

Business Markets and Business Buyer Behavior

Chapter 7

Objectives

- Be able to define the business market and explain how business markets differ from consumer markets.
- Know the major factors that influence business buyer behavior.

Objectives

- Understand the steps in the business buying decision process.
- Understand institutional and government markets and how buyers in these markets make their buying decisions.

Case Study

Gulfstream Aerospace

- Sells jets exclusively for corporate use
- 300 – 500 customers worldwide
- Rational, objective, and human factors influence business buyer's decisions
- Multiple people are involved in the decision
- Buying influences include the CEO, pilot, board members, even spouses
- Company has been highly successful

Definition

- **Business Buyer Behavior:**
 - The buying behavior of organizations that buy goods and services for use in the production of other products and services or for the purpose of reselling or renting them to others at a profit.

Business Markets

- **Characteristics of Business Markets**
 - Sales in the business market far exceed sales in consumer markets.
 - Business markets differ from consumer markets in many ways.
 - ❖ *Marketing structure and demand*
 - ❖ *Nature of the buying unit*
 - ❖ *Types of decisions and the decision process*

Business Markets

Characteristics

- *Marketing Structure and Demand*
 - *Nature of the Buying Unit*
 - *Types of Decisions and the Decision Process*
- **Compared to consumer markets:**
 - Business markets
 - ❖ *have fewer but larger customers*
 - Business customers
 - ❖ *are more geographically concentrated*
 - Demand is different
 - ❖ *Demand is derived*
 - ❖ *Demand is price inelastic*
 - ❖ *Demand fluctuates more, and changes more quickly*

Business Markets

Characteristics

- *Marketing Structure and Demand*
 - *Nature of the Buying Unit*
 - *Types of Decisions and the Decision Process*
- **Compared to consumer purchases:**
 - Business purchases involve more buyers in the decision process.
 - Purchasing efforts are undertaken by professional buyers.

Business Markets

Characteristics

- *Marketing Structure and Demand*
 - *Nature of the Buying Unit*
 - *Types of Decisions and the Decision Process*
- **Compared to consumer purchases:**
 - Business buyers face more complex buying decisions.
 - The buying process is more formalized.
 - Buyers and sellers work more closely together and build long-term relationships.

Business Buyer Behavior

- **Major Types of Buying Situations**
 - **Straight rebuy**
 - ❖ *Reordering without modification*
 - **Modified rebuy**
 - ❖ *Requires modification to prior purchase*
 - **New task**
 - ❖ *First-time purchase*

Business Buyer Behavior

- **Systems Selling:**
 - Buying a packaged solution to a problem from a single seller.
 - ❖ *Convenience is a major benefit*
 - Often a key marketing strategy for businesses seeking to win and hold accounts.

Business Buyer Behavior

Participants in the Business Buying Process

- Users
- Buyers
- Gatekeepers
- Influencers
- Deciders

Major Influences on Business Buyers

Key Factors

- *Environmental*
 - *Organizational*
 - *Interpersonal*
 - *Individual*
- Economic trends
 - Supply conditions
 - Technological change
 - Regulatory and political environments
 - Competitive developments
 - Culture and customs

Major Influences on Business Buyers

Key Factors

- *Environmental*
 - *Organizational*
 - *Interpersonal*
 - *Individual*
- Objectives
 - Policies
 - Procedures
 - Organizational structure
 - Systems

Major Influences on Business Buyers

Key Factors

- *Environmental*
 - *Organizational*
 - *Interpersonal*
 - *Individual*
- **Authority**
 - **Status**
 - **Empathy**
 - **Persuasiveness**

Major Influences on Business Buyers

Key Factors

- *Environmental*
 - *Organizational*
 - *Interpersonal*
 - *Individual*
- *Authority*
 - *Age*
 - *Education*
 - *Job position*
 - *Personality*
 - *Risk attitudes*

Business Buying Process

- **Eight Stages:**
 - Stage 1: Problem Recognition
 - Stage 2: General Need Description
 - Stage 3: Product Specification
 - ❖ *Value analysis helps to reduce costs*
 - Stage 4: Supplier Search
 - ❖ *Supplier development*

Business Buying Process

- **Eight Stages:**
 - Stage 5: Proposal Solicitation
 - Stage 6: Supplier Selection
 - Stage 7: Order-Routine Specification
 - ❖ *Blanket contracts are often used for maintenance, repair and operating items.*
 - Stage 8: Performance Review

Business Buying Process

- **Business Buying on the Internet**
 - E-procurement is growing rapidly.
 - Reverse auctions account for much of the online purchasing activity.
 - E-procurement offers many benefits:
 - ❖ *Access to new suppliers*
 - ❖ *Lower purchasing costs*
 - ❖ *Quicker order processing and delivery*

Institutional and Government Markets

- **Institutional Markets**
 - Consist of churches, schools, prisons, hospitals, nursing homes and other institutions that provide goods and services to people in their care.

Institutional and Government Markets

- **Institutional Markets**
 - Often characterized by low budgets and captive patrons.
 - Marketers may develop separate divisions and marketing mixes to service institutional markets.

Institutional and Government Markets

- **Government Markets**
 - Governmental units – federal, state, and local – that purchase or rent goods and services for carrying out the main functions of government.

Institutional and Government Markets

- **Government Markets**
 - More than 82,000 buying units.
 - Require suppliers to submit bids.
 - Favor domestic suppliers.
 - Extensive paperwork is required from suppliers.

Institutional and Government Markets

- **Government Markets**
 - Government buyers often favor:
 - ❖ *Depressed business firms and areas*
 - ❖ *Small businesses*
 - ❖ *Minority-owned businesses*
 - ❖ *Firms which practice non-discriminatory practices*

Institutional and Government Markets

- **Government Markets**
 - Most firms that sell to government buyers are not marketing oriented.
 - Some companies have separate government marketing departments.
 - Much of government buying has migrated online.