



Chapter Six

Business Markets and Business Buying Behavior

Business Markets

Business buyer behavior refers to the buying behavior of the organizations that buy goods and services for use in production of other products and services that are sold, rented, or supplied to others.

Business buying process is the process where business buyers determine which products and services are needed to purchase, and then find, evaluate, and choose among alternative brands



Business Markets

Market Structure and Demand

Fewer and larger buyers

Derived demand

- Inelastic demand
- Fluctuating demand

Buyer and seller dependency



Business Markets Decision Process

- More complex
- More decision participants
- More professional purchasing effort

An advertisement for Intel Core 2 Duo processors. It features a group of dancers in a dynamic pose against a black background. The Intel logo and 'Leap ahead' tagline are in the top right. The text 'MULTIPLY EVERYTHING YOU AND YOUR COMPUTER CAN DO.' is centered. At the bottom, it says 'INTRODUCING INTEL® CORE™2 DUO. THE WORLD'S BEST PROCESSORS. Intel's new Core™2 Duo desktop processor multiplies everything you and your computer can do. Up to 40% faster and over 40% more energy efficient - it's computing the way it was meant to be. Learn why at intel.com/core2duo'. The Intel Core 2 Duo logo is in the bottom right.

intel Leap ahead™

MULTIPLY EVERYTHING
YOU AND YOUR COMPUTER CAN DO.

INTRODUCING INTEL® CORE™2 DUO. THE WORLD'S BEST PROCESSORS.
Intel's new Core™2 Duo desktop processor multiplies everything you and your computer can do.
Up to 40% faster and over 40% more energy efficient - it's computing the way it was meant to be.
Learn why at intel.com/core2duo

For more information on why Intel® Core™2 Duo processors are the world's best overall processors, please visit www.intel.com/core2duo.
Performance based on SPECint*_rate_base2000 and SPECint*_rate_base2000/energy efficiency based on Thermal Design Power (TDP). Contains Intel® Core™2 Duo E6700 up to Intel® Pentium® D Processor 960. All test performance may vary. See www.intel.com/performance for more information. ©2006 Intel Corporation. Intel, the Intel logo, Intel Core, the Intel Core logo, Intel Leap ahead, and the Intel Leap ahead logo are trademarks or registered trademarks of Intel Corporation or its subsidiaries in the United States and other countries. All rights reserved.

