

# Chapter 5

## Business Marketing



# Learning Objectives

- Describe business marketing
- Describe the role of the internet
- Role of relationship marketing and strategic alliances
- Four major categories of business market customers
- Major differences between business and consumer markets
- Unique aspects of business buying behavior



# Business Marketing

- Business marketing is the marketing of goods and services and goods to individuals and organizations for purposes other than personal consumption
- Business products
  - Are used to manufacture other products
  - Become part of another product
  - Aid the normal operations of an organization
  - Are acquired for resale without substantial change in the form



# Business Marketing & Internet

- Business e-commerce
  - Involves transactions between companies
- Consumer e-commerce
  - E-tailing involves transactions between businesses and individuals for personal consumption
- Extranet
  - Is a private network uses internet technology and a browsers interface



# Benefits of Business E-commerce

- Lower prices
- Greater selection
- Access to customer and product data
- No time limits
- Lower costs
- Customized products



# Relationship Marketing

- Relationship marketing entails seeking and establishing alliances or partnerships with customers. It has become an important business marketing strategy as customers have become more demanding and competition has become more intense
- A strategic alliance is a cooperative agreement between firms



# Benefits of Strategic Alliances

- Access to new market
- Access to new technology
- Economies of scale
- R\*D
- Faster entry
- Sharing of risks



# Dynamics of Buyer-seller relationships



- Powerful customer may control the relationship
- Buyers may still use several suppliers
- Reciprocity may influence relationship



# Major Categories of Business Customers

- Producers
- Resellers
- Governments
- Institutions



# Business Vs. Consumer Markets

Characteristic	Business Market	Consumer Market
Demand	Larger	Smaller
No. of customers	Fewer	Many
Location	Concentrated	Dispersed



# Business Vs. Consumer Markets

Characteristic	Business Market	Consumer Market
Distribution	More direct	More indirect
Nature of buy	More professional	More personal
Buy influence	Multiple	single



# Business Vs. Consumer Markets

Characteristic	Business Market	Consumer Market
Buy influence	Multiple	Single
Negotiations	More complex	Simpler
Reciprocity	Yes	No
Leasing	Greater	Lesser
Promotion	Personal selling	advertising

Marketing Management



# Demand

- **Derived Demand**
  - For instance, the demand for leather by shoe manufacturers is derived from customer demand for shoes
- **Inelastic Demand**
  - Means that an increase or a decrease in the price of a product will not significantly affect demand for it
- **Joint Demand**
  - Occurs when two or more items are used together in a product
  - E.g. Color TV and DVD player



# Demand

- Fluctuating Demand
  - E.g. a huge increase in demand for compact discs has created an apparently larger increase in demand for machines that manufacture the discs because of the current shortage



# Business Buying

- Purchase volume
  - Very high
- Number of customers
  - Few
- Location of buyers
  - Concentrated
- Distribution
  - Direct channels are more common



# Business Buying

- Product
  - Major equipment
- Raw materials
- Component parts
- Processed materials
- supplies





# Business Buying Aspects

- Buying centers
- Evaluation criteria
- Buying situations
- Purchasing ethics
- Customer service



# Roles in the Buying Center

- Buyers
- Users
- Influencers
- Gatekeepers
- deciders



# Type of Negotiations

- Negotiation of
  - Price
  - Product specifications
  - Delivery dates
  - Payment
  - And other components
- Process may take many months or several years for complex industrial products



# Evaluative Criteria



- Vendor analysis
- Behavioral needs are important too
- Ethical conflicts may arise
- Purchasing may be centralized

# Important Criteria in Business Buying

- Quality
  - Refers to technical suitability of the product
- Service
  - May range from pre-sale to post sale
- Price
  - Extremely important for many business buyers



# Buying Situations

- New buy
- Modified re buy
- Straight re buy
- New buy often result from value engineering, a systematic search for less-expensive substitute goods or services
- Straight re buy used for products purchased frequently, low in value, and don't require contract re-negotiation



# Organizational Buyers as a problem solver

Characteristics	Type of process		
	New task Buying	Modified Re buy	Straight Re buy
Time required	Much	Medium	Little
Multiple influence	Much	Some	Little
Review of suppliers	Much	Some	None
Information needed	Much	Some	little



# Summary

- Business marketing is the marketing of goods and services and goods to individuals and organizations for purposes other than personal consumption
- A strategic alliance is a cooperative agreement between firms
- Business buying process may take many months or several years for complex industrial products





# Summary

- Important criterion in business buying are 1. quality 2. services 3. price
- Buying situations varies comprises new task buying, modified re buy and straight re buy

