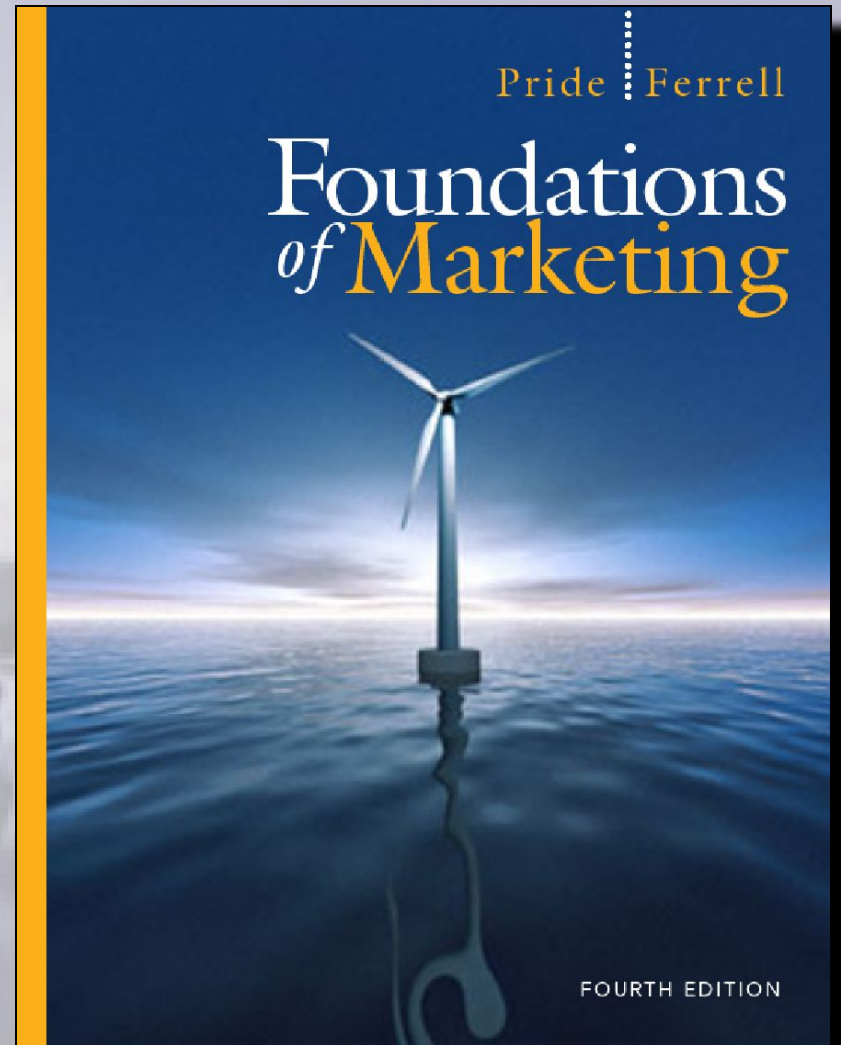


Chapter 7: Business Markets and Buying Behavior

Pride/Ferrell
Foundations of Marketing
Fourth Edition

Prepared by Milton Pressley
University of New Orleans



Objectives

1. Be able to distinguish among the various types of business markets.
2. Identify the major characteristics of business customers and transactions.
3. Understand several attributes of the demand for business products.
4. Become familiar with the major components of a buying center.
5. Understand the stages of the business buying decision process and the factors that affect the process.
6. Describe industrial classification systems and explain how they can be used to identify and analyze business markets.

Business Markets (B2B)

Occurs when an individual or group purchases a specific kind of product for resale, direct use in producing other products, or use in general operations. There are four categories of business markets:

**Business
Markets**

**Producer
Markets**

**Reseller
Markets**

**Government
Markets**

**Institutional
Markets**

Producer Markets

- Individuals or business organizations that purchase products to make profits by using them to produce other products or using them in their operations

TABLE 7.1 Number of Establishments in Industry Groups


Industry	Number of Establishments
Agriculture, forestry, fishing, and hunting	24,100
Mining	24,700
Construction	787,700
Manufacturing	333,500
Transportation, warehousing, and utilities	228,500
Finance, insurance, and real estate	847,500
Other services	5,253,700

Source: U.S. Bureau of the Census, *Statistical Abstract of the United States*, 2009 (Washington, DC: U.S. Government Printing Office, 2008), Table 737.

Producer Markets

Focused on Producer Market

Some business marketers focus on producer markets. BASF aims the products discussed in this ad at manufacturers of pharmaceutical products.



