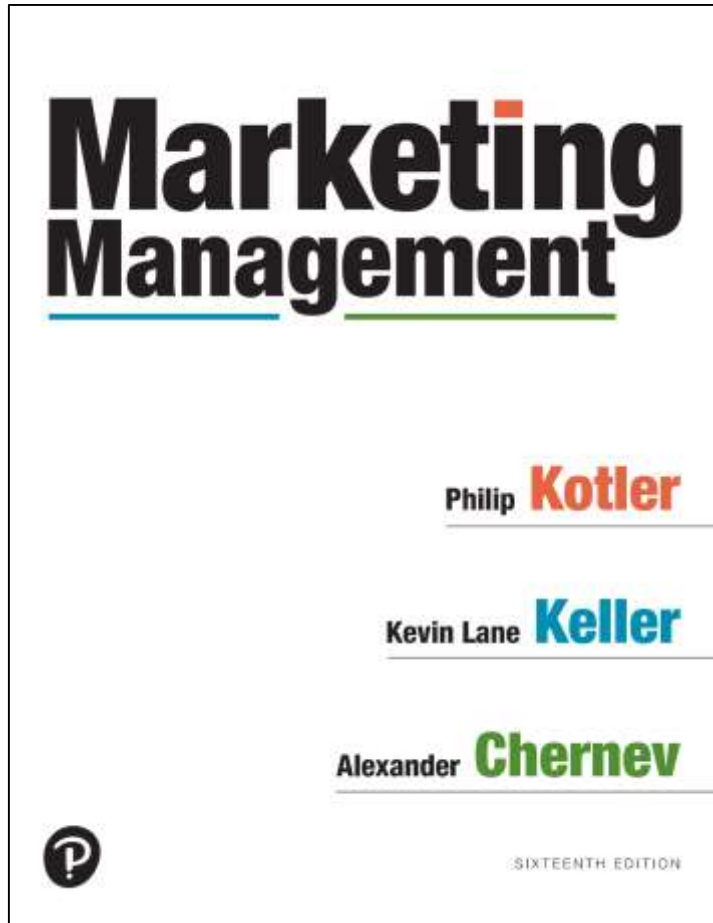


Marketing Management

Sixteenth Edition



Chapter 4

Analyzing Business Markets

Learning Objectives

- 4.1** Explain the key aspects of the organizational buying process.
- 4.2** Define the role of the buying center in an organization.
- 4.3** Describe the stages of the decision process in business markets.
- 4.4** Explain how organizations develop marketing programs to attract and retain business customers.
- 4.5** Describe how business-to-business marketers build and maintain relationships with customers.

What Is Organizational Buying?

- **Business market**
 - Consists of all the organizations that acquire goods and services used in the production of other products or services that are sold, rented, or supplied to others



Understanding Business Markets

- Fewer, larger buyers
- Close supplier–customer relationships
- Professional purchasing
- Multiple buying influences
- Multiple sales calls
- Derived demand
- Inelastic demand
- Fluctuating demand
- Geographically concentrated buyers
- Direct purchasing

Types of Buying Situations

- Straight Rebuy
- Modified Rebuy
- New Task

The Buying Center

- Initiators
- Users
- Influencers
- Deciders
- Approvers
- Buyers
- Gatekeepers

What Is the Role of the Buying Center?

- Seek the best value from fewer and better suppliers

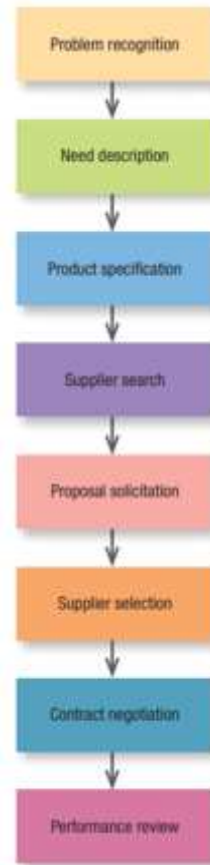
Buying Center Dynamics

- Participants with differing interests, authority, status, and susceptibility to persuasion, and sometimes with very different decision criteria

Selling to Buying Centers

- Who are the major decision participants?
- What decisions do they influence, and how deeply?
- What evaluation criteria do they use?

Figure 4.1 Stages in the Business-Buying Process



Understanding the Buying Process (1 of 6)

- Problem recognition
 - Someone in the company recognizes a problem or need that can be met by acquiring a good or service
- Need description
 - Next, the buyer determines the needed item's general characteristics and the required quantity

Understanding the Buying Process (2 of 6)

- Product specification
 - The buying organization now develops the item's technical specifications
 - **Product value analysis**—an approach to cost reduction that studies whether components can be redesigned, standardized, or made by cheaper methods of production without adversely affecting product performance

Understanding the Buying Process (3 of 6)

- Supplier search
 - Catalog sites
 - Vertical markets
 - “Pure Play” auction
 - Private exchanges
 - Spot and barter markets

Online Buying

- Vertical hubs
- Functional hubs



Understanding the Buying Process (4 of 6)

- Proposal solicitation
 - The buyer next invites qualified suppliers to submit written proposals
- Supplier selection
 - Before selecting a supplier, the buying center will specify and rank desired supplier attributes

Supplier Selection

- Evaluate vendors
 - Price
 - Reputation
 - Reliability
 - Agility

Understanding the Buying Process (5 of 6)

- Contract negotiation
 - the buyer negotiates the final order, which includes listing the technical specifications, the quantity needed, the expected time of delivery, return policies, and warranties

