

h e g

Haute école de gestion
Genève

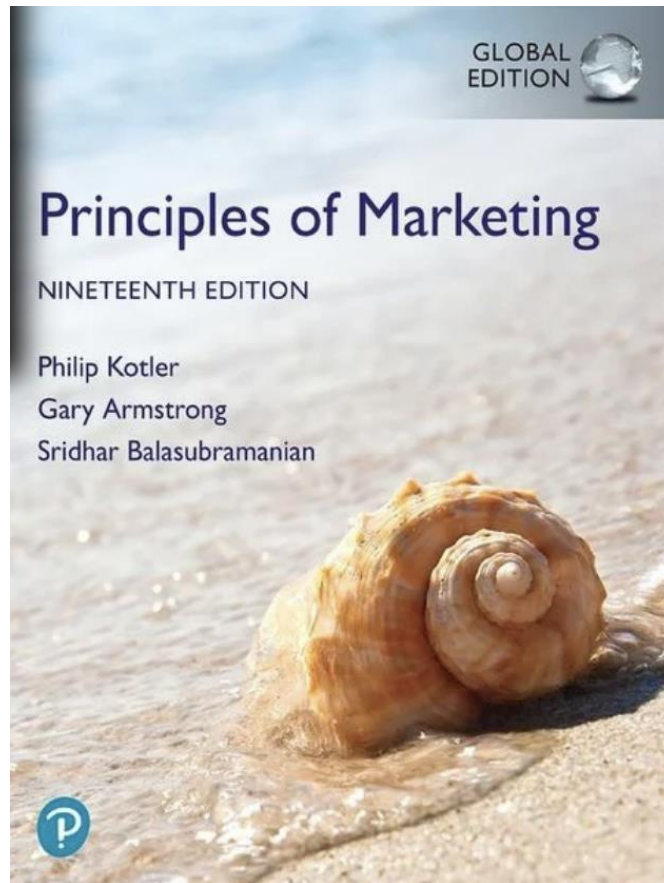
CHAPTER 6: MARKETING STRATEGY PART 1

BUSINESS MARKETS & BUYER BEHAVIOR

Marketing Principles 1

Anna Wehren

Principles of Marketing



Chapter 6

Business Markets & Business Buyer Behavior

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** Discuss how new information technologies and online, mobile, and social media have changed business-to-business marketing.
- 6-5** Compare the institutional and government markets and explain how institutional and government buyers make their buying decisions.

Business Markets and Buyer Behavior

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 amongst alternative brands.



Business Markets

What examples can you share of businesses that sell to other businesses ?



Business Markets

B2C

Business to Consumer



B2C & B2B

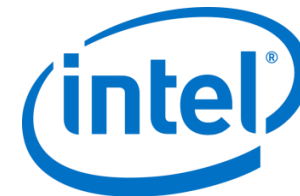


B2B

Business to Business

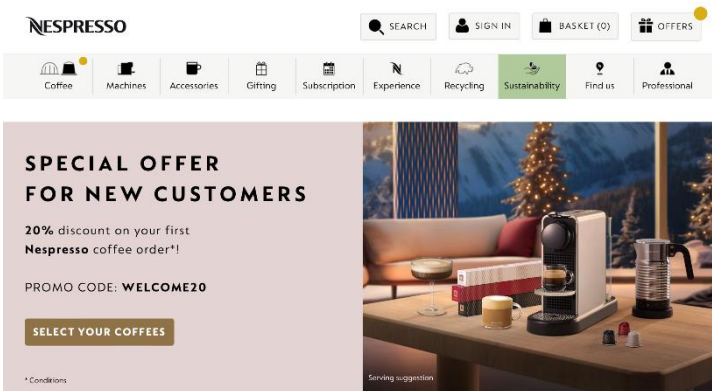


MAERSK

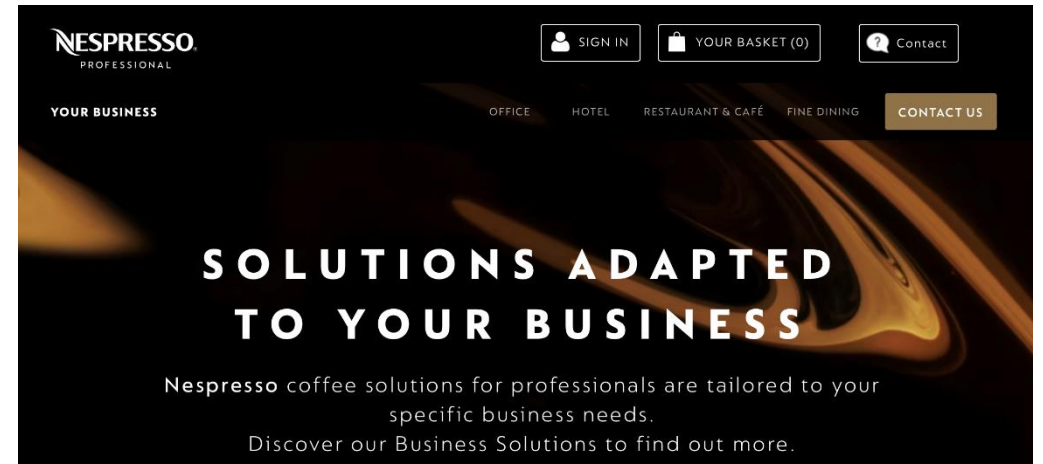


Example: Nespresso

How does Nespresso's marketing differ from addressing businesses vs consumers?

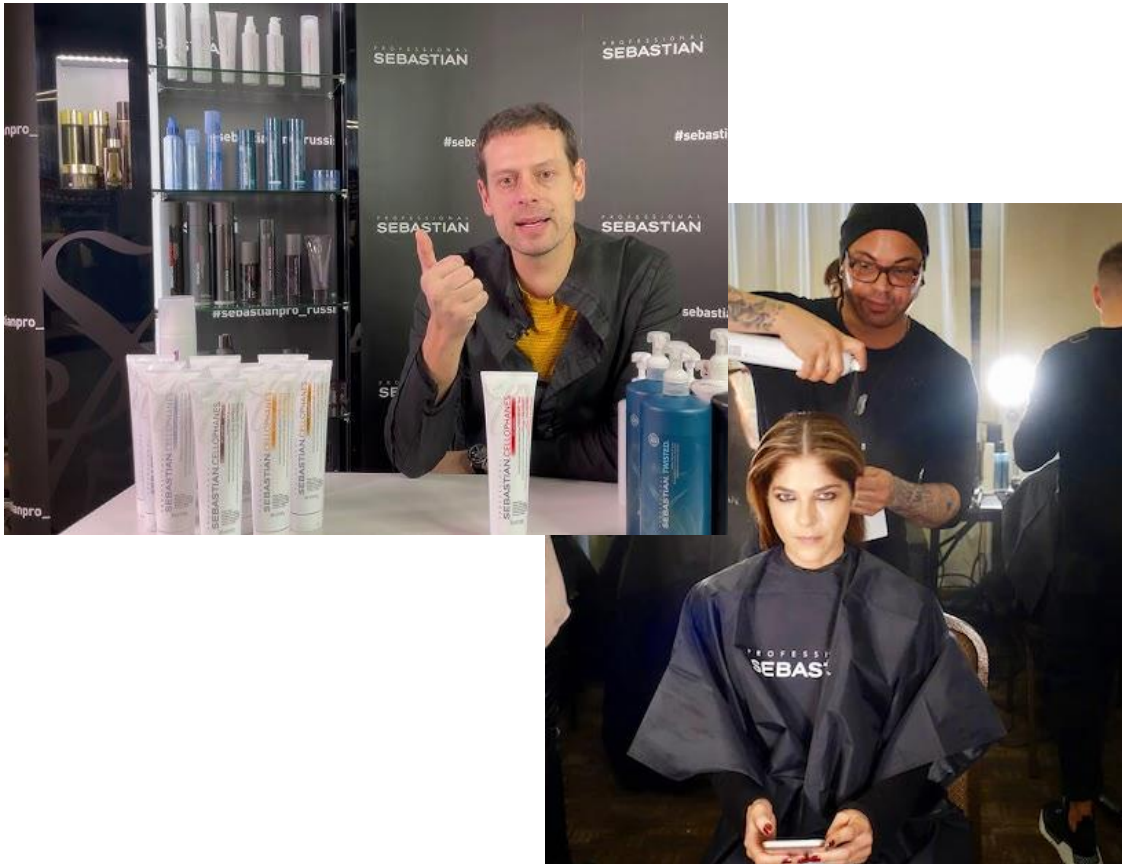


Product offer
Customer support
Price



Example: Sebastian Professional

What challenges do brands face when selling both B2B and B2C?



Price
Advocacy
Grey market



PROFESSIONAL
SEBASTIAN.

Sebastian Professional Dark Oil
Lightweight Shampoo &
Conditioner Set, Infused With
Jojoba & Argan Oil

4.8 ★★★★★ 218 ratings | 4 answered questions

Amazon's Choice

in Shampoo & Conditioner Sets by Sebastian

Bundle Price: **\$41.00**

Professional Beauty

Example: Nioxin

How can brands benefit from selling both B2C and B2B ?



Credibility
Endorsement
Awareness



**“DERMATOLOGICALLY TESTED
CLINICALLY PROVEN”**

DR. CAROLINE ROBINSON, MD
FAAD, BOARD-CERTIFIED DERMATOLOGIST

*Caroline Robinson, MD
Dermatology*

Business Markets

Creating **customer value** remains the objective =>
Brand positioning remains key !

Importance of:

PURPOSE (Why)

DIFFERENTIATION (What)



Example: Purpose

ALSTOM

Company

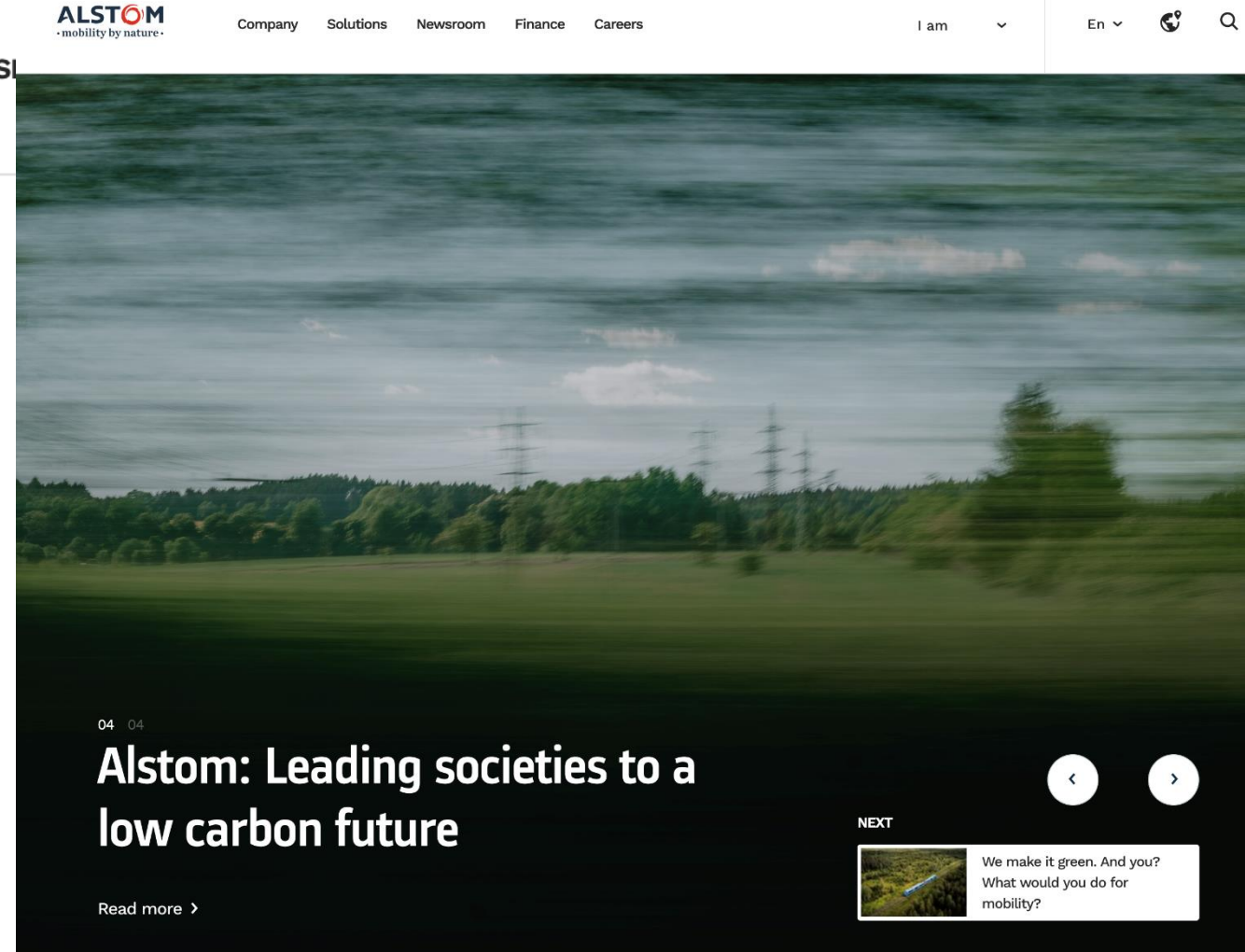
Solutions

News

Leading the way to greener and smarter mobility, worldwide.