© 2011 BASF Corporation

Take a closer look inside your medicine cabinet and it's likely you'll find time-release or sustained-release pills. It's a concept that seemed unimaginable not too many years ago. BASF advances in bioavailability help pharmaceutical companies ensure that the medicine inside each pill is delivered precisely when you need it. And when it comes to caring for patients of today and tomorrow, precision is everything. Learn more at basf.com/stories.

Helping Make Products Better™

BASF
The Chemical Company

Reseller Markets

- **Resellers**

- **Intermediaries who buy finished goods and resell them for a profit**

- **Factors Resellers Consider:**

- ✓ **Level of demand**
- ✓ **Space required relative to potential profit**
- ✓ **Ease of placing orders**
- ✓ **Availability of technical assistance**
- ✓ **Training programs from producers**

Government Markets



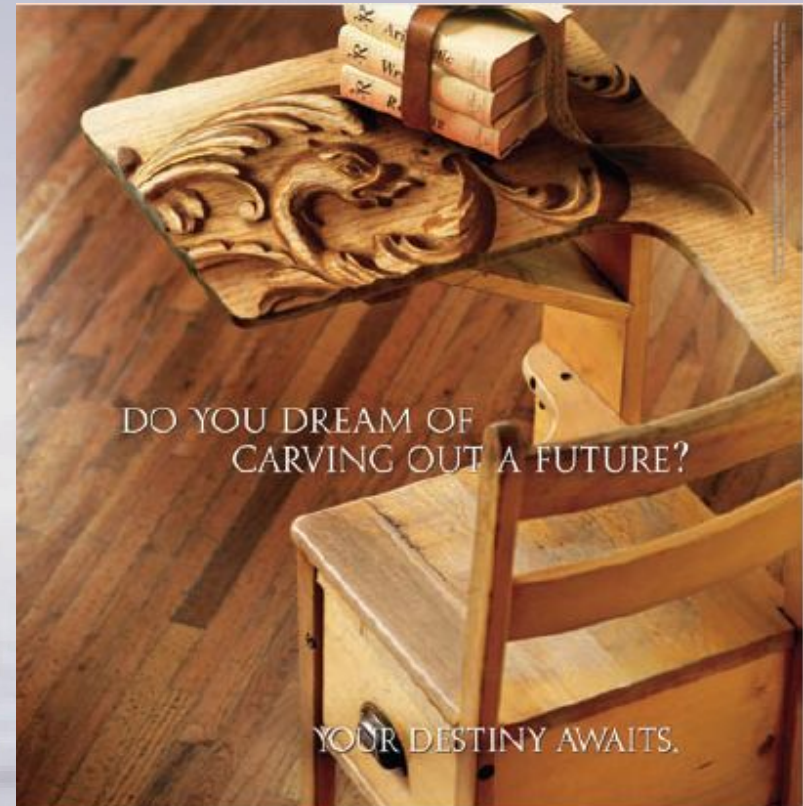
- **Federal, state, county or local governments that buy goods and services to support their internal operations and provide products to their constituencies**

Institutional Markets

- Organizations with charitable, educational, community or other nonbusiness goals

Institutional Markets

Some colleges are a part of institutional markets.



AMERICAN COLLEGE OF THE
BUILDING ARTS

Learn the timeless art of constructing and preserving structures in a city known for its architectural beauty. We're a four-year college in Charleston, SC, whose highly educated graduates master the art of utilizing materials to their highest levels of sophistication.

To learn more, visit www.buildingartscollege.us
or call 877.283.5245

ARCHITECTURAL STONE - CARPENTRY - MASONRY - ARCHITECTURAL METAL - PLASTER WORKING - TIMBER FRAMING

Discussion Question

- Visit the Graybar Company Web Site by clicking on the @ symbol below. After reviewing the Site, discuss whether Graybar is *best* described as a company serving primarily:
 - Producer Markets
 - Reseller Markets
 - Government Markets
 - Institutional Markets

