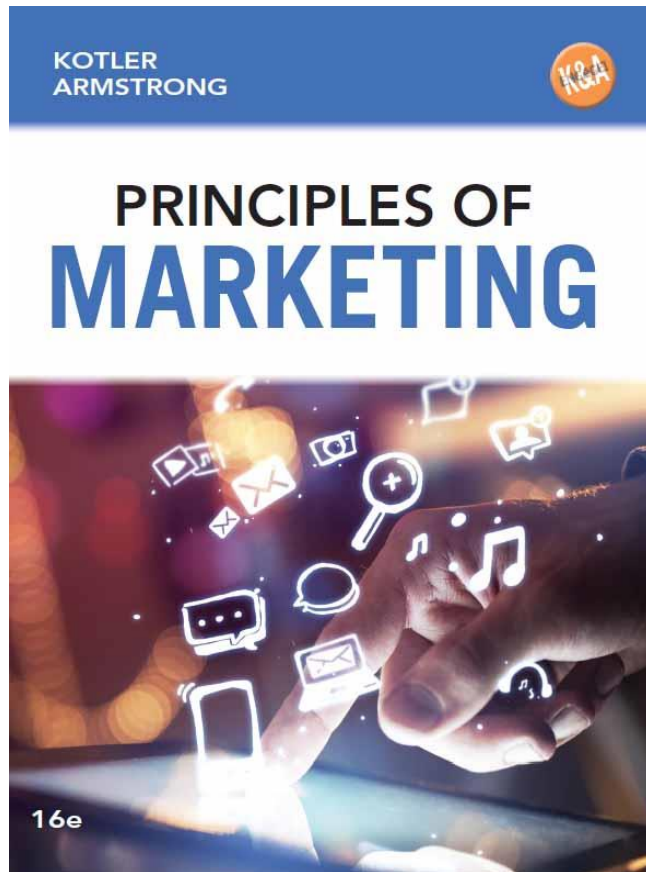


Principles of Marketing

Sixteenth Edition



Chapter 6 Business Markets and Business Buyer Behavior

Business Markets and Business Buyer Behavior (1 of 2)



Learning Objectives

6.1 Define the business market and explain how business markets differ from consumer markets.

6.2 Identify the major factors that influence business buyer behavior.

6.3 List and define the steps in the business buying decision process.

6.4 Compare the institutional and government markets and explain how institutional and government buyers make their buying decisions.

Business Markets and Business Buyer Behavior (2 of 2)

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

Learning Objective 6.1 (1 of 2)

- Define the business market and explain how business markets differ from consumer markets.

Business Markets

Business Markets (1 of 3)

Market Structure and Demand

- Fewer but larger buyers
- Derived demand
- Inelastic demand
- Fluctuating demand

Business Markets (2 of 3)

Nature of the Buying Unit

Business buyers usually face **more complex** buying decisions than do consumer buyers. Compared with consumer purchases, a business purchase usually involves:

- More decision participants
- More professional purchasing effort
- More buyer and seller interaction

Business Markets (3 of 3)

Decision Process

- **Supplier development** is the systematic development of networks of supplier-partners to ensure an appropriate and dependable supply of products and materials for use in making products or reselling them to others.

Learning Objective 6.1 (2 of 2)

- Define the business market and explain how business markets differ from consumer markets.

Business Markets

Learning Objective 6.2 (1 of 2)