Our ambition is to accompany all transportation stakeholders in meeting tomorrow's mobility challenges. We strive to provide them with the most efficient and digital mobility systems, while further improving the environmental friendliness of our solutions.

Smart innovation for sustainable mobility >



The screenshot shows the top portion of the Alstom website. At the top left is the Alstom logo with the tagline "mobility by nature". To its right is a navigation menu with links for "Company", "Solutions", "Newsroom", "Finance", and "Careers". Further right are links for "I am" and "En" with dropdown arrows, and a search icon. The main content area features a large, blurred background image of a green landscape with power lines. Below this image, the text "04 04" is visible. The main headline reads "Alstom: Leading societies to a low carbon future". Below the headline is a "Read more >" link. To the right of the headline are two circular navigation arrows. Below these is a "NEXT" section with a small image of a green field and the text "We make it green. And you? What would you do for mobility?".

ALSTOM

• *mobility by nature* •

#AlstomCareers

• HOW I MET •
THE REAL ALSTOM

Example: Differentiation

Differentiation in positioning between different consulting firms who offer similar services:

The logo for Quantis, featuring the word "Quantis" in a pink, sans-serif font with a stylized flourish at the end of the "s".

Sustainability strategy



pwc

Risk management

The logo for Boston Consulting Group (BCG), featuring the letters "BCG" in a large, bold, green font.

BOSTON
CONSULTING
GROUP

Growth strategies

The logo for Kantar, featuring the word "KANTAR" in a bold, black, sans-serif font with a vertical bar to the left of the "K".

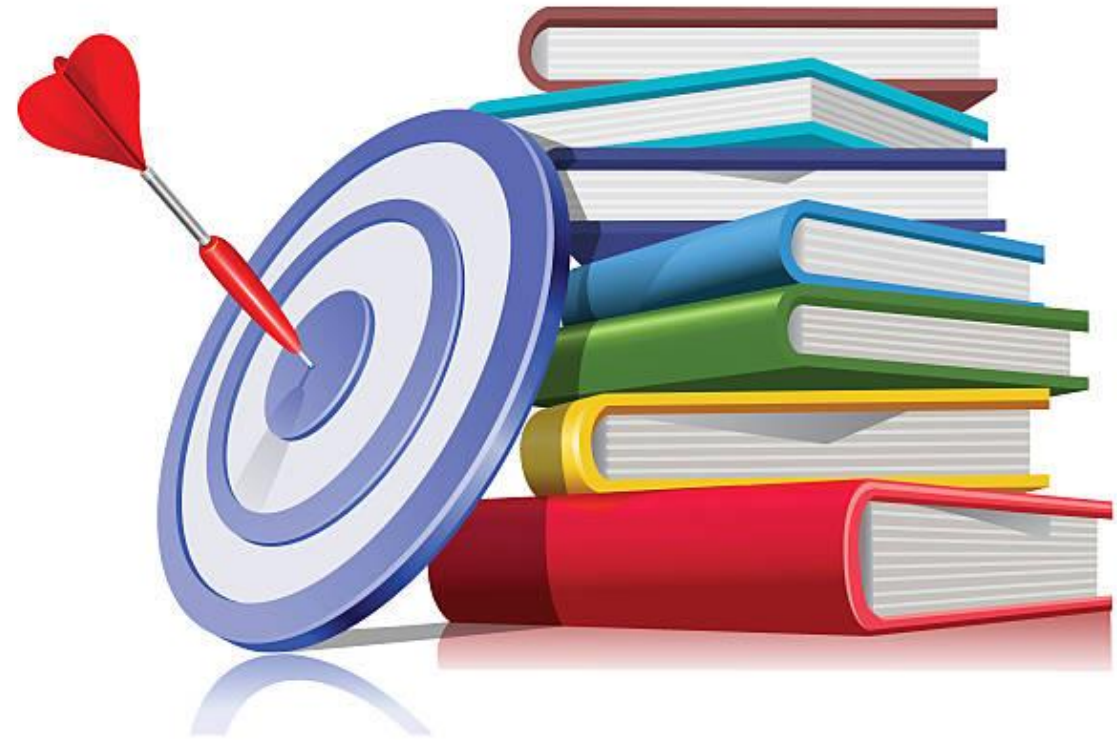
Brand purpose

The logo for Bain & Company, featuring the text "BAIN & COMPANY" in a red, sans-serif font followed by a red circular icon containing a white arrow pointing up and to the right.

Organisational design

Learning Objective 1

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



Business Markets

What do you think the key differences are when you market a B2B brand ?



Business Markets

The main differences between consumer and business markets are in:

- Market Structure and Demand
- The Nature of the Buying Unit
- The Types of Decisions and the Decision Process involved

Business Markets

Market Structure and Demand

Fewer but larger buyers

Derived demand

Inelastic demand

Fluctuating demand

Fewer but larger buyers:
Client loyalty and satisfaction is even more important than for consumer markets as a few buyers account for most of the sales!

Business Markets

Market Structure and Demand

Fewer but larger buyers

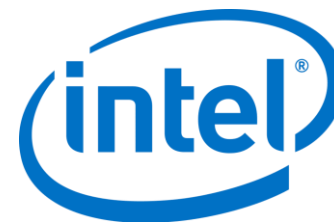
Derived demand

Inelastic demand

Fluctuating demand

Derived Demand:

Demand comes from (*is derived from*) consumer markets (eg. Intel processors are only bought when consumers buy from other brands such as HP, Dell...).



Example GORE TEX



Business Markets

Market Structure and Demand

Fewer but larger buyers

Derived demand

Inelastic demand

Fluctuating demand

Inelastic Demand:

Demand for many business products is not affected much by price changes, especially in the short run (eg. unique raw materials, special machinery, regulated goods...).

Business Markets

Market Structure and Demand

Fewer but larger buyers

Derived demand

Inelastic demand

Fluctuating demand

Fluctuating Demand:

Demand for many business goods and services tends to change more, and more quickly, than does the demand for consumer goods and services (eg. changing technology, energy, specific fabrics for the apparel industry...).

Business Markets

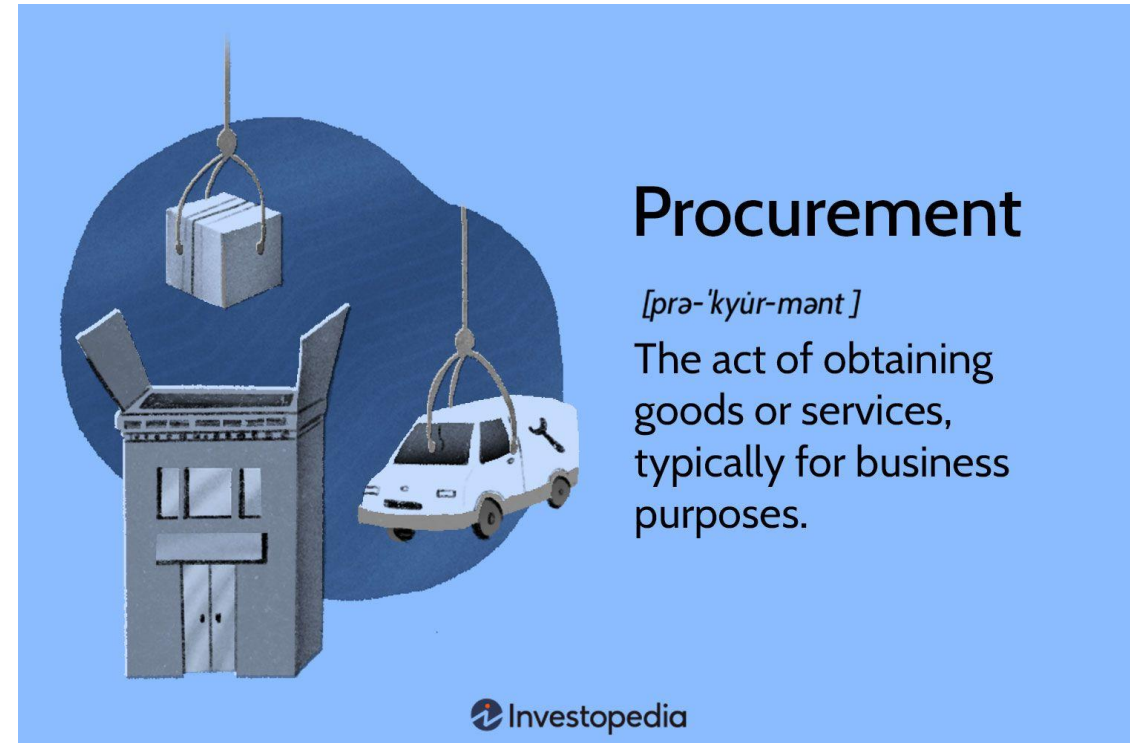
The main differences between consumer and business markets are in:

- Market Structure and Demand
- The Nature of the Buying Unit
- The Types of Decisions and the Decision Process involved

Business Markets

The Nature of the Buying Unit

Business buyers usually face more **complex buying decisions** than do consumer buyers.



Procurement

[prə-'kyūr-mənt]

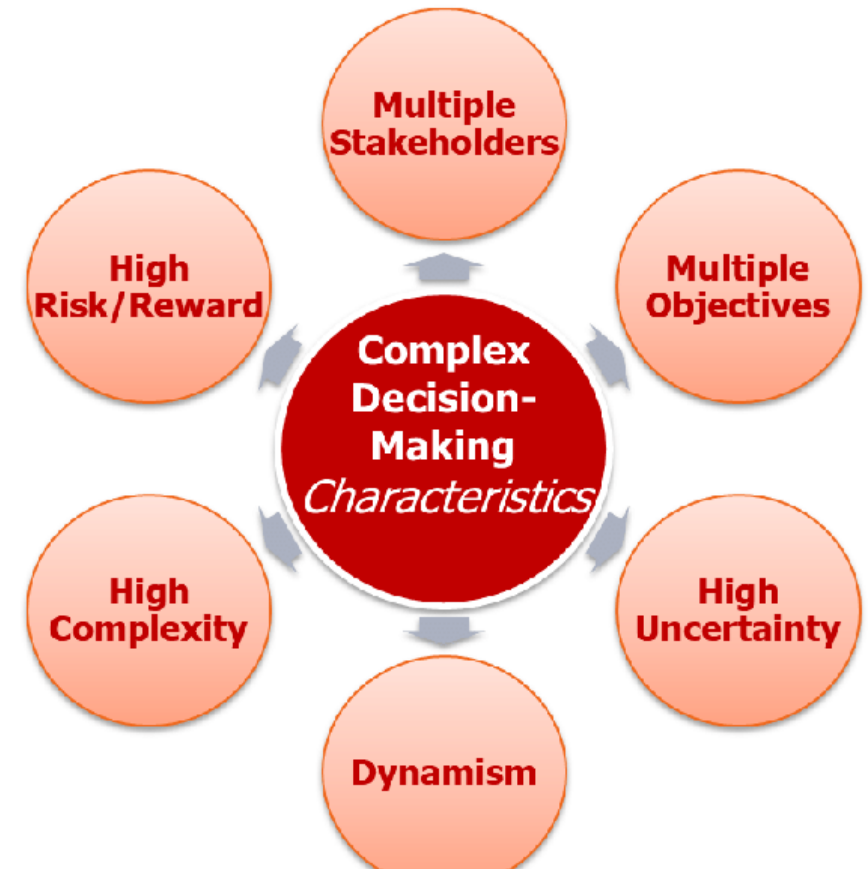
The act of obtaining goods or services, typically for business purposes.