intel
Core 2
Duo

Business Markets

Decision Process

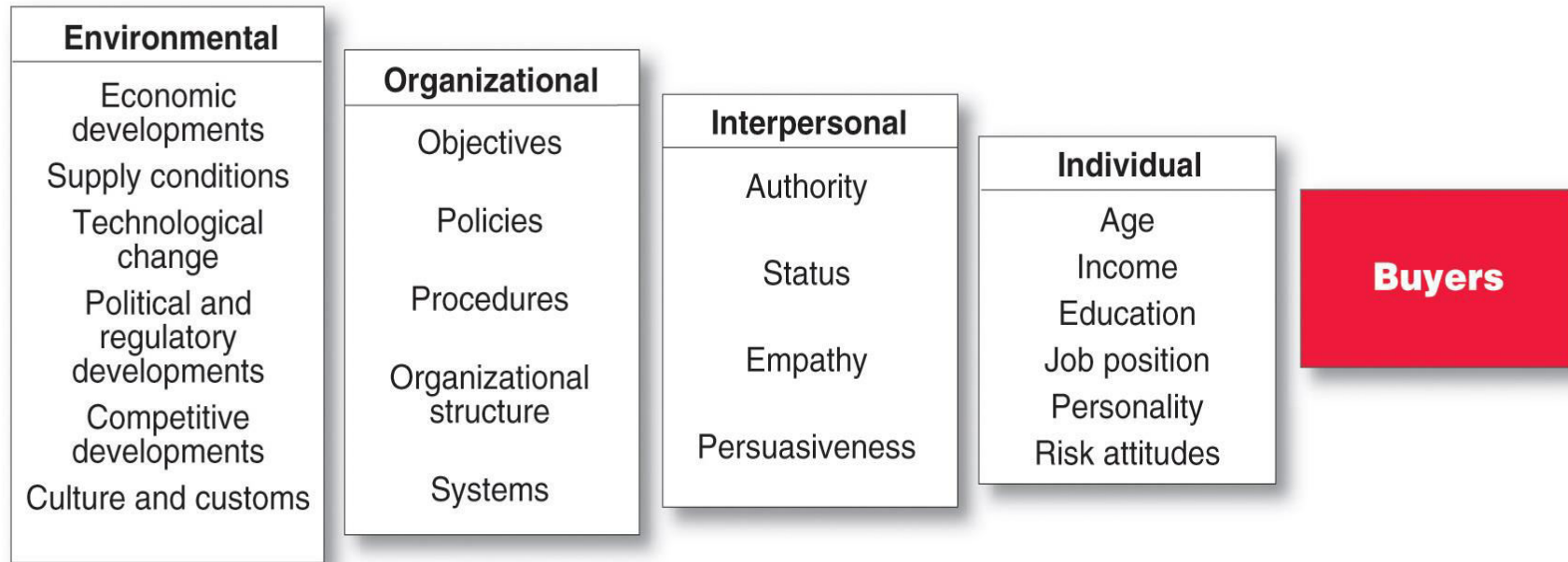
Supplier development

systematic development of networks of supplier-partners to ensure an appropriate and dependable supply of products and materials that they will use in making their own products or resell



Business Buyer Behavior

The Model of Business Buyer Behavior



Business Buyer Behavior

Major Types of Buying Situations

Straight rebuy is a routine purchase decision such as reorder without any modification

Modified rebuy is a purchase decision that requires some research where the buyer wants to modify the product specification, price, terms, or suppliers

New task is a purchase decision that requires thorough research such as a new product



Business Buyer Behavior

Major Types of Buying Situations

Systems selling

involves the purchase
of a packaged solution
from a single seller



Business Buyer Behavior

Participants in the Business Buying Process

Buying center is all of the individuals and units that participate in the business decision-making process

- Users
- Influencers
- Buyers
- Deciders
- Gatekeepers



Business Buyer Behavior

Participants in the Business Buying Process

- Buying center provides a major challenge
- Who participates in the process
 - Their relative authority
 - What evaluation criteria each participant uses
 - Informal participants



Business Buyer Behavior

Participants in the Business Buying Process

Users are those that will use the product or service

Influencers help define specifications and provide information for evaluating alternatives

Buyers have formal authority to select the supplier and arrange terms of purchase