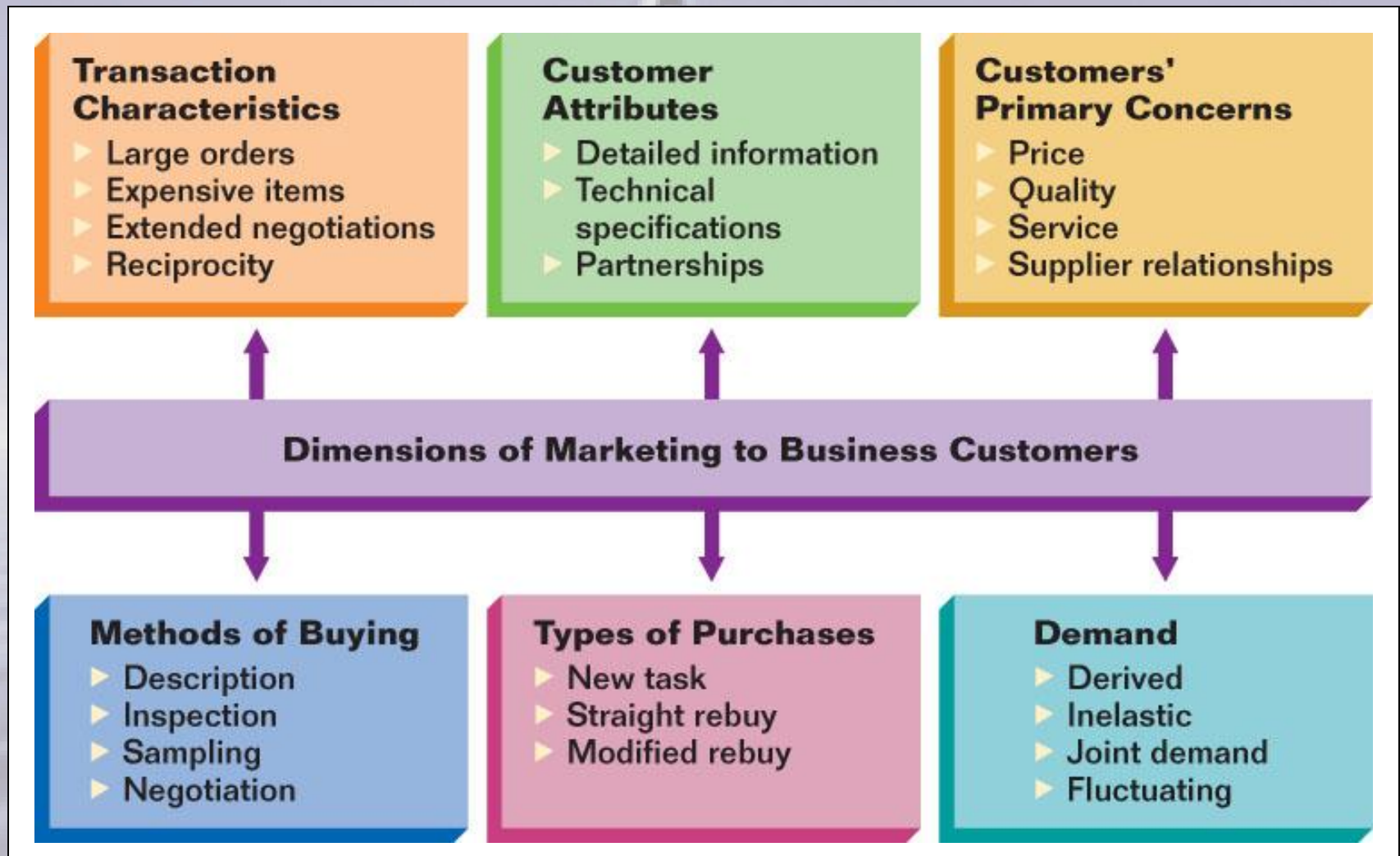


Aflac B2B Commercial

Almost everyone is familiar with the Aflac Duck commercials for consumers. Click on the TV screen below to see an Aflac Business-to-Business commercial.



Figure 7.1 Dimensions of Marketing to Business Customers



Source: "National Quarterly Scored," American Customer Satisfaction Index, http://www.theacsi.org/index.php?option=com_content&task=view&id=31&Itemid=35 (accessed April 22, 2009)

Characteristics of Transactions with Business Customers

- Large Orders
- Expensive Items
- Frequent replenishments
- Long-term contractual agreements
- Considerable marketing efforts
- Purchasing committees
- Reciprocity
 - an arrangement unique to business marketing in which two organizations agree to buy from each other