Business Markets

The Nature of the Buying Unit

Compared with consumer purchases, a business purchase usually involves:

- More decision participants & interactions
- Larger sums of money
- Technical considerations
- Longer-term relationships and dependency
- More formal agreements



Business Markets

The main differences between consumer and business markets are in:

- Market Structure and Demand
- The Nature of the Buying Unit
- The Types of Decisions and the Decision Process involved

Business Markets

The Decision Process

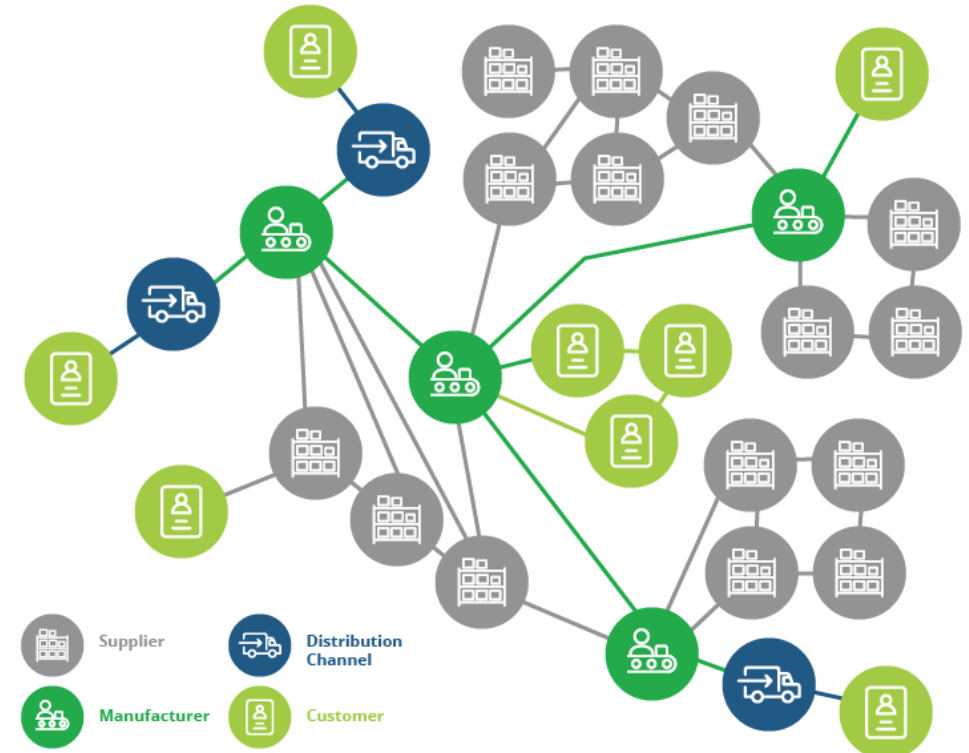
More complex buying decisions than consumer buyers:

- Longer
- More formalized
- More dependent on each other

Business Markets

The 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.



Business Markets

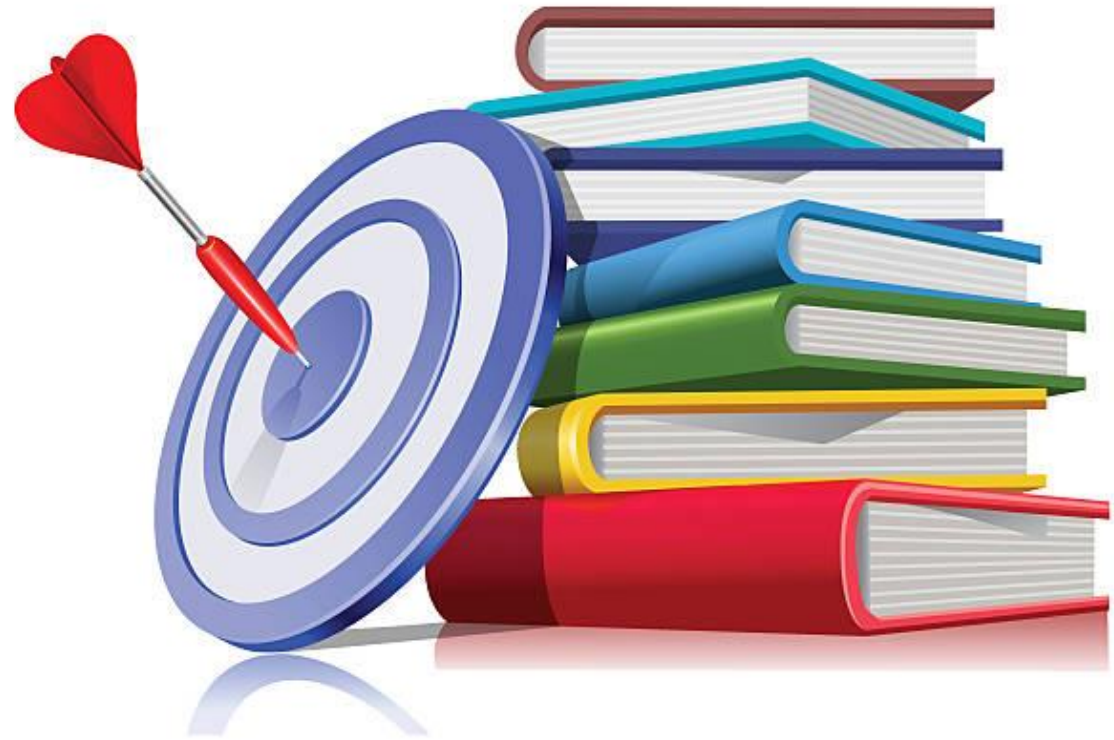
Decision Process – Example



- Walmart doesn't have a "Purchasing Department"; it has a "**Supplier Development Department.**"
- The giant retailer knows that it can't just rely on spot suppliers who might be available when needed.
- Instead, **Walmart manages a robust network of supplier-partners =>** provide the hundreds of billions of \$ of goods sold to its customers each year.

Learning Objective 2

Identify the **major factors that influence business buyer behavior.**



Business Buyer Behavior

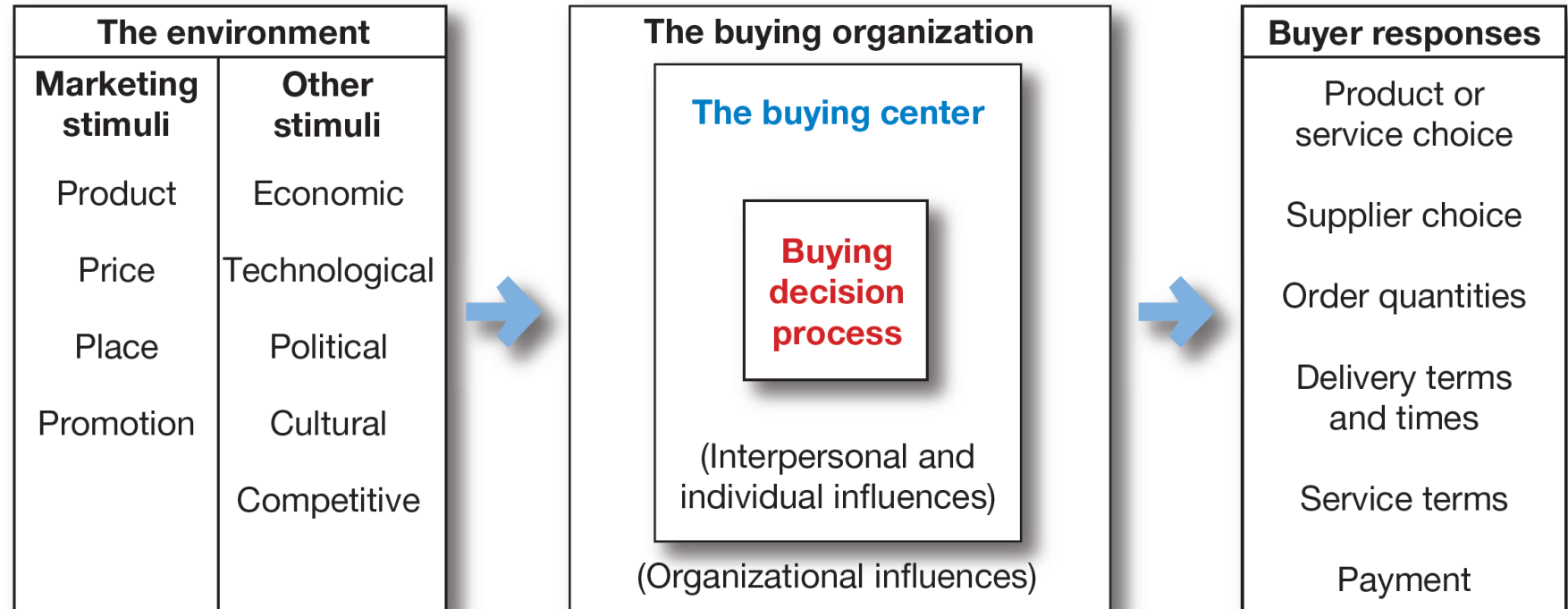
The main differences between consumer and business buying behavior are the:

- Major Types of Buying Situations
- Participants in the Buying Business Process
- Major Influences on Business Buyers

Business Buyer Behavior

● **FIGURE | 6.1**
A Model of Business Buyer Behavior

In some ways, business markets are similar to consumer markets—this model looks a lot like the model of consumer buyer behavior presented in Figure 5.1. But there are some major differences, especially in the nature of the buying unit, the types of decisions made, and the decision process.



Business Buyer Behavior

In the buying organization, activity consists of 2 main parts:

Buying center (*all people involved in the buying decision*)



Buying decision process



Influenced by internal and external factors

Business Buyer Behavior

4 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.

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

RISK



Business Buyer Behavior

Straight Rebuy

Restaurants re-ordering the same products for their menu, especially the basics such as milk, flour, salt, sugar, pepper, eggs, etc. which are essential.



Business Buyer Behavior

4 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.

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

RISK



Business Buyer Behavior

Modified Rebuy

Restaurants can also modify their rebuy: they can change the supply of their fresh food depending on changes in the menu.



Business Buyer Behavior

4 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.

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

RISK



Business Buyer Behavior

New Task



Example: SEB MAN new bottle

- Considered stock bottle from new supplier but risk of solvency was deemed too high.
- Instead we developed a new bottle design and worked with existing suppliers on new tooling.

Business Buyer Behavior

4 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.

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

RISK



Business Buyer Behavior

Systems Selling

Systems selling is buying a complete solution to a problem from a single seller vs. buying different parts from different suppliers



Management of thousands of assets across 19 theme parks



● **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.



UPS doesn't just deliver packages, but partners with its business customers to provide a full range of logistics solutions that help sharpen their logistics strategies, cut costs and serve customers better.

Business Buyer Behaviour

The main differences between consumer and business buyer behavior are the:

- Major Types of Buying Situations
- Participants in the Buying Business Process
- Major Influences on Business Buyers

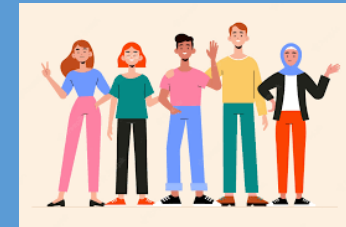
Business Buyer Behavior

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

Buying center (all people involved in the buying decision)



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 (eg. technical personnel, R&D).

Buyers have formal authority to select the supplier and arrange terms of purchase (cf. procurement).

Deciders have formal or informal power to select and approve final suppliers (eg. marketing).

Gatekeepers control the flow of information (eg. supply).

Business Buyer Behavior

Participants in the Business Buying Process

The buying center concept presents a **major marketing challenge** given the **varied groups** involved in the decision.

=> *Who should the marketing address?*

Who participates in the decision?

- Relative influence on decision by various participants
- Evaluation criteria used by various participants
- Informal participants involved in decision

Business Buyer Behaviour

The main differences between consumer and business buyer behavior are the:

- Major Types of Buying Situations
- Participants in the Buying Business Process
- Major Influences on Business Buyers

Business Buyer Behavior

Key Influences on the Buying Behavior

Business Buyers are subject to **many influences** when they make their buying decisions.



Business Buyer Behavior

Key Influences on the Buying Behavior

Some marketers assume that main influences are **economic**, driven by lowest price, best product or service.



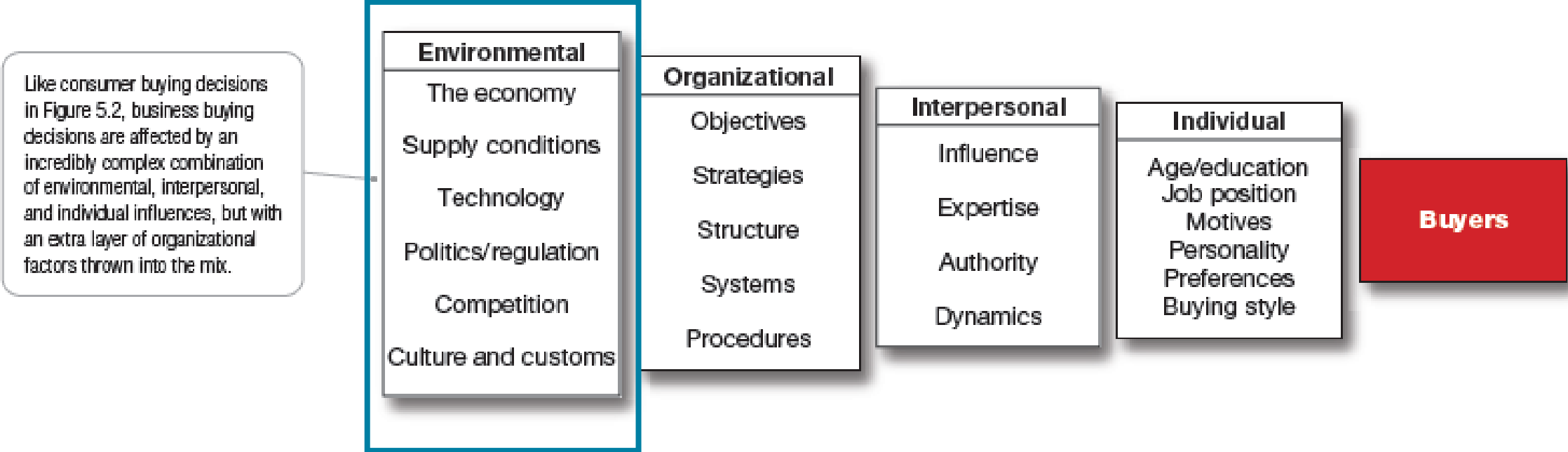
But business buyers also respond to personal factors and **emotions** play an important role



Business Buyer Behavior

Business buying decisions are affected by an incredibly complex combination of influences, but with **an extra layer of organizational & interpersonal factors** thrown into the mix.