Deciders have formal or informal power to select and approve final suppliers

Gatekeepers control the flow of information



Business Buyer Behavior

Major Influences on Business Buyers

Economic Factors

Price

Service

Personal Factors

Emotion



Business Buyer Behavior

Major Influences on Business Buyers Environmental Factors

**Demand for
product**

**Economic
outlook**

**Cost of
money**

**Supply of
Materials**

Technology

Culture

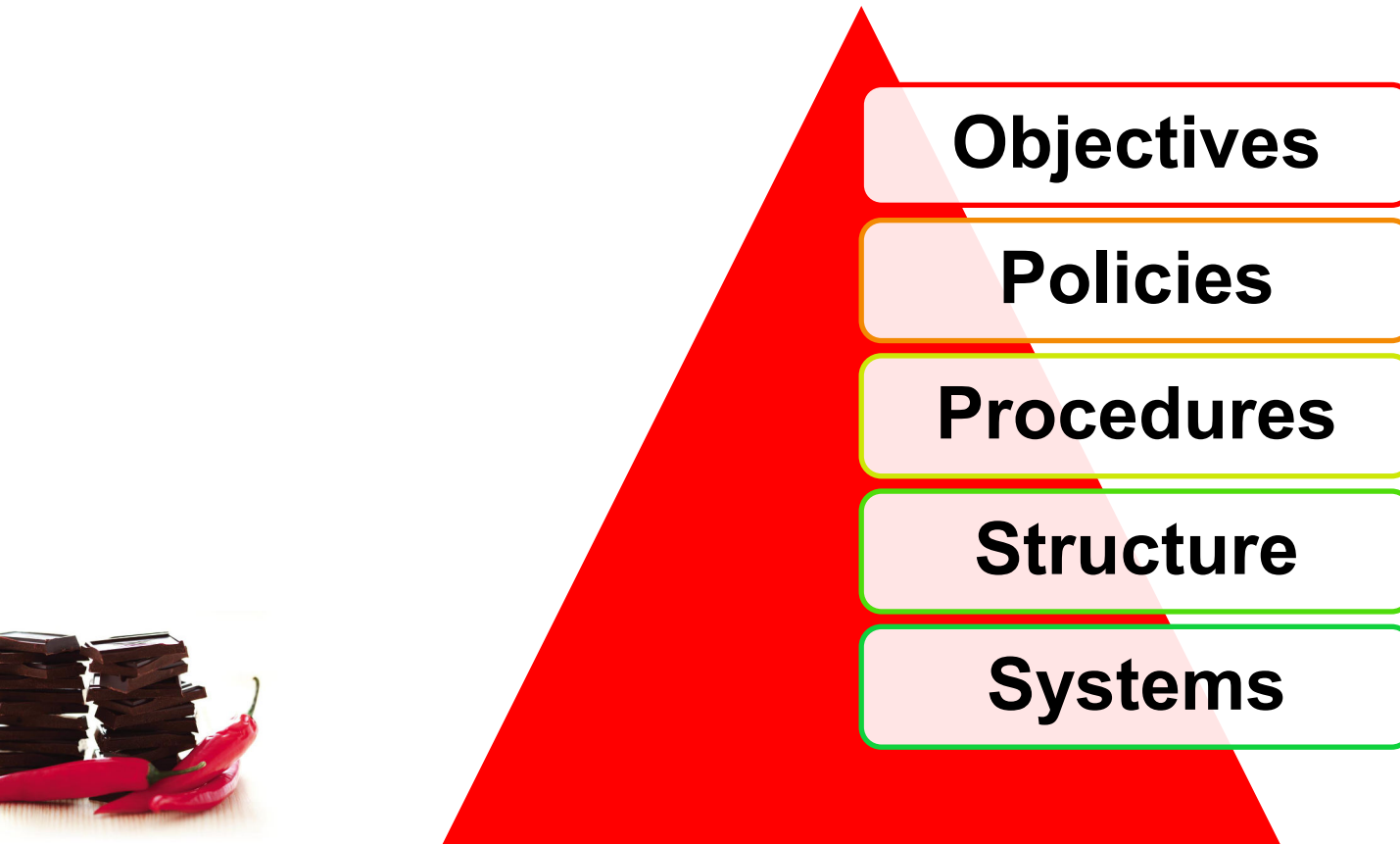
Politics

Competition



Business Buyer Behavior

Major Influences on Business Buyers Organizational Factors



Business Buyer Behavior

Major Influences on Business Buyers Individual Factors

Motives

Perceptions

Preferences

Age

Income

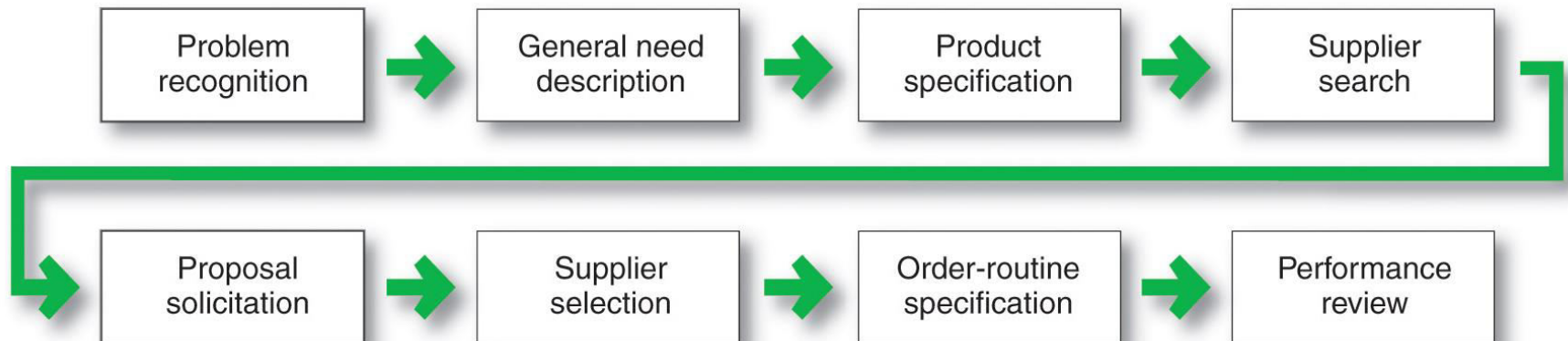
Education

**Attitude
toward risk**



Business Buyer Behavior

The Buying Process



Business Buyer Behavior

The Buying Process

Problem recognition occurs when someone in the company recognizes a problem or need