Attributes of Business Customers

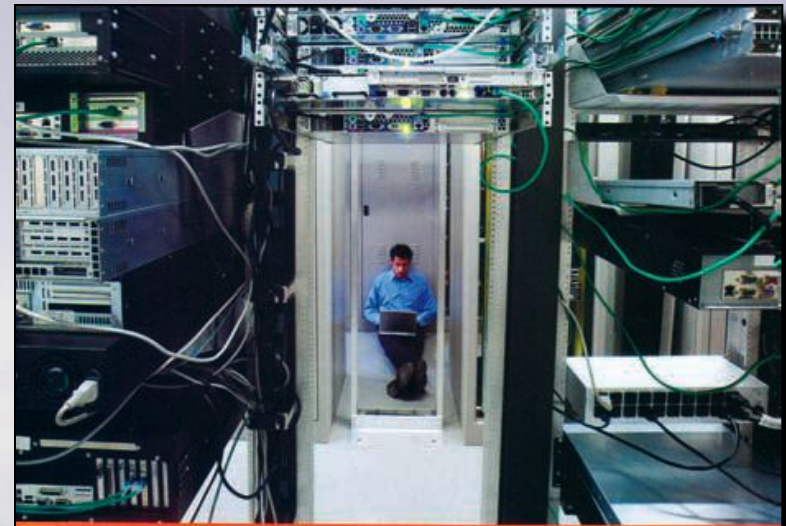
- **Well informed about the products they purchase**
- **Demand detailed information and technical specifications**
- **Help the firm achieve organizational objectives**
- **Engage in rational buying behavior**
- **Often form partnerships with suppliers**

Primary Concerns of Business Customers

- Price
- Quality
- Service
- Supplier Relationships

Concerns of Business Customers

In this advertisement, CDW promises excellent and timely service, one of the primary concerns of business customers.



When you need someone to go the extra mile.
Above and beyond. Far and wide —
to get you the IT help you need, we're there.

More demands and more pressure. Less time and fewer resources. Business today is full of challenges. When it comes to technology, CDW will do what it takes to respond to your needs. We have products from the top names in the industry, in almost every technology category imaginable. Our dedicated account managers and technology specialists can offer advice and create solutions, from the simple to the complex. We even have a full range of custom configuration services at your disposal. So when you need IT help, think CDW. We're there with whatever you need, whenever you need it.

CDW.com | 800.399.4CDW



The Right Technology. Right Away.™

Methods of Business Buying

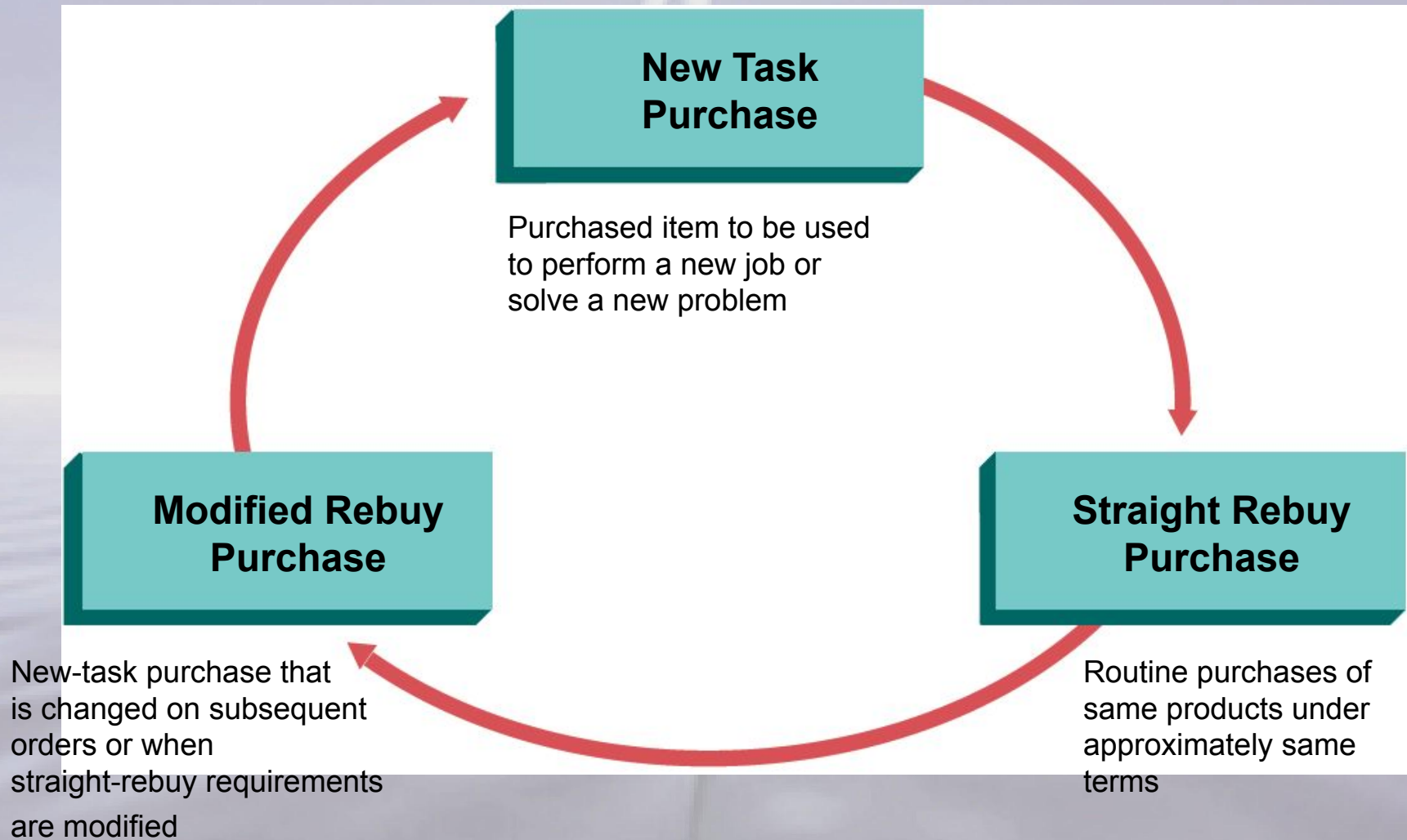
- **Description**
- **Inspection**
- **Sampling**
- **Negotiation**