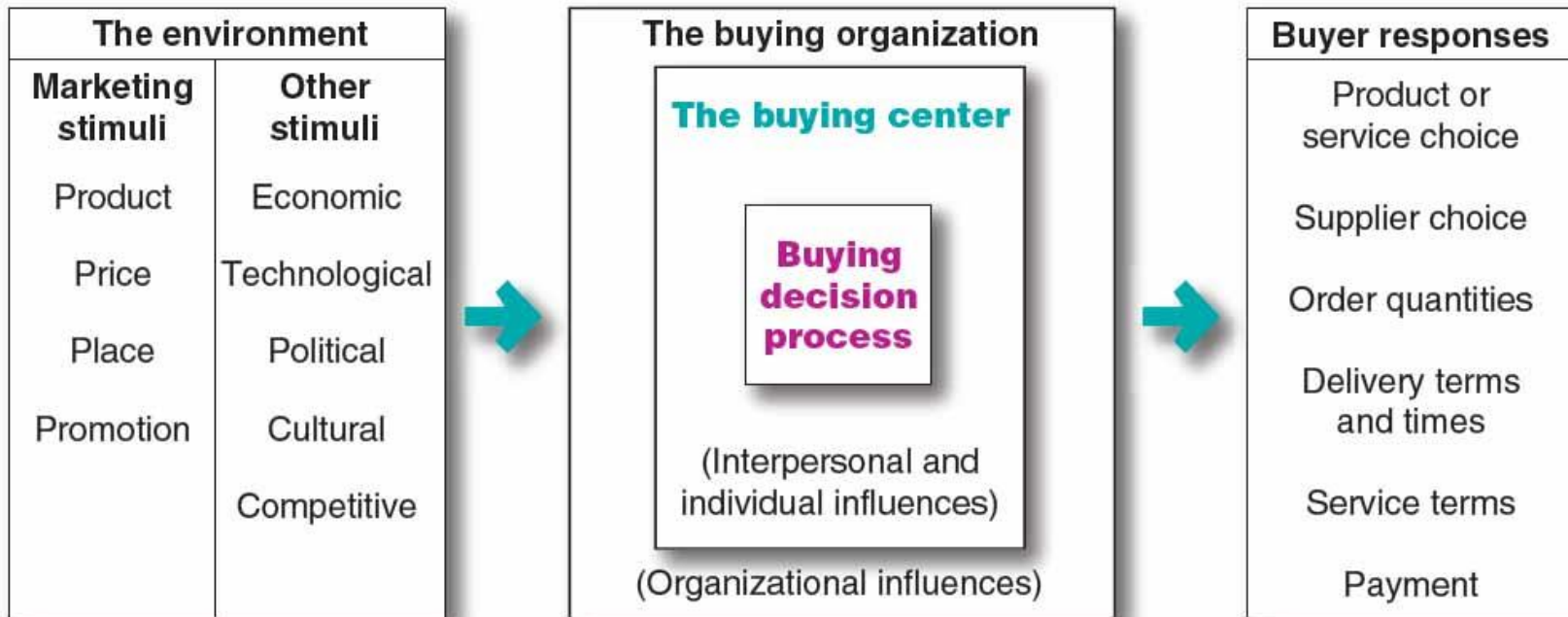
- Identify the major factors that influence business buyer behavior.

Business Buyer Behavior

Business Buyer Behavior (1 of 12)

Major Types of Buying Situations

Figure 6.1 A Model of Business Buying Behavior



Business Buyer Behavior (2 of 12)

Major Types of Buying Situations

- **Straight rebuy** is a buying situation in which the buyer routinely reorders something without any modifications.
- **Modified rebuy** is a buying situation in which the buyer wants to modify product specifications, prices, terms, or suppliers.
- **New task** is a buying situation in which the buyer purchases a product or service for the first time.

Business Buyer Behavior (3 of 12)

Major Types of Buying Situations

- **Systems selling** is buying a complete solution to a problem from a single seller.



● **Solutions selling:** Delivering a fun and safe experience for Six Flags guests requires careful and effective management of thousands of park assets across its 19 regional theme parks. IBM works hand-in-hand with Six Flags to provide not just software, but a complete solution.

WireImage

Business Buyer Behavior (4 of 12)

Participants in the Business Buying Process

- **Buying center** consists of all the individuals and units that play a role in the business purchase decision-making process.
 - Users
 - Influencers
 - Deciders
 - Purchasers
 - Gatekeepers

Business Buyer Behavior (5 of 12)

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 (6 of 12)