- Internal stimuli
 - Need for new product or production equipment
- External stimuli
 - Idea from a trade show or advertising



Business Buyer Behavior

The Buying Process

General need description describes the characteristics and quantity of the needed item

Product specification describes the technical criteria

Value analysis is an approach to cost reduction where components are studied to determine if they can be redesigned, standardized, or made with less costly methods of production



Business Buyer Behavior

The Buying Process

Supplier search involves compiling a list of qualified suppliers

Proposal solicitation is the process of requesting proposals from qualified suppliers



Business Buyer Behavior

The Buying Process

Supplier selection is the process when the buying center creates a list of desired supplier attributes and negotiates with preferred suppliers for favorable terms and conditions

Order-routine specifications is the final order with the chosen supplier and lists all of the specifications and terms of the purchase



Business Buyer Behavior

The Buying Process

Performance review involves a critique of supplier performance to the purchase terms



Business Buyer Behavior

E-Procurement

- Online purchasing
- Company-buying sites
- Extranets

The screenshot displays the Sun Microsystems website interface. At the top, a navigation bar includes links for Products, Downloads, Services & Solutions, Support, Training, and Developer. A search bar is located on the right. Below the navigation bar, the main content area features a 'Desktops & Workstations' section with a 'Special Offer' to 'Maximize Desktop Performance-Risk-free for 60-days!' for a multiplatform Sun Ultra 20 or Ultra 40 workstation. A chat window is overlaid on the page, showing a conversation with a sales agent named Christina Garcia. The chat window includes a 'Chat Now!' button and a 'Close' button. Below the chat window, there is a table of product listings for Sun Ultra 40 and Sun Ultra 20 Workstations, including details on operating systems and processors. On the right side, there is a 'Before You Buy' section with links for 'Call Me Now', 'Chat Now', 'Email Me', and 'Call Sun Toll Free'. At the bottom right, there is an 'Evaluate' section with links for 'Workstation Comparison', 'Success Stories', and 'Promotions'. A 'Get' section with a 'Price & Buy' link and a 'Use' section with links for 'Documentation' and 'eNewsletters' are also visible.

Every environment has its own requirements. While still another needs high performance, we have a desktop workstation for interactive tasks such as development or business applications. Technical server farm. Whatever your requirements, we have a solution.

Chat Now

Please wait while we find an agent to assist you. You have been connected to Christina Garcia. Christina Garcia: Welcome to sales support for Sun Microsystems, how may I help you? John@email.com: I was curious about the Sun Ultra 40 workstation. Does it support Windows Vista? Christina Garcia: Yes. The workstation supports Windows Vista OS.

Thanks so much!

Close

Desktops & Workstations

All | x64 | Sparc |

x64

Product Name

Sun Ultra 40 Workstation

Price & Buy

Sun Ultra 20 Workstation

* Sun Ultra 40 Workstation has been tested on Windows XP Professional and Windows XP Professional x64 only.

* One AMD Opteron processor (100 or 1200 Series)

Up to 8 GB of ECC unbuffered

Desktop 10 (64-bit)

Microsoft Windows XP Professional (32-bit)

Microsoft Windows XP Professional x64 Edition

Solaris 10 Operating System (preloaded)

Red Hat Enterprise Linux

Before You Buy

Call Me Now

Chat Now

Email Me

Call Sun Toll Free

Evaluate

Workstation Comparison

Success Stories

Promotions

Get

Price & Buy

Use

Documentation

eNewsletters



Business Buyer Behavior

E-Procurement

- Advantages
 - Access to new suppliers
 - Lowers costs
 - Speeds order processing and delivery
 - Shares information
 - Sales
 - Service and support
- Disadvantages
 - Can erode relationships as buyers search for new suppliers
 - Security



Institutional and Government Markets

Institutional markets

consist of hospitals, nursing homes, and prisons that provide goods and services to people in their care

- Characteristics
 - Low budgets
 - “Captive” audience



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■ [SUB - Net \(Subcontracting Opportunities\)](#)
■ [IAE](#)

Institutional and Government Markets

Government markets

tend to favor domestic suppliers and require suppliers to submit bids and normally award to the lowest bidder

- Affected by environmental factors
- Non-economic factors considered
 - Minority suppliers
 - Depressed suppliers
 - Small businesses

