

CHAPTER

six

Business-to-business marketing

Principles of Marketing
FIFTH EUROPEAN EDITION
Kotler, Armstrong,
Wong, Saunders

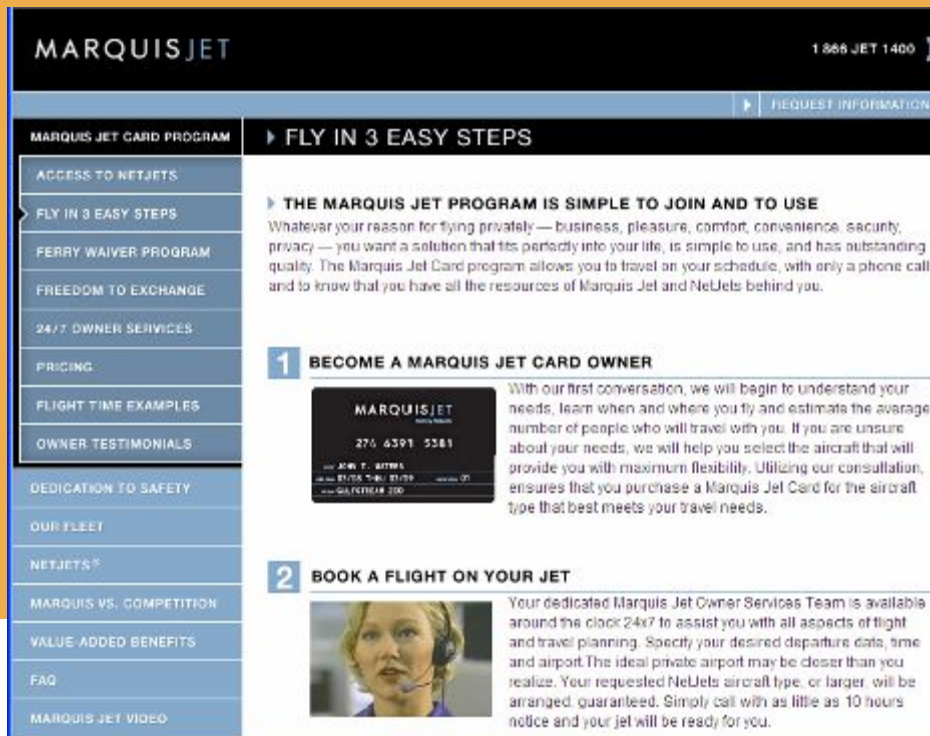
Previewing concepts (1)

- Define the business market and explain how business markets differ from consumer markets
- Identify the major factors that influence business buyer behaviour

Previewing concepts (2)

- List and define the steps in the business buying decision process
- Compare institutional and government markets and explain how institutional and government buyers make their buying decisions

Prelude case: Concorde is dead – the booming Busjet market



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What is the business buying process?

The **business buying process** is the decision-making process by which business buyers establish the need for purchased products and services, and identify, evaluate, and choose among alternative brands and suppliers.

Characteristics of business markets

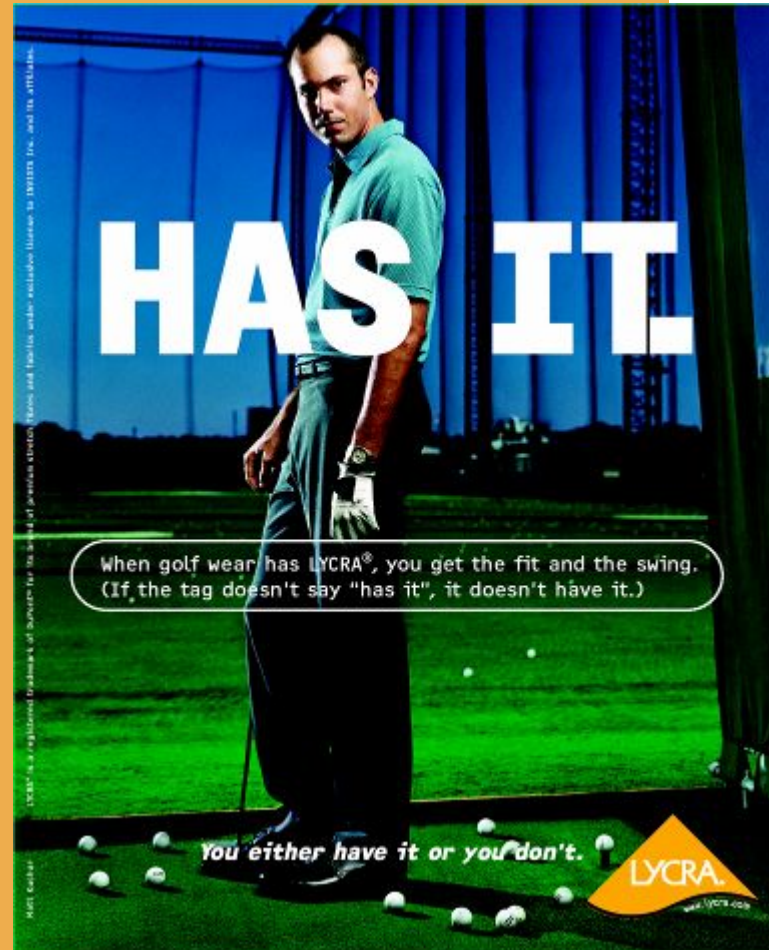
- Fewer but larger buyers
- Geographically concentrated
- Derived from final consumer demand
- More inelastic
- More fluctuations
- More buyers in process
- More professional purchasing effort
- More complex and formalised buying decisions
- Based on long-term relationships

Derived demand

Invista sells fibre to those who sell fabric to those who sell garments to end consumers.