Methods of Business Buying

Purchases of heavy equipment are likely to occur through negotiated contracts.

Types of Business Purchases



Types of Demand for Business Products

- **Derived Demand**

- demand for industrial products that stems from demand for consumer products

- **Inelastic Demand**

- demand that is not significantly altered by a price increase or decrease

- Industrial Product Price Index

- **Joint Demand**

- demand involving two or more items in combination to produce a product

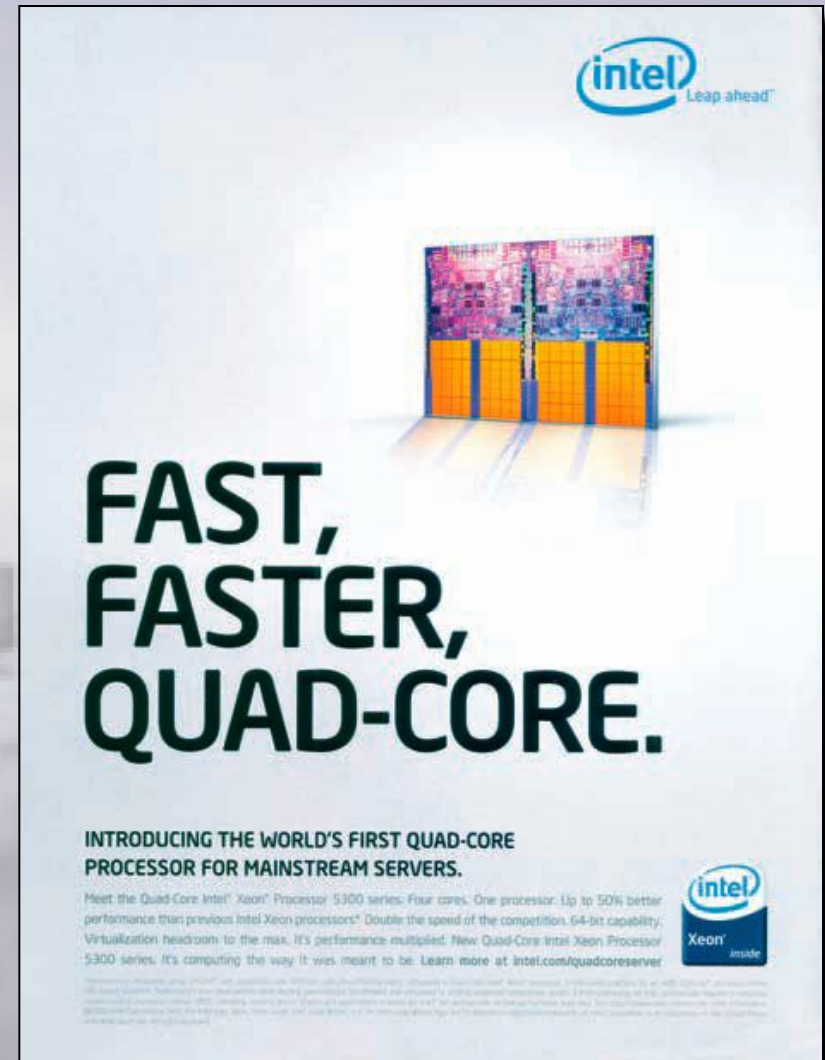
- **Fluctuating Demand**

- the demand for any given business product can change in response to consumer demand changes

