of a product purchase
- Identify potential suppliers
- Obtain proposals & quotations

3. Evaluate the alternatives

The buying center assesses proposals with price as a primary consideration

- Evaluate proposals
- Obtain & evaluate samples

“the more complex & costly the purchase, the more time buyers spend searching for the best suppliers – and the more marketers must do to win the order.”

Customer reference program: a formalized process by which customers formally share success stories & actively recommend products to other potential clients, usually facilitated through an on-line community.

4. Select the product & supplier

The next step in the buying process is the purchase decision. Although price is usually a factor, firms that have adopted a Total Quality Management approach, the quality, reliability, and durability of materials and component parts are paramount.

One of the most important decisions for a buyer is how many suppliers can best serve the firm's needs.

- **Single sourcing:** Buying a particular product from only one supplier
- **Multiple sourcing:** Buying from several different suppliers
- **Reciprocity:** Trading partnership in which two firms agree to buy from one another
- **Outsourcing:** Finding vendors to provide goods/services that might otherwise be supplied in-house
- **Crowdsourcing:** Via a formal network, firms use expertise from around the globe to solve a problem
- **Reverse marketing:** Buyers try to find capable suppliers and “sell” their purchase to the suppliers

5. Evaluate postpurchase

- The buyer survey the users to determine their satisfaction with the product
- Documenting & reviewing supplier performance

Metrics organizational buyers use to measure how well a product/service performs:

- Satisfaction
- Quality
- Customer engagement
- Purchase intentions
- Promptness & effectiveness