

# Chapter 7: Business-to-Business Marketing

## B2B Markets

Business-to-Business marketing is the process of buying and selling goods or services to be used in the production of other goods and services. For consumption by the buying organization or resale by wholesalers and retailers.

### Manufacturers or Producers

some of the biggest b2b buyers are manufacturer and producers.

### Resellers

reseller manufactured goods without significantly altering their form

### Institutions

hospitals, educational organizations, prisons, religious

### Government

the largest purchaser of goods and services. The overall procurement and contracting policies of the government are established by the treasury board, which requires the stand of public scrutiny, increase access, encourage competition, fairness, and comply with trade agreements. MERX\*

### B2B Classification System and Segmentation

North American Industry Classification System (NAICS), can be useful for analyzing market shares, demand for goods and services, import competition into the Canadian market, and for segmenting targeting markets. You survey which companies might want you shit, then you do a search on NAICS and find the companies.

### Differences between B2B and B2C Markets

B2C, consumers buy goods to satisfy their own individual needs and are heavily influenced by price, personal taste, brand reputation, or personal recommendations.

B2B, demand for goods and derived from B2C sales in the same supply chain. However market is inelastic in short run. Up in price of raw materials, will not affect the demand instantaneously.

#### Product Characteristics

B2B, some industries require rigorous testing (medical, aerospace, defense), the delivery date must be agreed upon. And lastly, it's common for vendor financing.

#### Buying Process Characteristics

more people are usually involved in complex buying decisions, they are usually technically trained and qualified professional, and represent different departments within the organization

relationships and negotiations are common B2B to accomplish a win win situation.

## Marketing Mix Characteristics

B2B, a sales representative is an integral component of the transactions. While in B2C, a sales person is not always required in budget stores.

## The Business-to-Business Buying Process

B2B have committees specify their needs in writing and ask potential supplies to submit formal proposals.

B2C are usually made by individuals and are sometimes unplanned or impulsive.

Example of Toyota purchasing tires

### Stage 1: Need Recognition

the buying organization recognizes a need, through either internal (tire prices are up) or external sources (customers be hatin on tires). Now Toyota does some research.

### Stage 2: Product Specification

comes up with potential specs for supplies to develop their proposals.

### Stage 3: RFP Process

Request for proposals, is when they invite suppliers to bid on the contract.

### Stage 4: Proposal Analysis, Vendor Negotiation, and Supplier Selection

narrow down the possibly suppliers, usually ones with existing relationships. This is where specs are discussed such as: price, quality, delivery, and financing. Keeps suppliers on their toes, cause Toyota can simply change suppliers.

### Step 5: Order Specifications

order is made with details about prices, delivery dates, and penalties for lateness. The supplier sends back an acknowledgment, and will fill by the specified dates.

### Step 6: Vendor Analysis

Toyota creates a formal analysis using a chart.

- 1. key issues, a list important issues
- 2. importance, the percentage of importance
- 3. performance, from a scale 1-5, how did they perform?
- 4. (2 x 3) importance performance

## Factors Affecting the Buying Process

The six step buying process may be influenced by three factors within the purchasing organizations: the buying center, the buying organization's philosophy, and the buying situation.

### The Buying Center

the buying center employees can random from formal role in purchasing decisions to the design

team that is specifying the particular equipment or raw material needed. Even employees who will be using the new machine.

A person may have many roles as in this example of buying X-Ray machines.

### **The Initiator – You Doctor**

the person who first suggests buying the particular product or service

doctor initiates the buying process by determining the products and services that will best address and treat your illness.

### **The Influencer – The Medical Device Supplier / Pharmacy**

person whose views influence the buying center in making the final decision.

the supplier comes over and demonstrates how their product is superior

### **The Decider – The Hospital**

the person who ultimately determines any part of the entire buying decision, yes or no, what to buy, how much, and where.

although the doctors want the product, it's up to administration to purchase.

### **The Buyer**

the person who handles the paperwork of the actual purchase

the actual person buying will be the hospital's materials (inventory) manager

### **The User – The Patient**

person who consumes or uses the product

the user will greatly affect the consumption, since you're the one using it

### **The Gatekeeper – The Insurance Company**

persons who control information or access, or both, to decision makers and influences

so you bought them, but your insurance company says they were unnecessary and won't reimburse you.

## **The Organization Culture**

A firm's organizational culture reflects the set of values, traditions, and customs that guide its managers and employees' behavior. There are four general types of buying center cultures.

- autocratic buying center: one person makes the decision alone
- democratic buying center: majority rules
- consultative buying center: one person to make a decision but solicits input from others before doing so
- consensus buying center: team must reach a collective agreement

## **Buying Situations**

there are three types of situations: new buys, modified re-buys, and straight re-buys.

### **New buys**

decision is likely to be quite involved because the buyer or the buying organization

does not have any experience with the item. They are likely to proceed through all six steps in the buying process and involve many people in the buying decision.

### **Modified re-buys**

purchased it before buy decided to change some specifications. Vendor has advantage, and just need to provide what they want, without cutting back on what they had before.

### **Straight re-buys**

most buys fall into this category, and just buying more of what they already have.

## **Role of Internet in Business-to-Business Marketing**

the internet has become the communication mode of choice, and sometimes of necessity for connecting divisions and employees located in many locations. For example a salesperson can check the internet quickly to find inventory and status of orders.

A private exchange is when firms invite to share and exchange information. Some companies even force their suppliers to deal with them through online exchanges.

On another level, manufactures and retailers can share information on consumer preferences. At retail machines, P&G collects information of what you buy. So they can coordinate demand and supply.

### **English Auction**

good and services are simply sold to the highest bidder

### **Reverse auction**

suppliers bid down the price until the buyer accepts a specific bid.