Derived Demand

Derived Demand

The demand for Intel Quad-Core processors derives from the sales to end users of computers containing these processors. In this message, Intel advertises directly to computing equipment users, not to manufacturers of the equipment.



The advertisement features a central image of a server rack with two doors open, revealing a colorful, abstract pattern of light and data. The Intel logo is in the top right corner, and the 'Xeon Inside' logo is in the bottom right corner. The main headline is 'FAST, FASTER, QUAD-CORE.' Below it, the text reads: 'INTRODUCING THE WORLD'S FIRST QUAD-CORE PROCESSOR FOR MAINSTREAM SERVERS. Meet the Quad-Core Intel® Xeon® Processor 5300 series: Four cores. One processor. Up to 50% better performance than previous Intel Xeon processors.* Double the speed of the competition. 64-bit capability. Virtualization headroom to the max. It's performance multiplied. New Quad-Core Intel Xeon Processor 5300 series. It's computing the way it was meant to be. Learn more at Intel.com/quadcoreserver'

Discussion Question

- This ad is aimed at computer end-users. Do you think that Intel should also advertise to computer manufacturers?
- If you answered “Yes,” what should they communicate to manufacturers?
- If you answered “No,” explain your answer.

intel Leap ahead

**FAST,
FASTER,
QUAD-CORE.**

**INTRODUCING THE WORLD'S FIRST QUAD-CORE
PROCESSOR FOR MAINSTREAM SERVERS.**

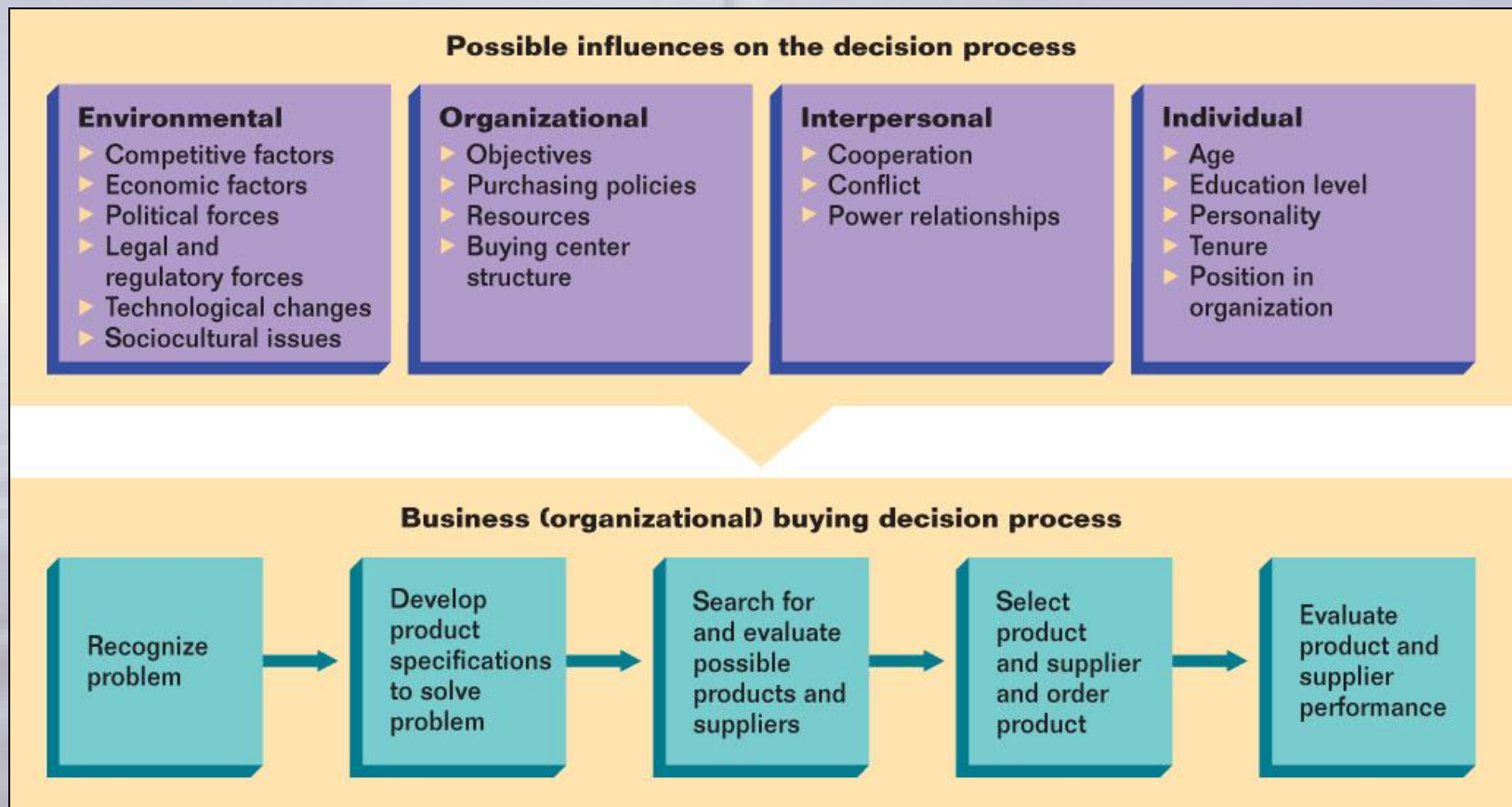
Meet the Quad-Core Intel® Xeon® Processor 5300 series: Four cores. One processor. Up to 50% better performance than previous Intel Xeon processors* Double the speed of the competition. 64-bit capability. Virtualization headroom to the max. It's performance multiplied. New Quad-Core Intel Xeon Processor 5300 series. It's computing the way it was meant to be. Learn more at Intel.com/quadcoreserver