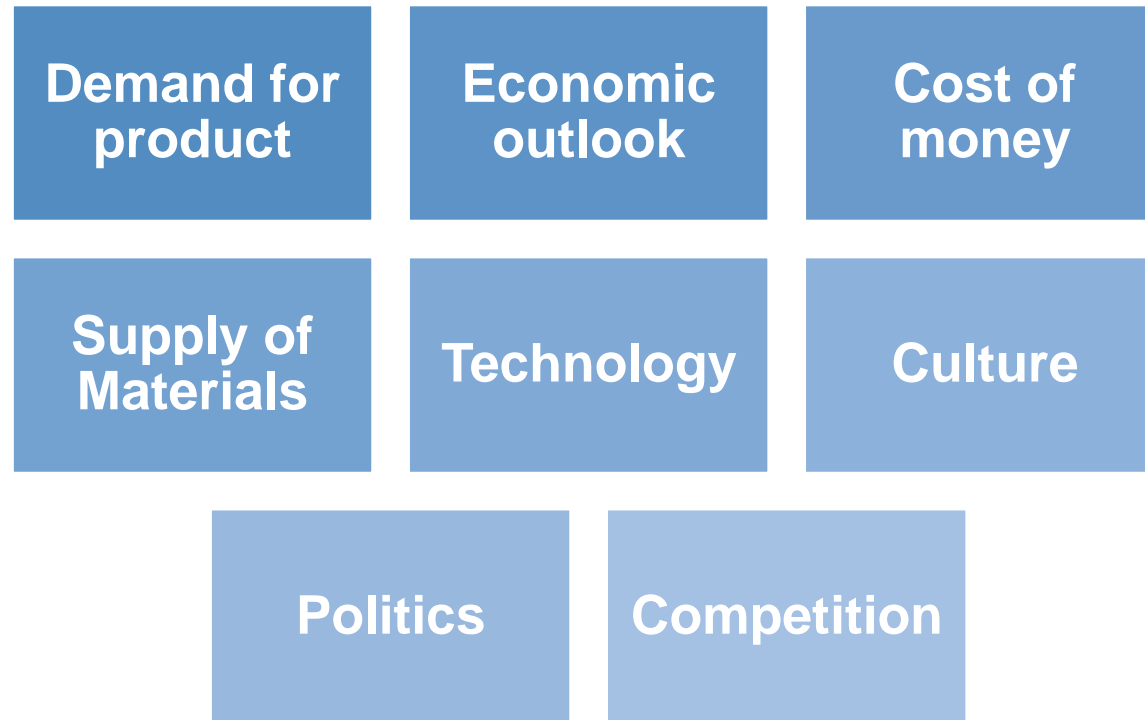
A Model of Business Buyer Behavior



Business Buyer Behavior

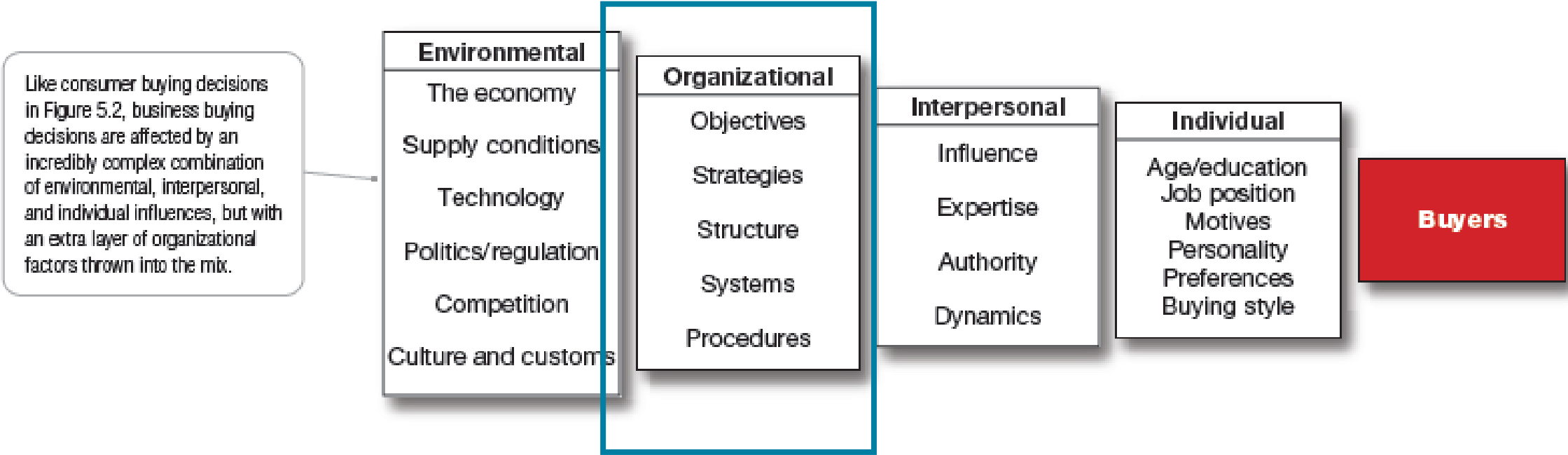
Major Influences on Business Buyers

Environmental Factors



Business Buyer Behavior

A Model of Business Buyer Behavior



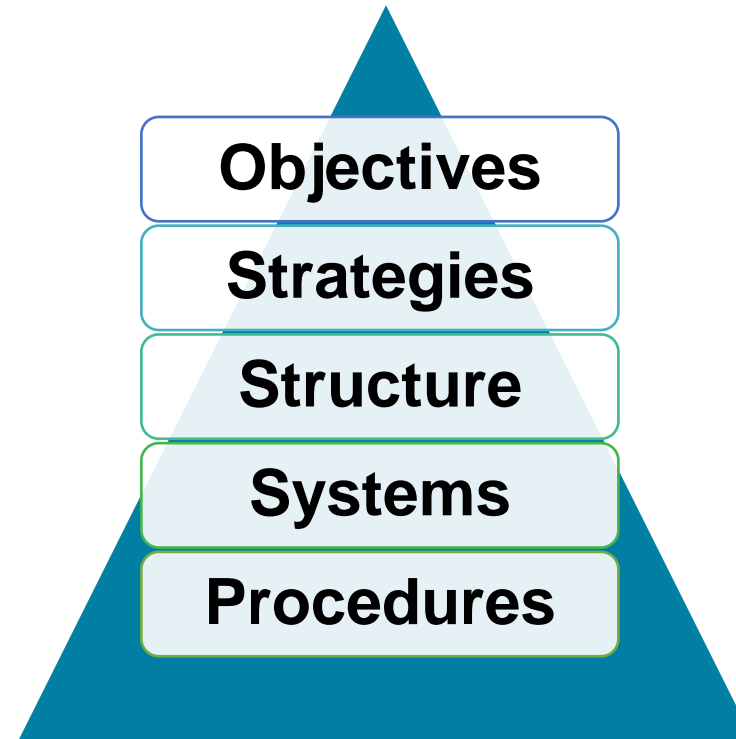
Business Buyer Behavior

Major Influences on Business Buyers

Organizational Factors

How many people are involved in the buying decision?

Who are they?

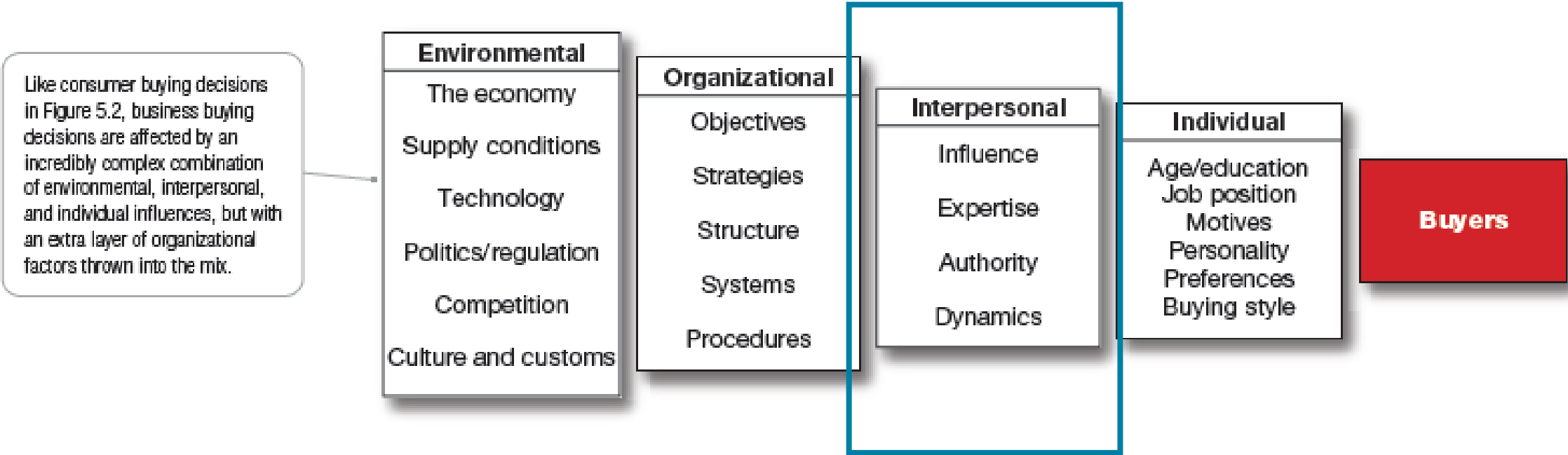


What are their evaluative criteria?

What are the company's policies and limits on its buyers?

Business Buyer Behavior

A Model of Business Buyer Behavior



Business Buyer Behavior

Major Influences on Business Buyers

Interpersonal Factors

Influence

Expertise

Authority

Dynamics

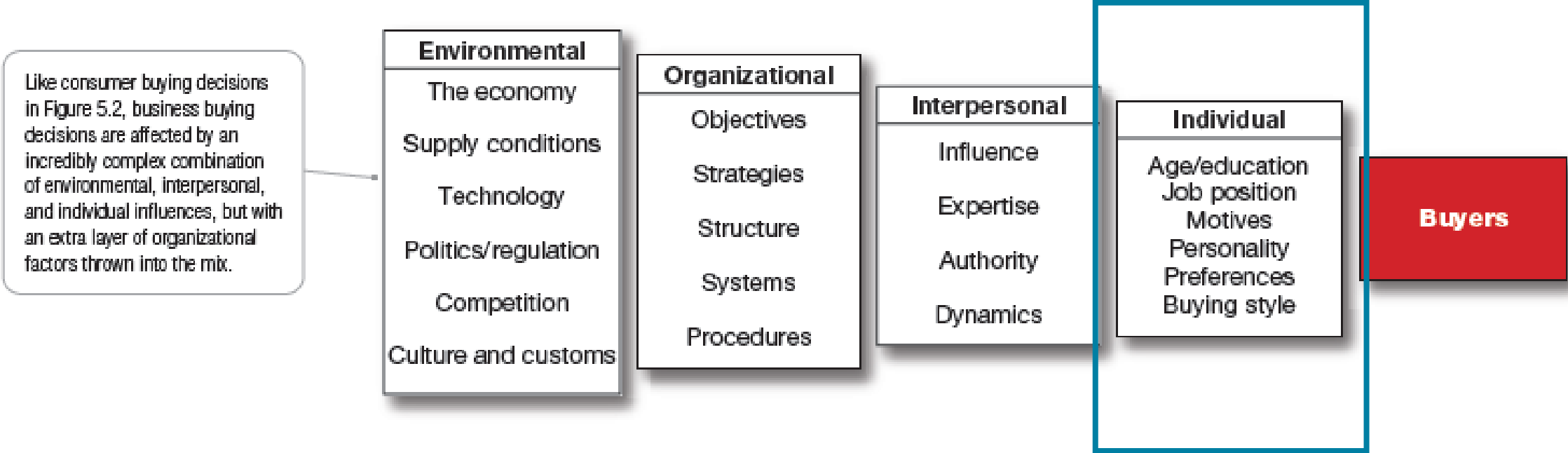
Interpersonal factors are often very subtle.

