

BUSINESS MARKETS AND BUSINESS BUYER BEHAVIOR



Objective Outline

OBJECTIVE 1	<p>Define the business market and explain how business markets differ from consumer markets.</p> <p>Business Markets (pp 198–201)</p>
OBJECTIVE 2	<p>Identify the major factors that influence business buyer behavior.</p> <p>Business Buyer Behavior (pp 201–204)</p>
OBJECTIVE 3	<p>List and define the steps in the business buying decision process.</p> <p>The Business Buying Process (pp 204–208)</p> <p>E-Procurement and Online Purchasing (pp 208–210)</p>
OBJECTIVE 4	<p>Compare the institutional and government markets and explain how institutional and government buyers make their buying decisions.</p> <p>Institutional and Government Markets (pp 210–213)</p>



BUSINESS MARKETS

What Business Market
is.

How Business Markets
differ from Consumer
Markets.

BUSINESS MARKET

Business markets operate “behind the scenes” to most consumers. Most of the things you buy involve many sets of business purchases before you ever see them.

Companies such as Boeing, DuPont, IBM, Caterpillar, and countless other firms sell *most* of their products to other businesses. Even large consumer-products companies, which make products used by final consumers, must first sell their products to other businesses. For example, General Mills makes many familiar consumer brands Big G cereals, baking products, snacks, yogurt, ice cream, and many others. But to sell these products to consumers, General Mills must first sell them to its wholesaler and retailer customers, who in turn serve the **consumer market**.

MAIN DIFFERENCES BETWEEN THOSE TWO.

Market Structure and Demand

Nature of The Buying Unit

Types of Decisions and The Decision Process

MARKET STRUCTURE AND DEMAND



The business marketer normally deals with far fewer but far larger buyers than the consumer marketer does.

Inelastic and more fluctuating demand.

Derived demand.

NATURE OF THE BUYING UNIT

Compared with consumer purchases, a business purchase usually involves *more decision participants* and a ***more professional purchasing effort***.

TYPES OF DECISIONS AND THE DECISION PROCESS

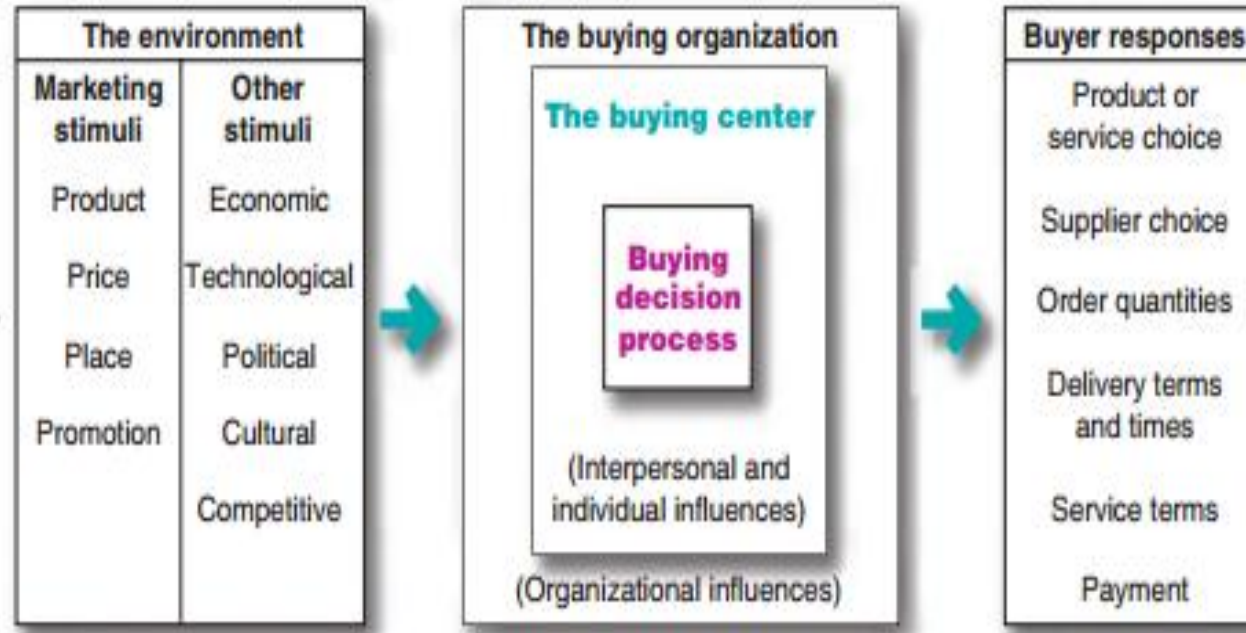
Business buyers usually face *more complex* buying decisions than do consumer buyers.