intel Xeon inside

Business Buying Decisions

- **Business (organizational) buying behavior**
 - the purchase behavior of producers, government units, institutions, and resellers
- **Buying Center**
 - the people within an organization, including users, influencers, buyers, deciders, and gatekeepers, who make business purchase decisions
 - Purchasing Agents

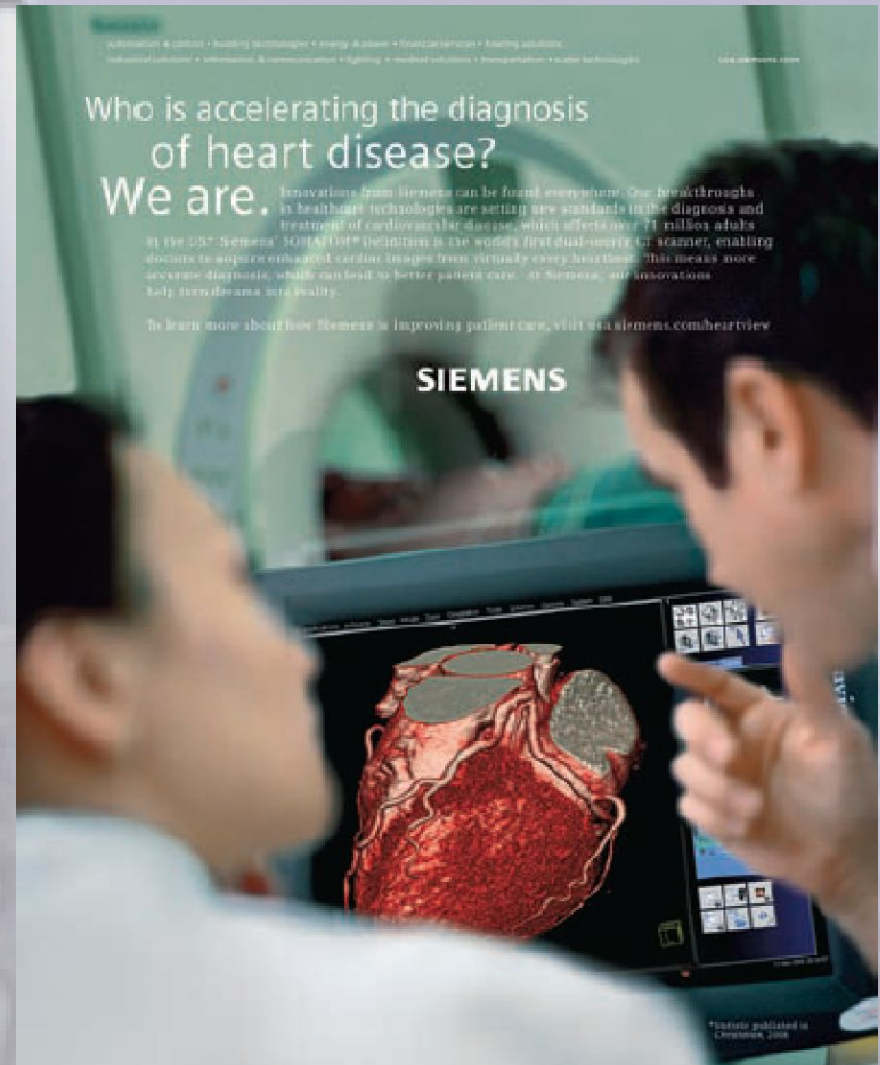
Figure 7.2 Business (Organizational) Buying Decision Process and Factors that May Influence It