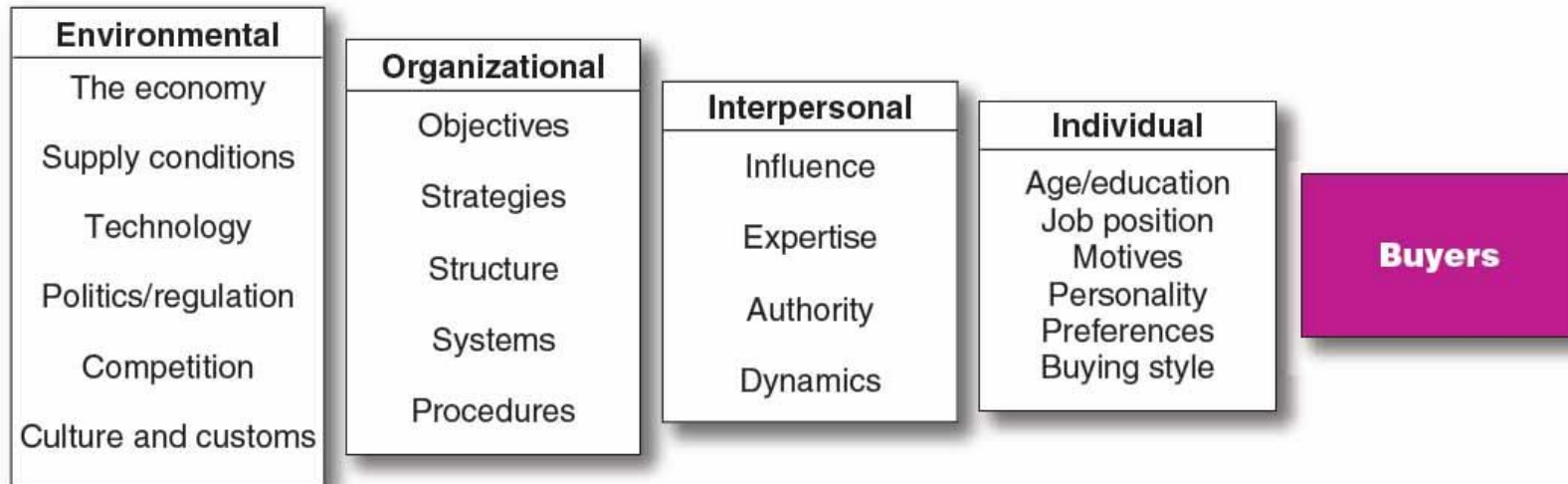
Participants in the Business Buying Process

- The buying center concept presents a major marketing challenge given the varied groups involved in the decision.
- Who participates in the decision?
 - Relative influence on decision by various participants
 - Evaluation criteria used by various participants
 - Are there Informal participants involved in decision

Business Buyer Behavior (7 of 12)

Major Influences on Business Buyers

Figure 6.2 Major Influences on Business Buying Behavior



Business Buyer Behavior (8 of 12)

Major Influences on Business Buyers

- **Economic Factors**
 - Price
 - Service
- **Personal Factors**
 - Emotion

Business Buyer Behavior (9 of 12)

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 (10 of 12)

Major Influences on Business Buyers

- **Organizational Factors**
 - Objectives
 - Strategies
 - Structure
 - Systems
 - Procedures

Business Buyer Behavior (11 of 12)

Major Influences on Business Buyers

- **Interpersonal Factors**
 - Influence
 - Expertise
 - Authority
 - Dynamics

Business Buyer Behavior (12 of 12)

Major Influences on Business Buyers

- **Individual Factors**
 - Motives
 - Perceptions
 - Preferences
 - Age
 - Income
 - Education
 - Attitude toward risk

Learning Objective 6.2 (2 of 2)

- Identify the major factors that influence business buyer behavior.

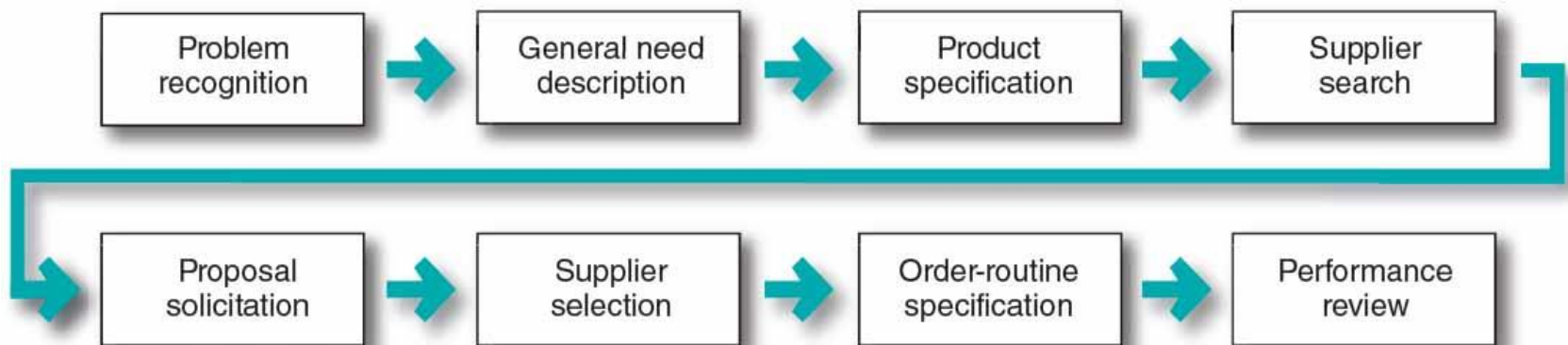
Business Buyer Behavior

Learning Objective 6.3 (1 of 2)