Many customer companies are now practicing **Supplier Development**, systematic development of networks of supplier-partners to ensure an appropriate and dependable supply of products and materials for use in making products or reselling them to others.

BUSINESS BUYER BEHAVIOR

A Model of Business
Buying Behavior

In some ways, business markets are similar to consumer markets—this model looks a lot like the model of consumer buyer behavior presented in Figure 5.1. But there are some major differences, especially in the nature of the buying unit, the types of decisions made, and the decision process.



MAJOR TYPES OF BUYING SITUATIONS

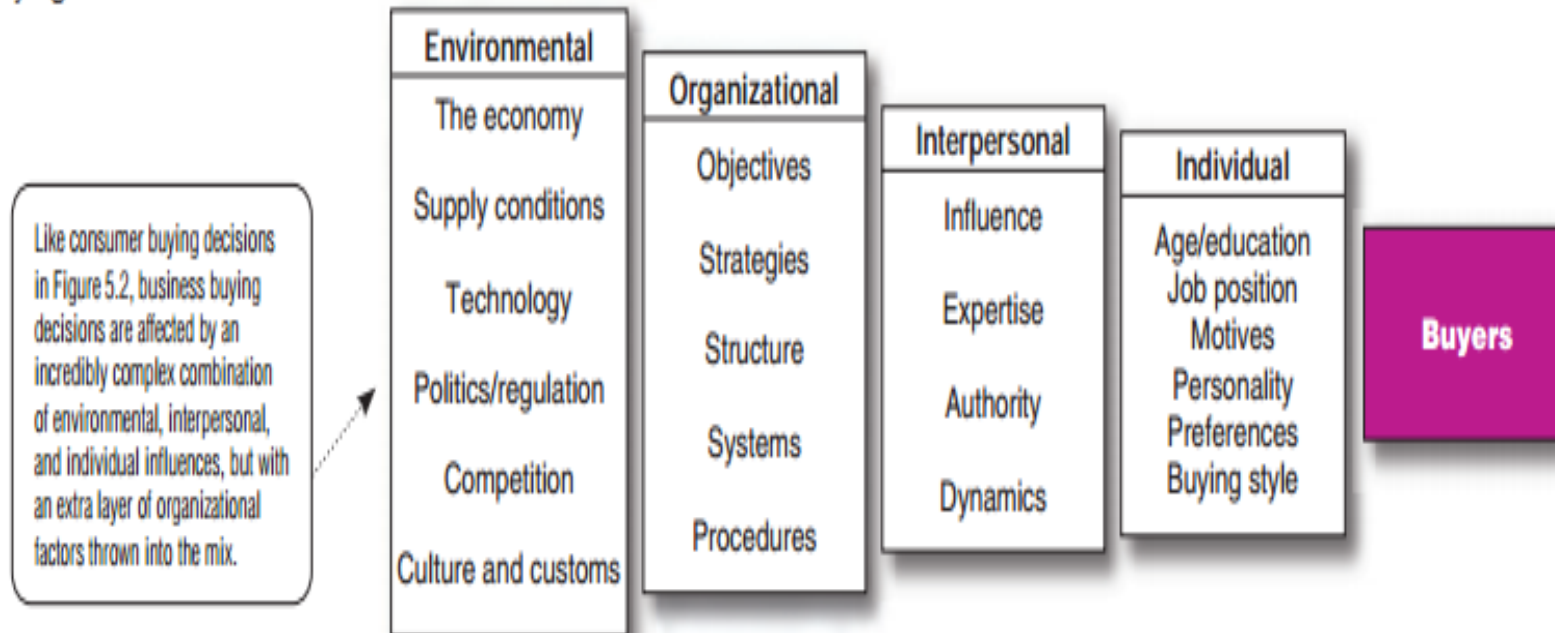
- ❑ **Straight rebuy:** A business buying situation in which the buyer routinely reorders something without any modifications.
- ❑ **Modified rebuy:** A business buying situation in which the buyer wants to modify product specifications, prices, terms, or suppliers.
- ❑ **New task:** A business buying situation in which the buyer purchases a product or service for the first time.