Problem Recognition

Problem Recognition

This ad aimed at health care providers focuses on problem recognition. Some health care providers may want to update equipment to improve diagnostic capabilities.



Advertisement for Siemens healthcare technologies. The main headline reads: "Who is accelerating the diagnosis of heart disease? We are." Below this, a paragraph states: "Innovations from Siemens can be found everywhere. Our breakthroughs in healthcare technologies are setting new standards in the diagnosis and treatment of cardiovascular disease, which affects over 71 million adults in the US. Siemens' SOMATOM® Definition is the world's first dual-energy CT scanner, enabling doctors to acquire enhanced cardiac images from virtually every heartbeat. This means more accurate diagnosis, which can lead to better patient care. At Siemens, our innovations help turn the ana into quality." A sub-headline below the paragraph says: "To learn more about how Siemens is improving patient care, visit usa.siemens.com/heartview". The Siemens logo is prominently displayed in the center. The background image shows two medical professionals in a clinical setting looking at a computer monitor displaying a 3D reconstruction of a heart. At the bottom right, there is a small note: "Illustration published in Chest, 2008".

Evaluate Products and Suppliers



- **Value analysis**

- an evaluation of each component of a potential purchase

- **Vendor analysis**

- a formal, systematic evaluation of current and potential vendors

- **Multiple sourcing**

- an organization's decision to use several suppliers

- **Sole sourcing**

- an organization's decision to use only one supplier

Influences on the Business Buying Decision Process

- Environmental
- Organizational
- Interpersonal
- Individual

Influences on the Business Buying Decision Process

Numerous business purchases are influenced by environmental forces.



North American Industry Classification System (NAICS)

- Identification of potential business customers
- A vehicle for segmentation, but best used with other types of data to determine the potential market

TABLE 7.2 Examples of NAICS Classification

NAICS Hierarchy for AT&T, Inc.		NAICS Hierarchy for Apple, Inc.	
Sector 51	Information	Sector 31-33	Manufacturing
Subsector 517	Telecommunications	Subsector 334	Computer and Electronic Marketing
Industry Group 5171	Wired Telecommunication Carriers	Industry Group 3341	Computer and Peripheral Equipment Manufacturing
Industry Group 5172	Wireless Telecommunication Carriers		
Industry 51711	Wired Telecommunication Carriers	Industry 33411	Computer and Peripheral Equipment Manufacturing
Industry 51721	Wireless Telecommunication Carriers		
Industry 51721	Wired Telecommunication Carriers	U.S. Industry 334111	Electronic Computer Manufacturing
Industry 51721	Wireless Telecommunication Carriers		

Source: NAICS Association, <http://www.census.gov/epcd/naics07/> (accessed March 6, 2009).

After Reviewing This Chapter You Should:

1. Be able to distinguish among the various types of business markets.
2. Know the major characteristics of business customers and transactions.
3. Understand several attributes of the demand for business products.
4. Be familiar with the major components of a buying center.
5. Understand the stages of the business buying decision process and the factors that affect the process.
6. Be able to describe industrial classification systems and explain how they can be used to identify and analyze business markets.

Key Concepts



- **Producer markets**
- **Reseller markets**
- **Government markets**
- **Institutional markets**
- **Reciprocity**
- **New-task purchase**
- **Straight-rebuy purchase**
- **Modified-rebuy purchase**
- **Derived demand**
- **Inelastic demand**
- **Joint demand**
- **Business (organizational) buying behavior**
- **Buying center**
- **Value analysis**
- **Vendor analysis**
- **Multiple sourcing**
- **Sole sourcing**
- **North American Industry Classification System (NAICS)**