Source:

McCann Erikson



Business buyer behaviour

The
environment



The
buying
organisation



Buyer
response



Environmental components affecting business buyer behaviour

Marketing stimuli

- Product
- Price
- Place
- Promotion

Other stimuli

- Economic
- Technological
- Political
- Cultural
- Competitive

Possible buyer responses in the buying process

- Product or service choice
- Supplier choice
- Order quantities
- Delivery terms and times
- Service terms
- Payment

IKEA involves suppliers in its business

The screenshot shows the IKEA United Kingdom website homepage. At the top left is the IKEA logo. Below it, the text reads "Welcome to IKEA United Kingdom". To the right of the logo are icons for "My shopping trolley" and "My account". Further right are links for "Login", "Your local IKEA store", "IKEA FAMILY", and "Newsletter sign up". A search bar with a "Go" button is located on the far right. Below the navigation bar is a yellow banner with categories: "All products", "new", "IKEA News", "Bathroom", "Bedroom", "Children's room", "Dining", "Kitchen", "Living room", "Workspace", and "More rooms". The main content area features a large image of a kitchen with a wooden cabinet and a black backsplash. A circular badge on the left of the kitchen image says "EVERYDAY QUALITY GUARANTEE 25 YEAR IKEA". Below the kitchen image is a promotional text: "Spend over £1500 on an IKEA kitchen and get £200 worth of kitchen appliances free!". To the right of the kitchen image is a section titled "Welcome to a new IKEA Store." with images of two office chairs (one red, one blue). Below this is a "Shop Online!" button and the text "Now open to mainland England and Wales".

Types of buying situations

Straight rebuy

Modified rebuy

New task

Participants in the business buying process

Users

Influencers

Buyers

Deciders

Gatekeepers

Figure 6.2 Major influences on business buyer behaviour

Environmental

Organisational

Interpersonal

Individual

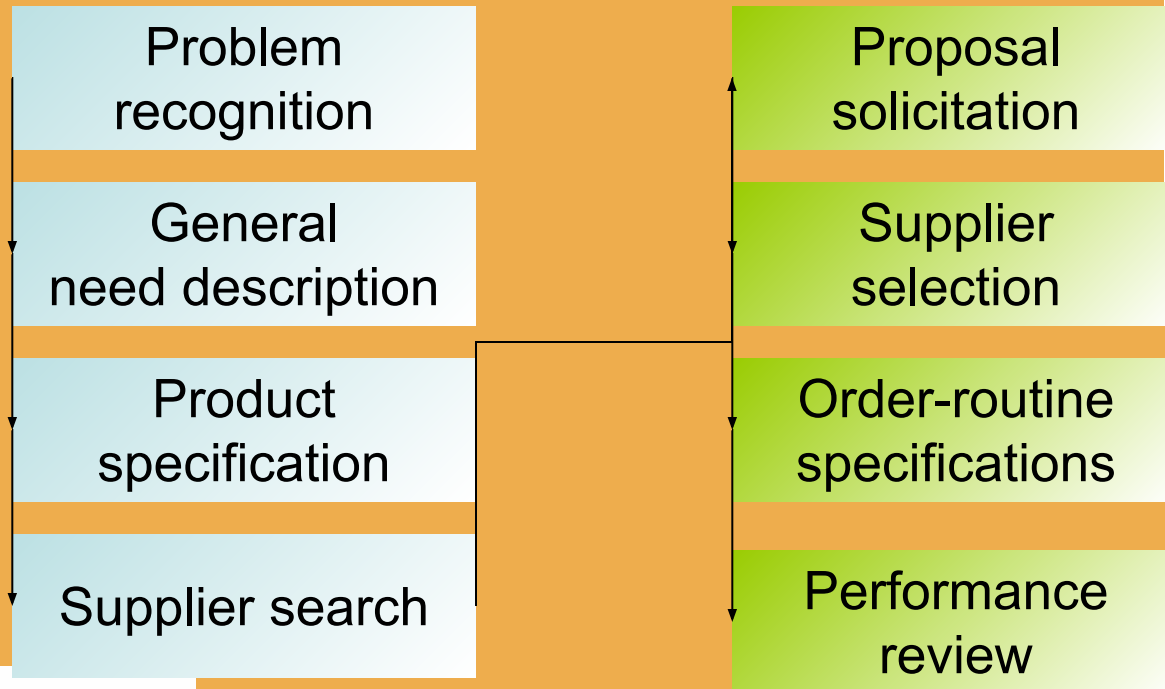
Buyers

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Figure 6.3 Stages of the business buying process



Benefits of e-procurement

- Gives buyers access to new suppliers
- Lowers purchasing costs
- Hastens order processing and delivery
- Frees purchasing people to focus on strategic issues



Benefits of e-procurement



Acme Whistles

What are institutional and government markets?

Institutional markets include schools, hospitals, nursing homes, prisons and other institutions providing care.

Governmental units include national and local units that purchase or rent goods to carry out government functions.



Discussing the concepts (1)

- How do the market structure and demand of the business markets for Michelin tyres sold to car makers differ from those selling Michelin tyres to final consumers?
- Discuss several ways in which a straight rebuy differs from a new-task situation.

Discussing the concepts (2)

- Outline the major influences on business buyers. Why is it important to understand these influences?
- How does the business buying process differ from the consumer buying process?
- What are the advantages and disadvantages of working in a contract situation with the government?