- List and define the steps in the business buying decision process.

The Business Buying Process (1 of 5)

Figure 6.3 Stages of Business Buying Behavior



The Business Buying Process (2 of 5)

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

The Business Buying Process (3 of 5)

- **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.

The Business Buying Process (4 of 5)

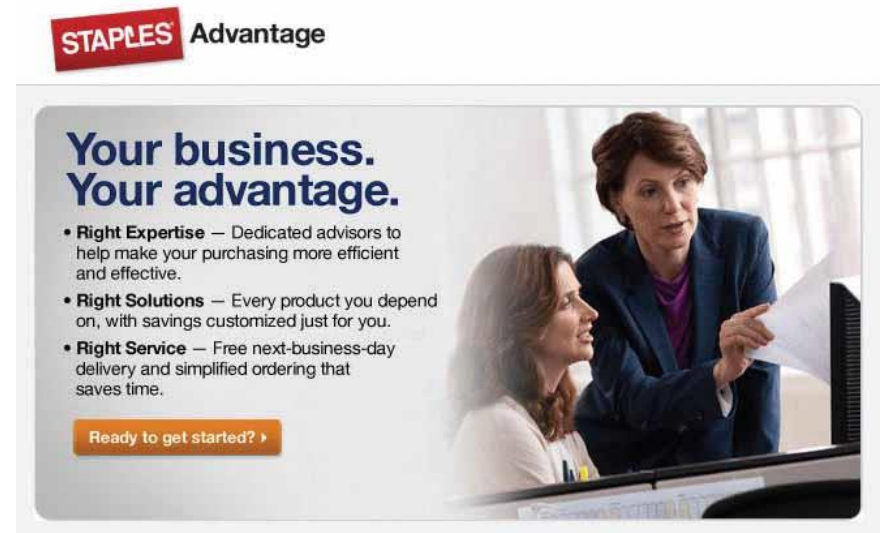
- **Supplier search** involves compiling a list of qualified suppliers to find the best vendors.
- **Proposal solicitation** is the process of requesting proposals from qualified suppliers.
- **Supplier selection** is when the buying center creates a list of desired supplier attributes and negotiates with preferred suppliers for favorable terms and conditions.

The Business Buying Process (5 of 5)

- **Order-routine specifications** includes the final order with the chosen supplier and lists all of the specifications and terms of the purchase.
- **Performance review** involves a critique of supplier performance to the order-routine specifications.

E-Procurement and Online Purchasing (1 of 2)

- Online purchasing
- Company-buying sites
- Extranets



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[Ready to get started? »](#)

E-Procurement and Online Purchasing (2 of 2)

- Advantages
 - Access to new suppliers
 - Lowers costs
 - Speeds order processing and delivery
 - Enhances information sharing
 - Improves sales
 - Facilitates service and support
- Disadvantages
 - Erodes relationships as buyers search for new suppliers

Learning Objective 6.3 (2 of 2)

- List and define the steps in the business buying decision process.

Learning Objective 6.4 (1 of 2)

- Compare the institutional and government markets and explain how institutional and government buyers make their buying decisions.

Institutional and Government Markets (1 of 2)

- **Institutional markets** consist of schools, hospitals, nursing homes, and prisons that provide goods and services to people in their care.
 - Characteristics
 - Low budgets
 - Captive patrons

Institutional and Government Markets (2 of 2)

- **Government markets** tend to favor domestic suppliers, require them to submit bids, and normally award the contract to the lowest bidder.
 - Affected by environmental factors
 - Non-economic factors considered
 - Minority firms
 - Depressed firms
 - Small businesses

Learning Objective 6.4 (2 of 2)

- Compare the institutional and government markets and explain how institutional and government buyers make their buying decisions.

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