Buying center participants with the highest rank don't always have the most influence!

Business Buyer Behavior

As for any person, the same individual influences as we saw with consumer buyer behaviour affect people in the business world.

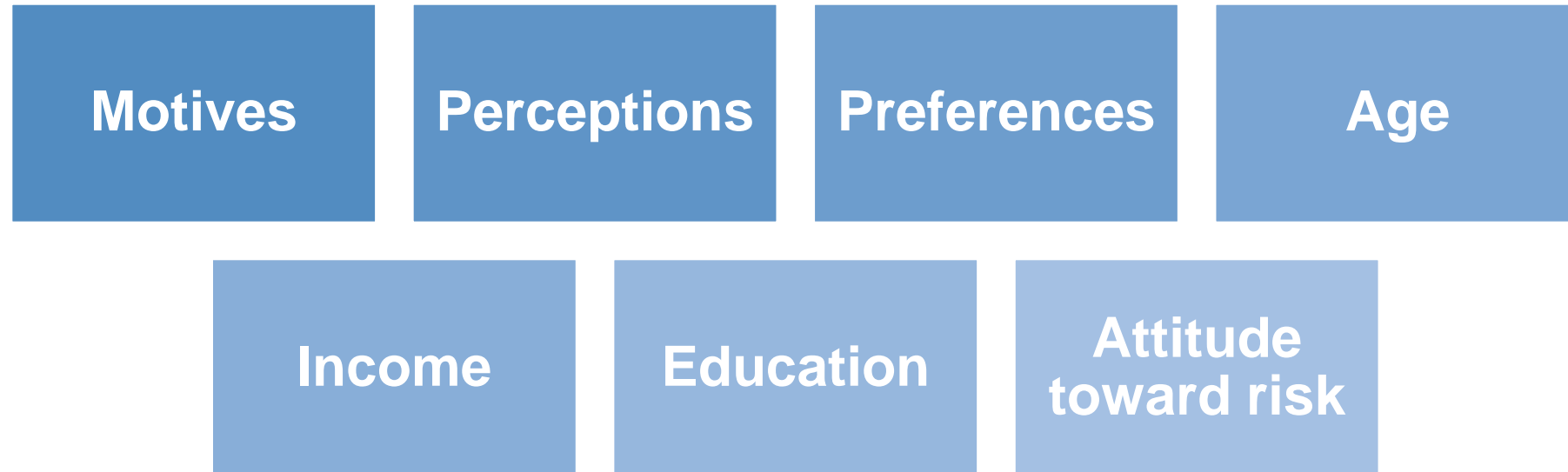
A Model of Business Buyer Behavior



Business Buyer Behavior

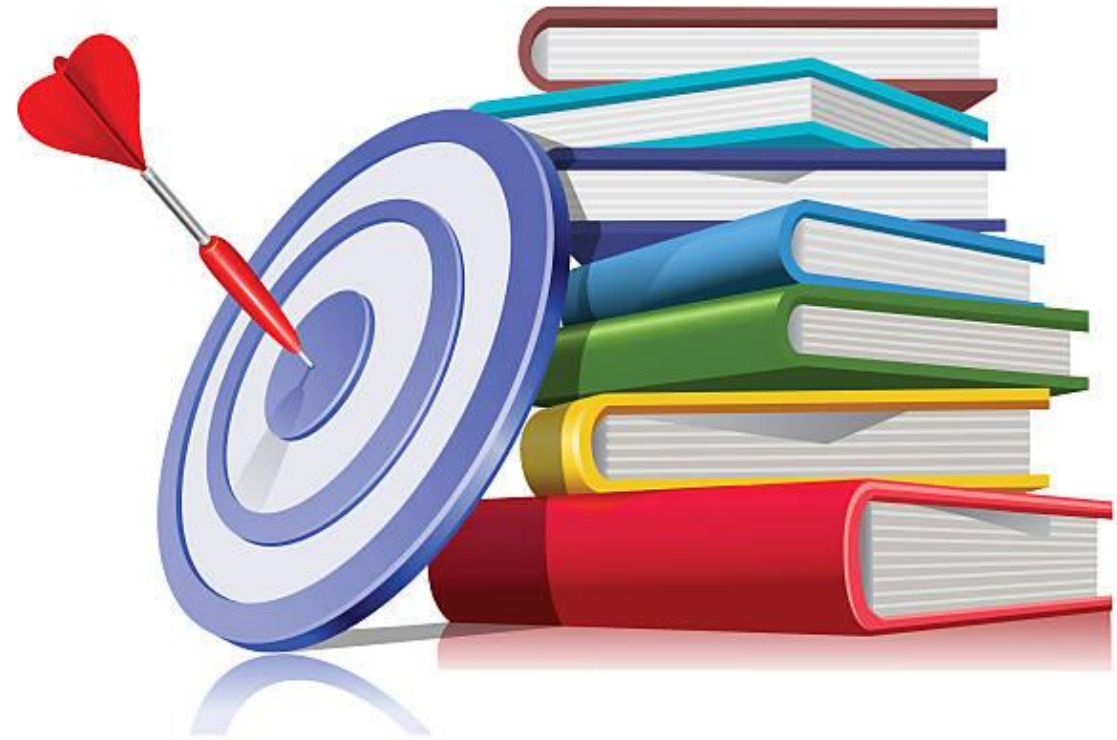
Major Influences on Business Buyers

Individual Factors



Learning Objective 3

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

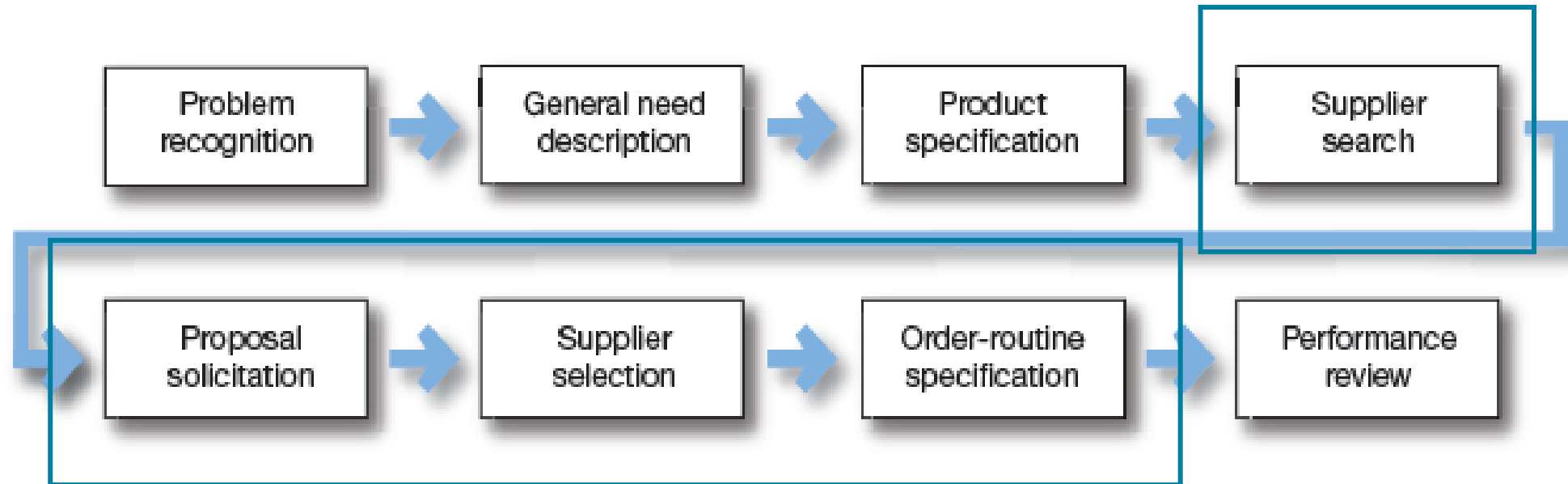


The Business Buying Process

● FIGURE | 6.3

Stages of the Business Buyer Decision Process

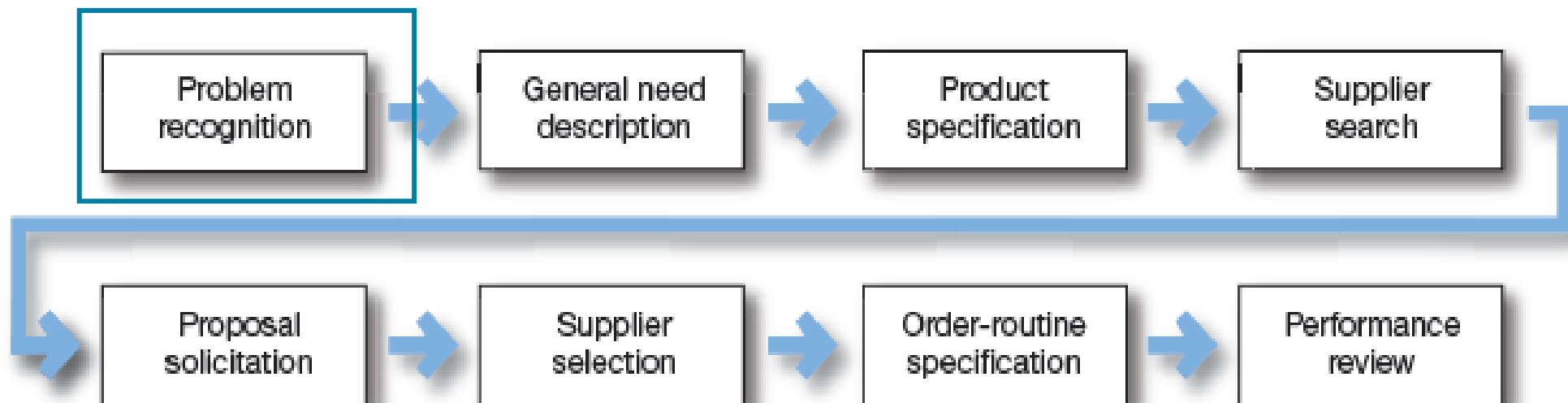
Buyers facing new, complex buying decisions usually go through all of these stages. Those making rebuys often skip some of the stages. Either way, the business buyer decision process is usually much more complicated than this simple flow diagram suggests.



The Business 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

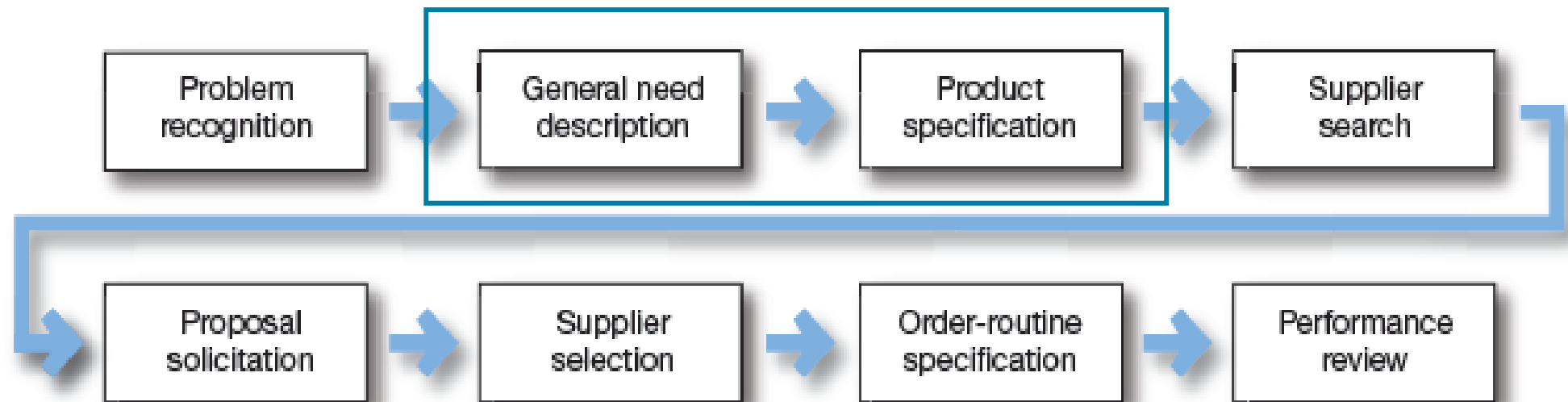


The Business Buying Process

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.