PARTICIPANTS IN THE BUSINESS BUYING PROCESS

- Users
- Influencers
- Buyers
- Deciders
- Gatekeepers

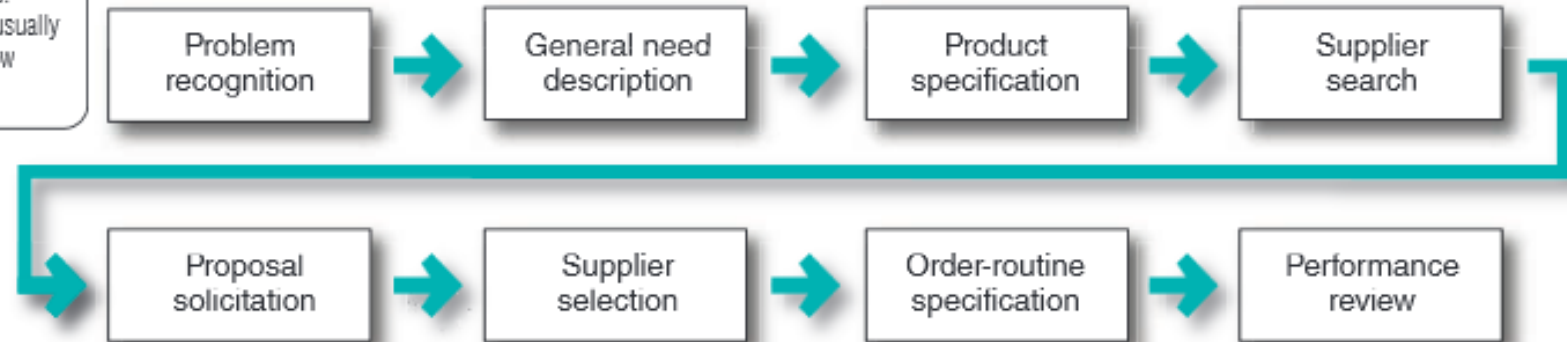
MAJOR INFLUENCES ON BUSINESS BUYERS

Major Influences on Business
Buying Behavior



THE BUSINESS BUYING PROCESS

Buyers facing new, complex buying decisions usually go through all of these stages. Those making rebuys often skip some of the stages. Either way, the business buying process is usually much more complicated than this simple flow diagram suggests.





- Problem recognition

The first stage of the business buying process in which someone in the company recognizes a problem or need that can be met by acquiring a good or a service

- General need description

The stage in the business buying process in which a buyer describes the general characteristics and quantity of a needed item



- Product specification

The stage of the business buying process in which the buying organization decides on and specifies the best technical product characteristics for a needed item

- Supplier search

The stage of the business buying process in which the buyer tries to find the best vendors



- Proposal solicitation

The stage of the business buying process in which the buyer invites qualified suppliers to submit proposals

- Supplier selection

The stage of the business buying process in which the buyer reviews proposals and selects a supplier or suppliers



- Order-routine specification

The stage of the business buying process in which the buyer writes the final order with the chosen supplier(s), listing the technical specifications, quantity needed, expected time of delivery, return policies, and warranties.

- Performance review


The stage of the business buying process in which the buyer assesses the performance of the supplier and decides to continue, modify, or drop the arrangement.

E-PROCUREMENT AND ONLINE PURCHASING

E-procurement: Purchasing through electronic connections between buyers and sellers—usually online.

GOVERNMENT MARKETS AND INSTITUTIONAL MARKETS

The *institutional market* consists of schools, hospitals, prisons, and other institutions that provide goods and services to people in their care. These markets are characterized by low budgets and captive patrons. The *government market*, which is vast, consists of government units—federal, state, and local—that purchase or rent goods and services for carrying out the main



Functions of government. Government buyers purchase products and services for defense, education, public welfare, and other public needs. Government buying practices are highly specialized and specified, with open bidding or negotiated contracts characterizing most of the buying. Government buyers operate under the watchful eye of the U.S. Congress and many private watchdog groups. Hence, they tend to require more forms and signatures and respond more slowly and deliberately when placing orders.