Contract Negotiation

- Blanket contracts vs periodic purchase orders
 - Stockless purchase plans
- Long-term contracts to ensure supply
- Vendor-managed inventory

Understanding the Buying Process (6 of 6)

- Performance review
 - The buyer periodically reviews the performance of the chosen supplier(s)

Developing Effective Business Marketing Programs

- Systems selling
- Additional services
- Customer reference programs
- Online and offline communications and branding

From Products to Solutions

- **Systems buying**
 - A total problem solution from one seller
- **Systems selling** as a marketing tool

Enhancing Services

- Add high quality services to product offerings to provide value and establish ties with customers
- Bundle services to improve customer satisfaction and increase profits

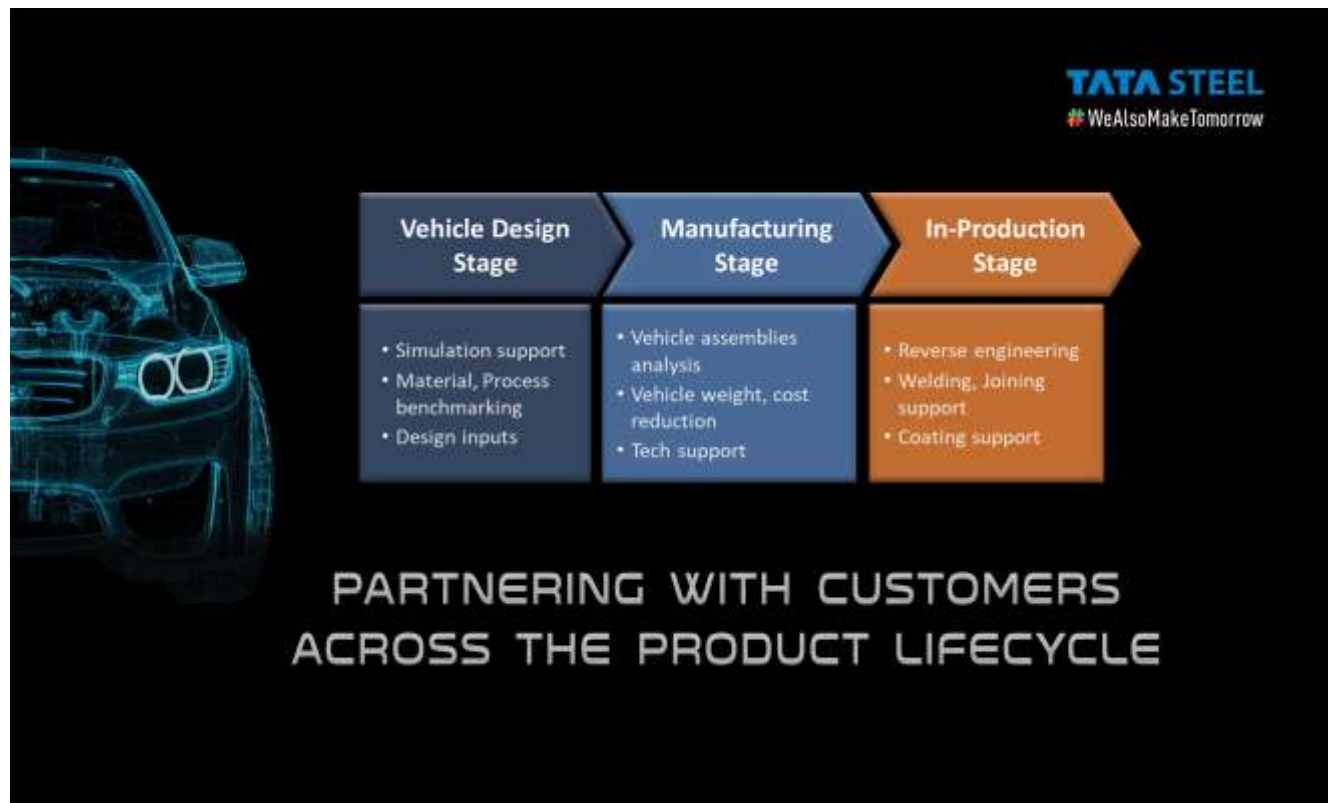
Building B2B Brands

- Value of a corporate brand



Overcoming Price Pressures

- Hagglng over price



Managing Communication

- Inform customers
 - Online presence
 - Search engine optimization
 - Social media
 - Webinars and podcasts

Managing B2B Relationships

- Relationship between supplier and customer
 - Loyalty
 - One-to-one marketing

Understanding the Buyer–Supplier Relationship

- Relevant forces
 - Availability of alternatives
 - Importance of supply
 - Complexity of supply
 - Supply market dynamism

Trust, Credibility, and Reputation (1 of 2)

- Building trust
 - Provide full, honest information
 - Align employee incentives with customer needs
 - Partner to create market value
 - Offer valid product comparisons

Trust, Credibility, and Reputation (2 of 2)

- Corporate credibility
- Corporate trustworthiness
- Corporate likeability

Risks and Opportunism

- **Risks**
 - Specific investments—expenditures tailored to a particular company and value-chain partner
 - Opportunism

Managing Institutional Markets

- **Institutional market**
 - Schools, hospitals, nursing homes, prisons, etc. that must provide goods and services to people in their care
- Government organizations
 - Are a major buyer of goods and services in most countries

Discussion Questions

- Recall advertisements for computers that refer to the micro processing chip included with the message “it’s Intel inside.”
 - Why does the computer company feature the Intel brand in addition to their own?
 - How does the Intel’s brand create value for its customers?

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