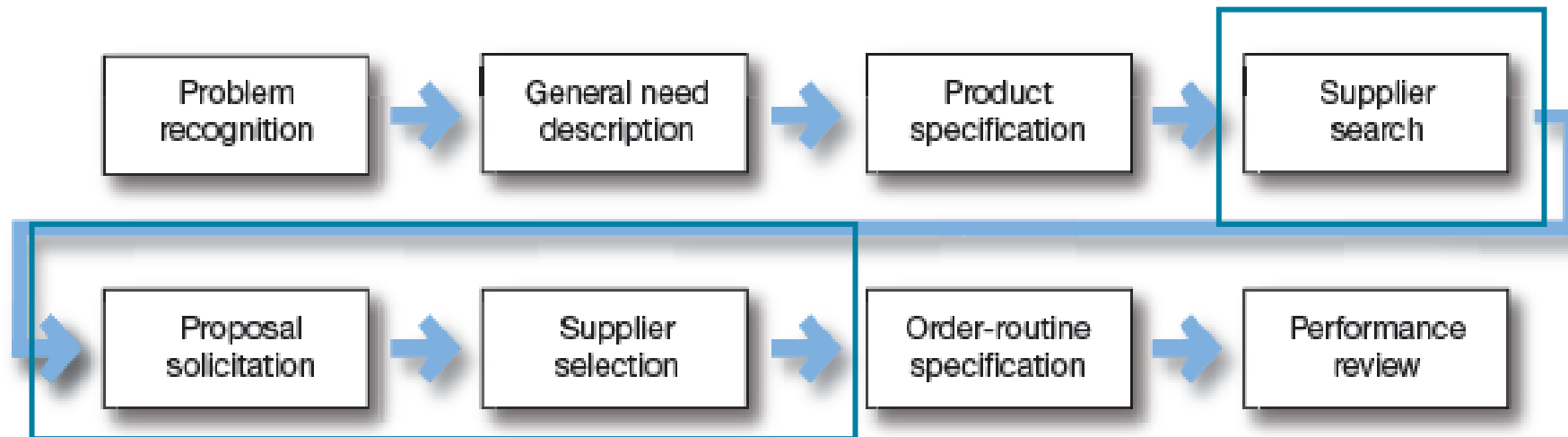


The Business Buying Process

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.

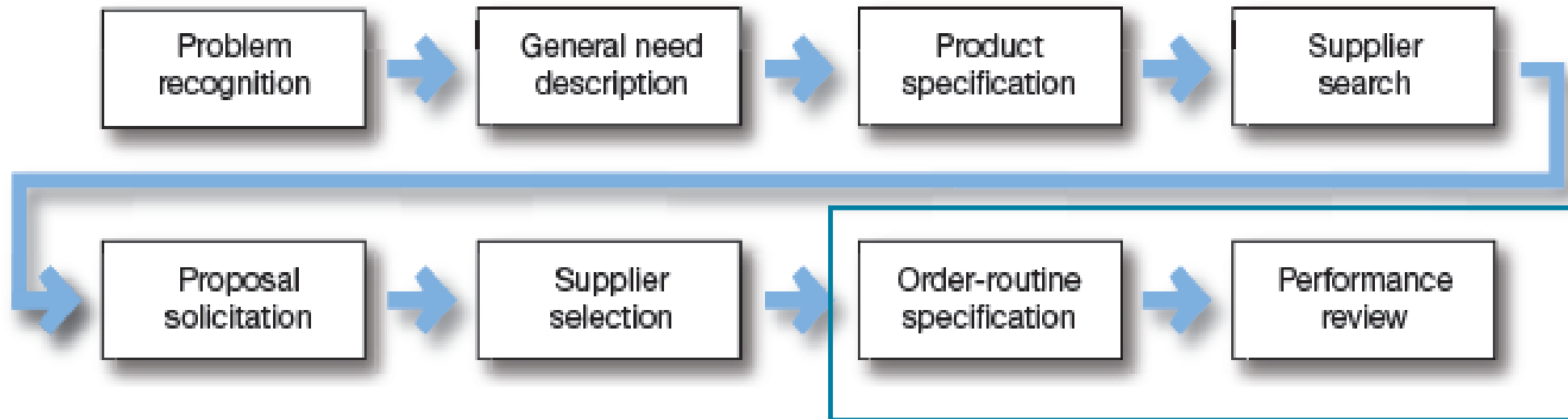
Supplier selection is when the buying center creates a list of desired supplier attributes and negotiates with preferred suppliers for favorable terms and conditions.



The Business Buying Process

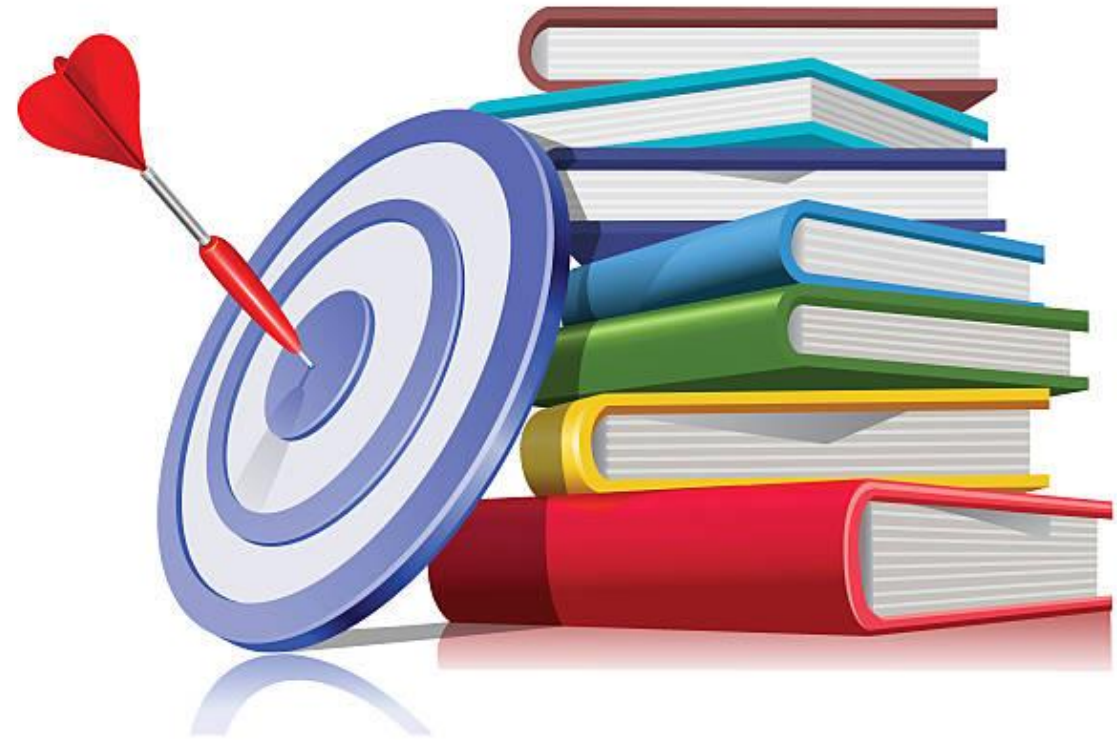
Order-routine specifications includes the final order with the chosen supplier and lists all the specifications and terms of the purchase.

Performance review involves a critique of supplier performance to the order-routine specifications.



Learning Objective 4

Discuss how **new information technologies** and online, mobile, and social media have changed business-to-business marketing.

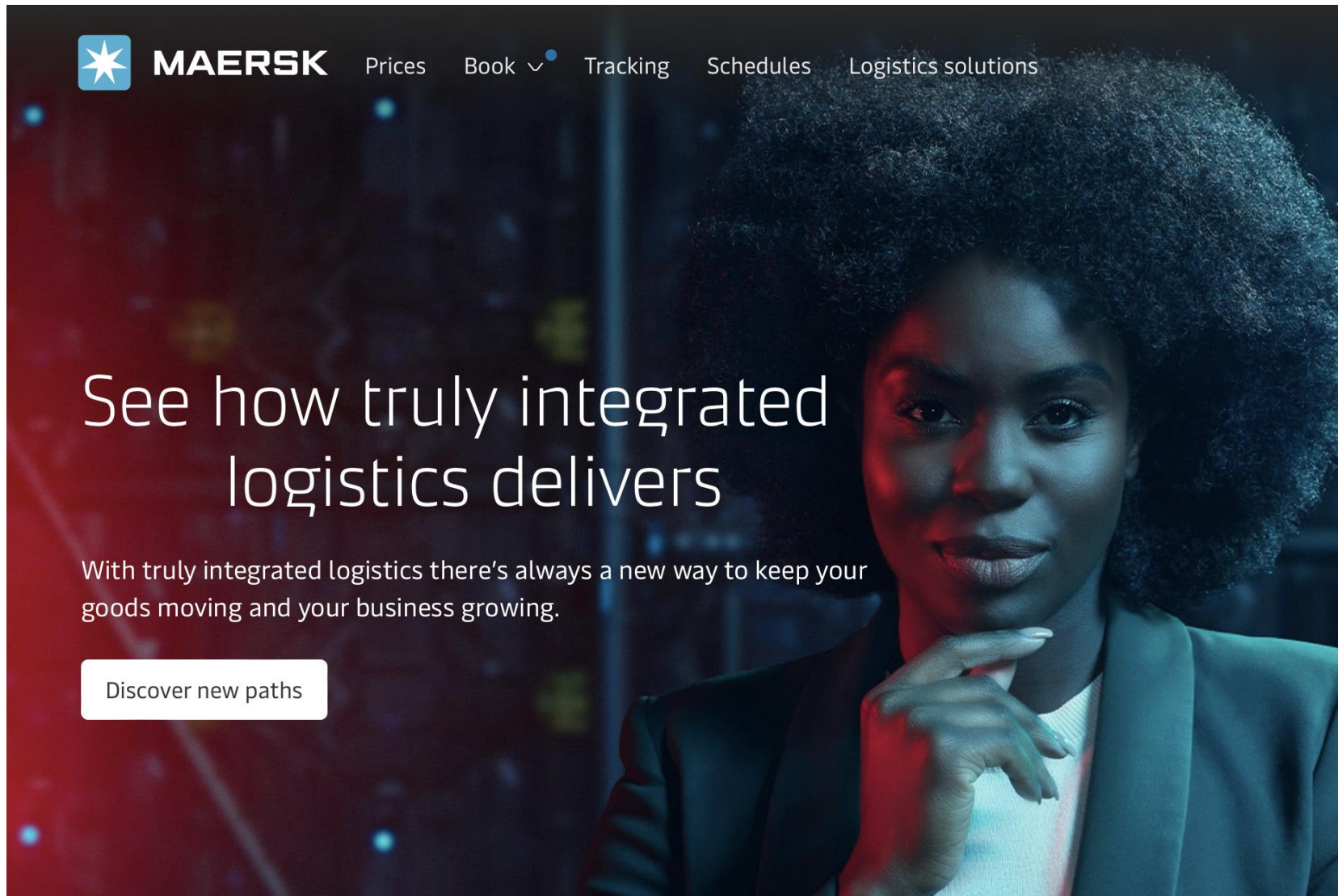


New Information Technologies

As in every other area, the explosion of information technologies and social media has changed the face of B2B buying and marketing:

- B2B Social Media
- E-Procurement and Online Purchasing

Example: Maersk



The image shows a screenshot of the Maersk website. At the top left is the Maersk logo, a blue square with a white star, followed by the word "MAERSK" in white. To the right of the logo are navigation links: "Prices", "Book" with a dropdown arrow, "Tracking", "Schedules", and "Logistics solutions". The background of the page is a dark, moody photograph of a woman with a large afro hairstyle, wearing a dark blazer, with her hand near her chin. The lighting is dramatic, with red and blue tones. The main headline is "See how truly integrated logistics delivers" in white text. Below it is a sub-headline: "With truly integrated logistics there's always a new way to keep your goods moving and your business growing." At the bottom left of the main content area is a white button with the text "Discover new paths".

MAERSK Prices Book ▾ Tracking Schedules Logistics solutions

See how truly integrated logistics delivers

With truly integrated logistics there's always a new way to keep your goods moving and your business growing.

Discover new paths

Example: Maersk



104K followers

Informational & educational videos detailing activities, services and people.

