Business Markets and Business Buyer Behavior

Business Markets

- **Business Buyer Behavior**: buying behavior of the organizations that buy products to use in the production of other products that are sold, rented, or supplied to others.

- **Business-to-Business (B-2-B) Marketing**: marketing to businesses ex: selling computers to a company

Characteristics of Business Markets - I

**Market Structure and Demand**
- Fewer but larger buyers (large orders)
- Geographically concentrated
- Demand derived from consumer demand
- Price-inelastic demand (in the short term)
- Fluctuating demand

Characteristics of Business Markets - II

**Buying Unit and the Decision Process**
- More decision participants
- Process is more professional / formalized / structured
- More complex decisions
- Buyer and seller are more dependent on each other
  - close, long-term relationship
Similarities between Business and Consumer Buying

- Market success still depends on the satisfaction of **customer needs**.
- Marketing mix
- Segmentation – targeting – positioning

Business Buyer Behavior

- Marketing Mix
  - The Buying Center
  - Business Buyer
    - Environmental
      - (Economic, Technological, Political etc.)
    - Organizational
    - Interpersonal
    - Individual / Psychological

Participants in the “Buying Center”

- Users
- Influencers
- Deciders
- Buyers
- Gatekeepers

Types of Business Buying

1. Straight Rebuy

- Ordering without modifying product specifications
- Fewer people involved
- Routine
- In supplier needs to keep quality
- Out suppliers have difficulty – should increase value
2. Modified Rebuy

- Intention to modify specifications, prices, terms, suppliers, etc.
- More participants than straight rebuy
- A window of opportunity for Out suppliers

3. New Task Buy

- Many people are involved -- depending on cost and risk
- Collect lots of information
- Many decisions to make (product, suppliers, payment, delivery …)
- Any selling firms has an opportunity

Stages in the Business Buying Process

- Problem / Need Recognition
- General Need Description
- Product Specification
- Supplier Search
- Proposal Solicitation
- Supplier Selection
- Order-routine Specification
- Performance Review

Other Organizational Buyers

- Institutional Buyers
  (schools, hospitals, nursing homes..)
- Government
  - Favor local, national suppliers
  - Suppliers submit bids or negotiated contracts
  - Public review