Maersk ✓



@maersk · 104K subscribers · 1.1K videos

A.P. Moller - Maersk is an integrated transport and logistics company with multiple brands ... >

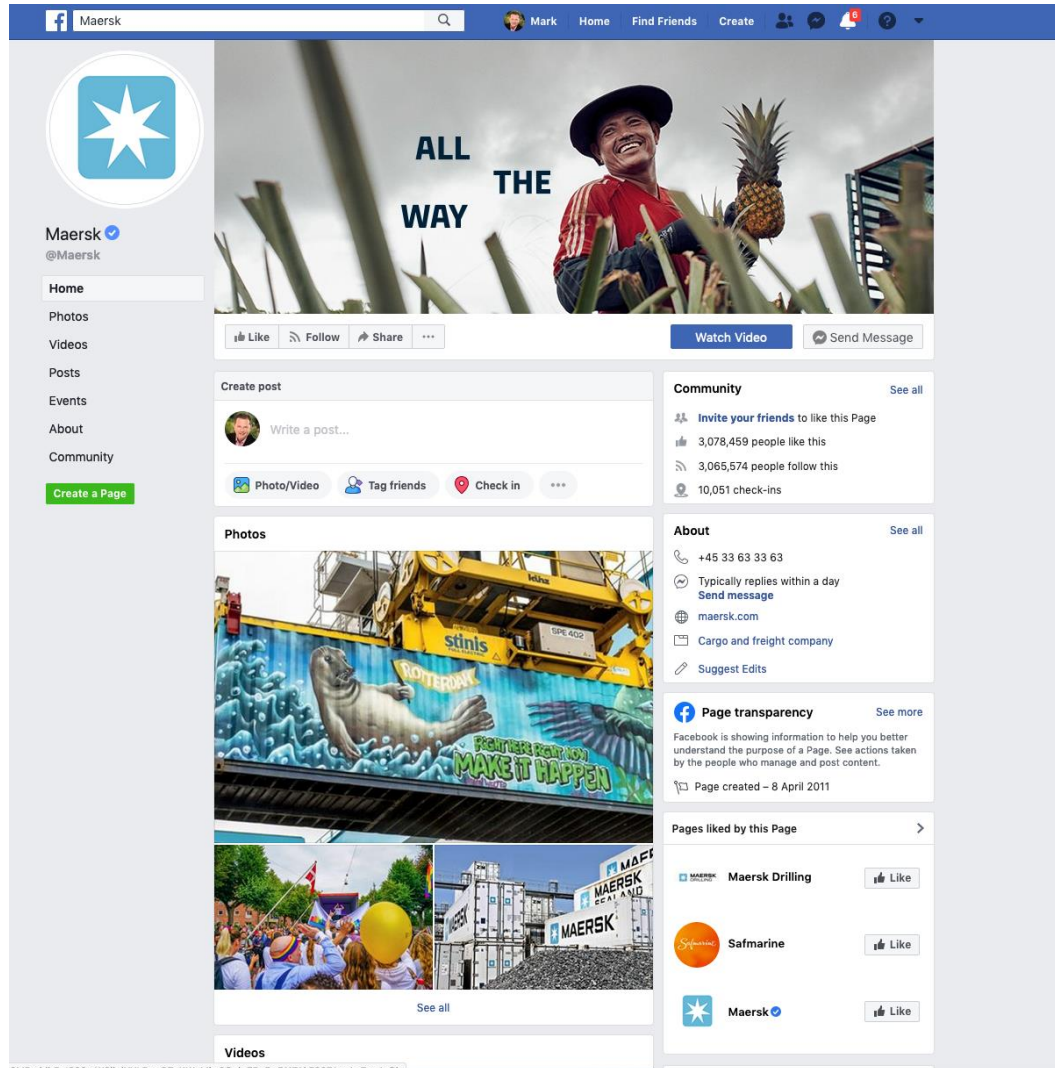
[maersk.com](https://www.maersk.com) and 6 more links

Subscribe



**DISCOVER
NEW PATHS**
with truly integrated logistics

Example: Maersk

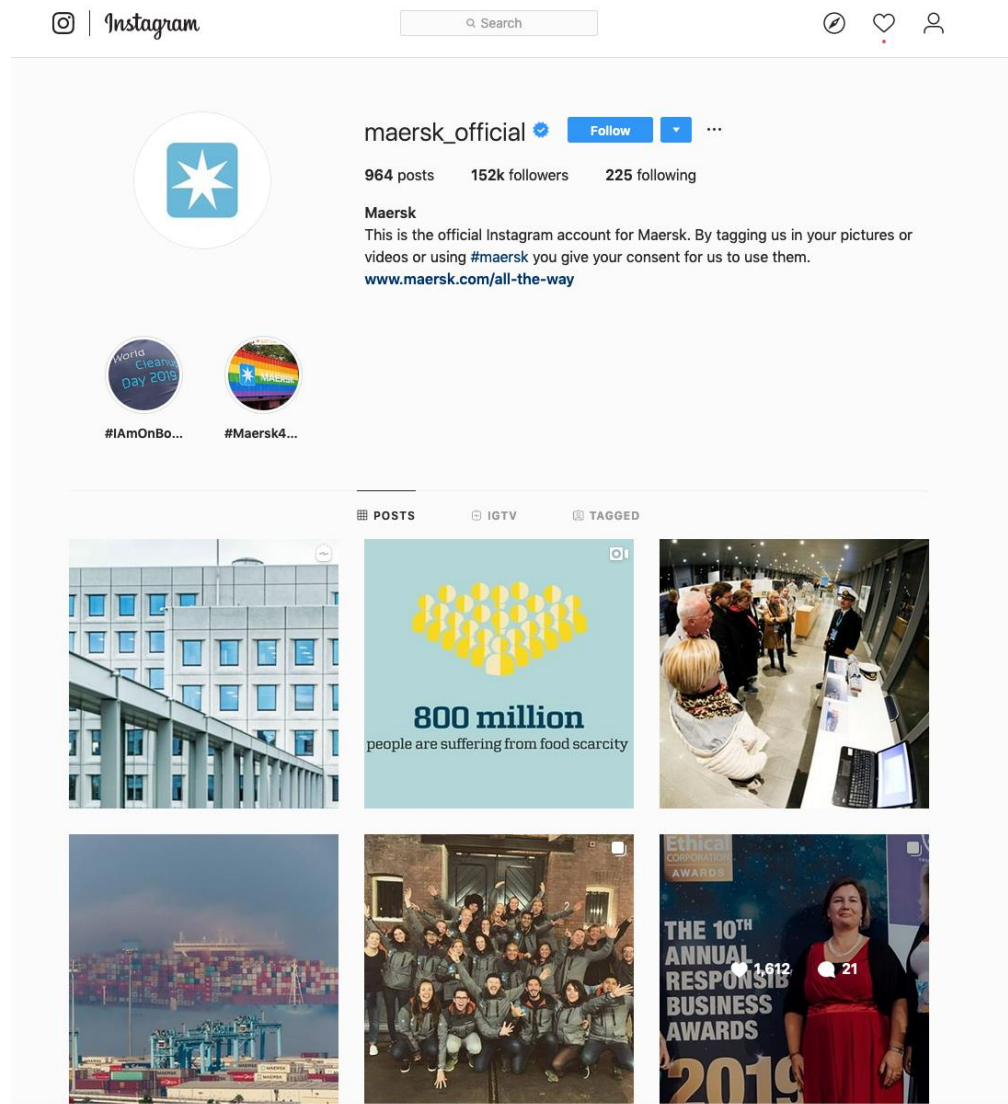


3M followers



Used for engaging a broad audience of customers and other stakeholders.

Example: Maersk



Share customer and employee images and stories to help visualise the brand.

Example: Maersk

Maersk
@Maersk

The official account for A.P. Moller - Maersk. An integrated transport and logistics company with multiple brands and global leader in container shipping.

Worldwide
maersk.com
Joined September 2011
2,698 Photos and videos

Tweets Tweets & replies Media

Pinned Tweet
Maersk @Maersk · Oct 29
Together with @WWL_ASA, @uni_copenhagen, @BMW, @hm, @LEVIS, & @marksandspencer we have formed the LEO Coalition. The purpose is to explore the potential of the new fuel LEO as a commercially viable fuel for shipping. bit.ly/349axOT #roadto2030 #decarbonisingshipping

Shipping accounts for 2-3% of global CO₂ emissions

You may also like

- APM Terminals @APMTerminals
- CMA CGM Group @cmaacgm
- Lloyd's List @LloydsList
- IMO @IMOHQ
- Maersk North America @MaerskNAM

Worldwide trends

- Happy Halloween 1.36M Tweets
- Wonho 1.23M Tweets
- #일호탈퇴반대 1.24M Tweets
- #WorldCitiesDay 10.6K Tweets
- #Innovation 13.8K Tweets
- Labour 296K Tweets
- Kunden 1,366 Tweets

91K followers



Latest news & events creating conversation and buzz amongst its followers.

Example: Maersk

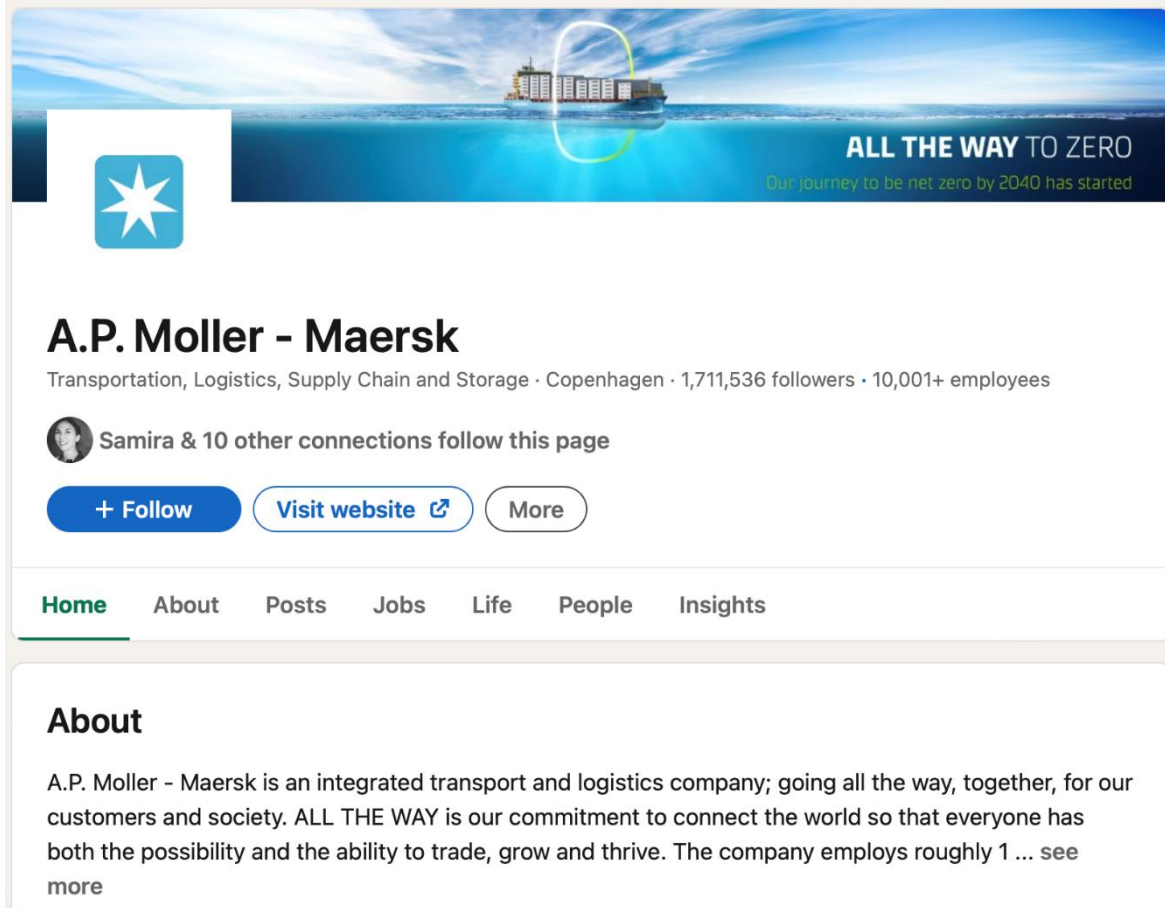


115K followers



From captains & deck hands to truck drivers, employees post fun and engaging behind-the-scenes.

Example: Maersk



A.P. Moller - Maersk
Transportation, Logistics, Supply Chain and Storage · Copenhagen · 1,711,536 followers · 10,001+ employees

Samira & 10 other connections follow this page

[+ Follow](#) [Visit website](#) [More](#)

[Home](#) [About](#) [Posts](#) [Jobs](#) [Life](#) [People](#) [Insights](#)

About

A.P. Moller - Maersk is an integrated transport and logistics company; going all the way, together, for our customers and society. ALL THE WAY is our commitment to connect the world so that everyone has both the possibility and the ability to trade, grow and thrive. The company employs roughly 1 ... see more

2M followers



Engage customers, opinion leaders and industry influencers who share information and discuss industry challenges.

Why do B2B brands
such as Maersk
use social media?

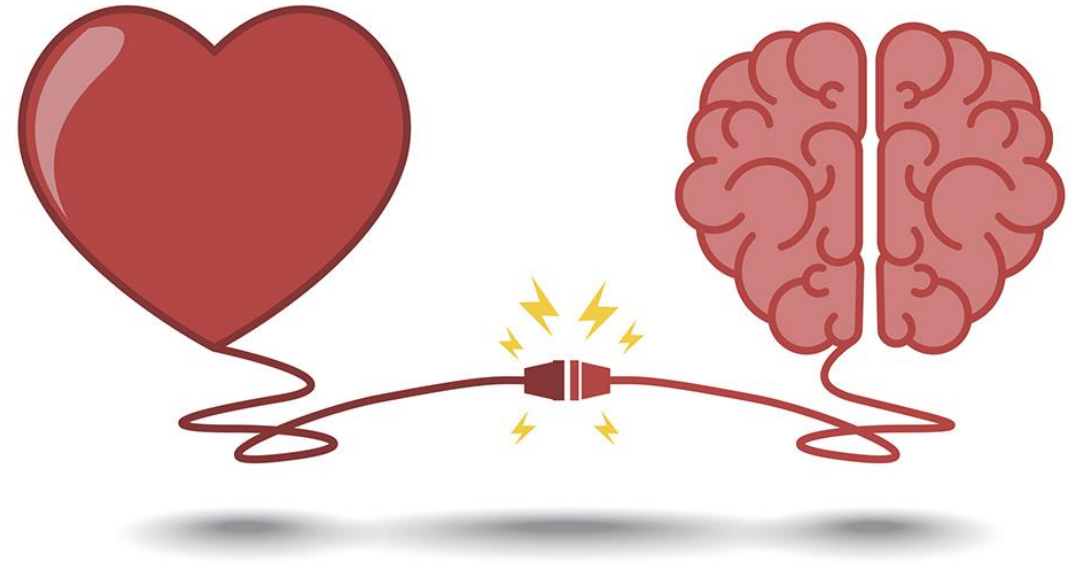


Business Markets

Behind any business lie people.

B2B brands still need to create an **emotional connection** with their clients.

By reaching their clients where they are, as individuals, they can create that connection.



Business Buyer Behavior

Key Influences on the Buying Behavior

Some marketers assume that main influences are **economic**, driven by lowest price, best product or service.



But business buyers also respond to personal factors and **emotions** play an important role



Business Markets



Richard Branson · 3rd
Founder at Virgin Group

Top Voice

· [Contact info](#)

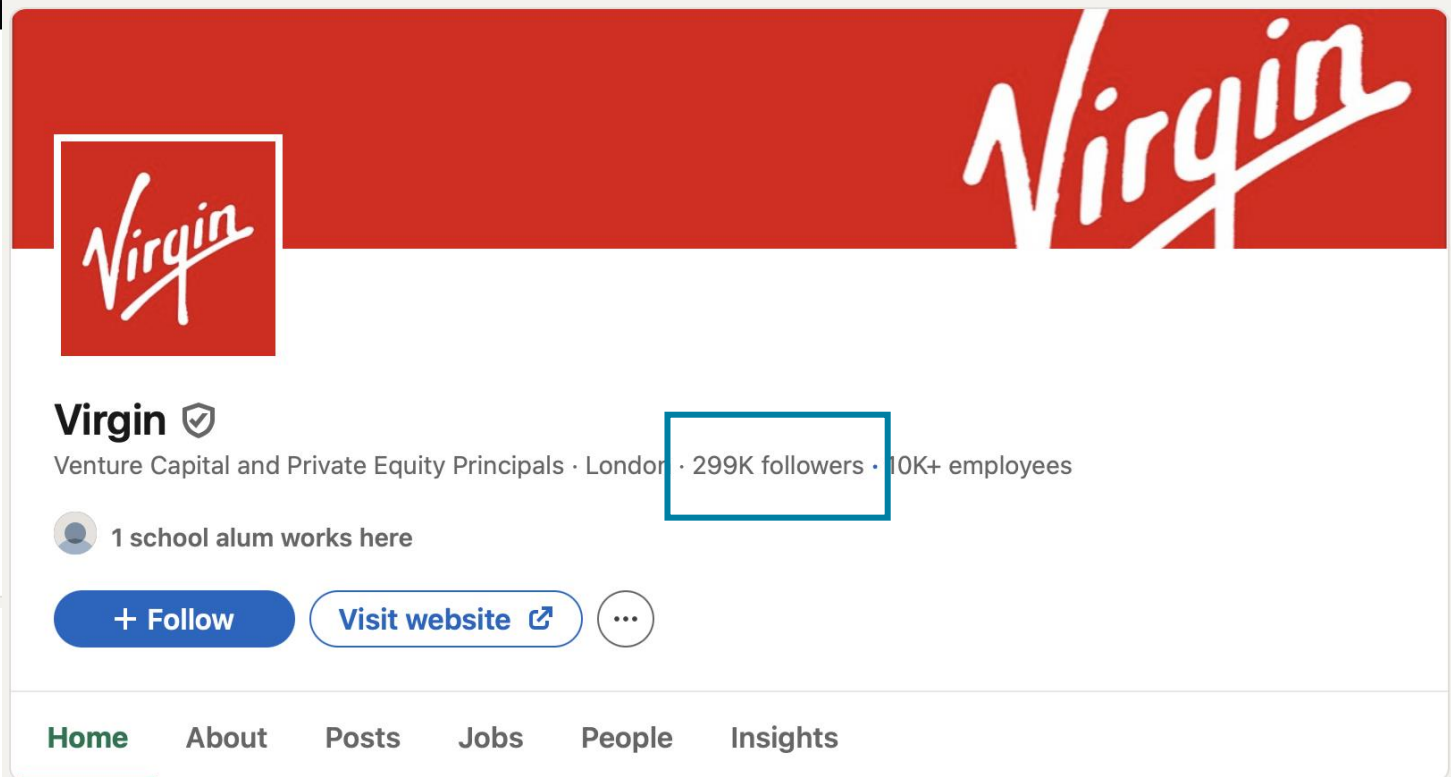
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Business Markets



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Spanx 

A revolution in dressing - fashion that functions for you. #Spanx

Retail Apparel and Fashion · Atlanta, GA · 105K followers · 201-500 employees

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Business Markets



Christina Bouglass (She/Her)

Brand Building Expert | Supporting Purpose-Led Brands to Grow Their Positive Impact | Lecturer in Marketing at HEG | TEDx Speaker | Trained by CISL in Sustainable Marketing & B Lab | Founder of The Butterfly Movements 

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 NEWSLETTER

Brands For A New World

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By **Christina Bouglass**
Brand Building Expert | Supporting Purpose-Led Br...

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New Information Technologies

As in every other area, the explosion of information technologies and social media has changed the face of B2B buying and marketing:

- B2B Social Media
- E-Procurement and Online Purchasing

New Information Technologies

E-Procurement and Online Purchasing

- Online purchasing
- Company-buying sites
- Extranets

The screenshot shows the Staples Business Advantage website. At the top left is the logo "STAPLES Business Advantage". Below it, a blue box contains the text: "See everything Staples Business Advantage® has to offer. Find everything you need, with all the benefits of membership, including:" followed by a list: "• Dedicated Account Manager", "• Custom pricing for members", and "• All the brands you count on." To the right of this text is a photograph of various office supplies: sticky notes, pens, a hand sanitizer bottle, a notebook, and a KIND bar. Below the blue box, there are four colored sections: an orange box for "Not a customer?" with a "CONTACT US" button; a dark grey box for "New site. Better experience." with a "LOG IN" button and a list of features; a green box for "BREAKROOM" with a "BROWSE NOW" button; a red box for "FURNITURE" with a "BROWSE NOW" button; and a blue box for "PRINT" with a "BROWSE NOW" button.

● **Online buying: Staples operates a business-to-business procurement division called Staples Business Advantage, which serves the office supplies and services buying needs of business customers of any size.**

Staples

New Information Technologies

E-Procurement and Online Purchasing



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
- Risk of over-simplification

Example: Wella App

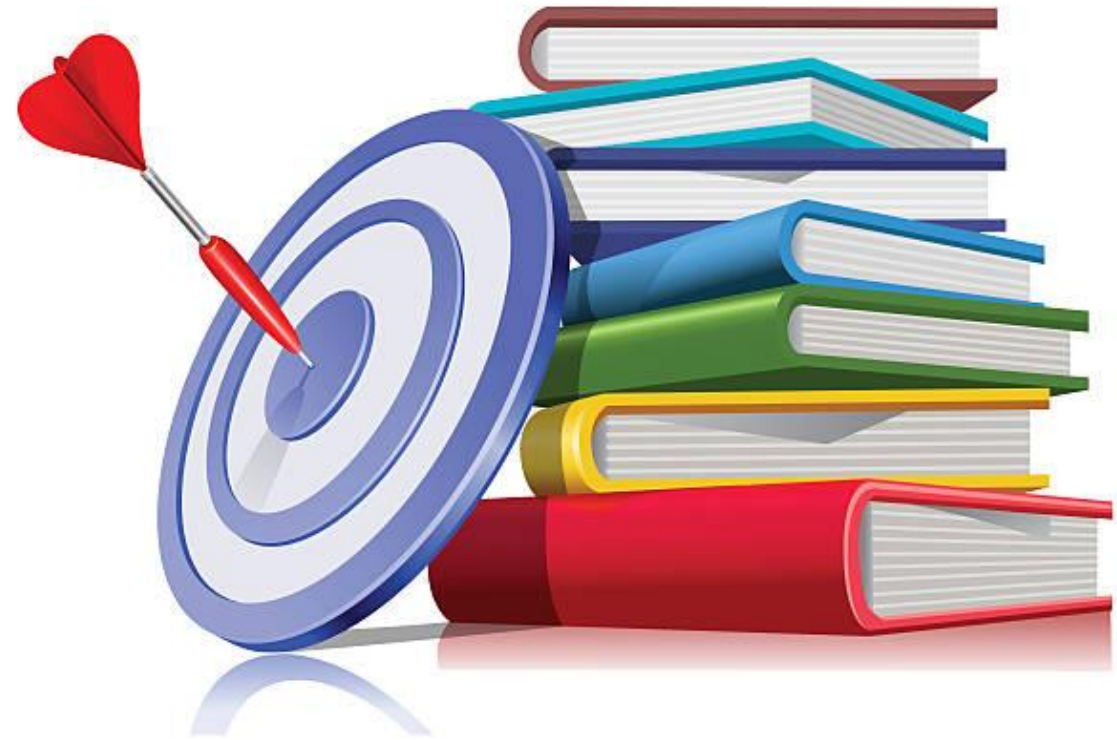
Online orders make the process easy for stylists to re-order but reduce the need for personal interaction with the sales rep =>

impacts relationship building, new product presentation, education etc...



Learning Objective 4

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



Institutional and Government Markets

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

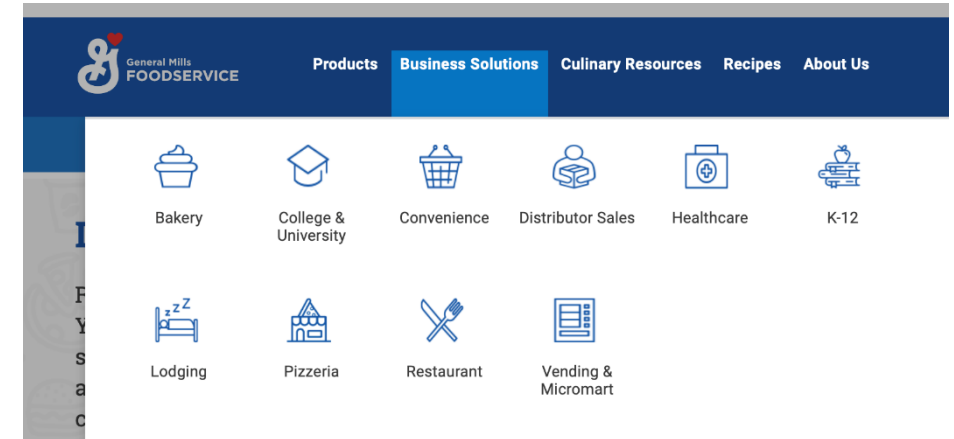
Characteristics:

- Low budgets
- Specific needs (eg. food, sanitary...)



Institutional and Government Markets

Often suppliers have separate divisions to serve these institutional markets (eg. General Mills, P&G).



Institutional and Government Markets

Government markets tend to favor domestic suppliers, require them to submit bids, and *normally award the contract to the lowest bidder*.

They are carefully watched by outside publics, ranging from Congress to a variety of private groups interested in how the government spends taxpayers' money.

Characteristics:

- Affected by environmental factors
- Non-economic factors considered:
 - Minority firms or small businesses
 - Depressed firms
- Transparent
- Moving on-line



REGAP

The image features five light-colored wooden blocks arranged in a row on a reflective surface against a light blue background. The blocks spell out the word "REGAP". The first block has the letter 'R', the second 'E', the third 'G' (which is tilted at a 45-degree angle), the fourth 'A', and the fifth 'P'. The letters are printed in a bold, black, sans-serif font. The reflective surface below the blocks shows a clear, slightly faded reflection of the word and the tilted 'G' block.

Key Take-Aways

- Similar to consumer buyer behavior except the buying organization and buyer responses are different.
- Importance of emotion, purpose & differentiation remain true.
- Some B2B brands are great at using social media to connect and create emotion.
- Know the participants: users, influencers, deciders, purchasers and gatekeepers.
- Know what can influence buyers' decisions.
- Impact of new technologies (social media, e-procurement) on B2B.
- Institutional and Government markets have different characteristics. Make sure you understand some key differences.







SEE YOU NEXT WEEK