

Business Markets and Business Buyer Behaviour



Lesson 5

Definition

Business Buyer Behaviour:

- The buying behaviour of organizations that buy goods and services for use in the production of other products and services that are sold, rented, or supplied to others.
- Also included are retailing and wholesaling firms that acquire goods for the purpose of reselling or renting them to others at a profit.

Characteristics of Business Markets

- Sales in the business market far exceed sales in consumer markets.
- Business markets differ from consumer markets in many ways.
 - Marketing structure and demand
 - Nature of the buying unit
 - Types of decisions and the decision process

Business Markets

Characteristics

*Marketing Structure
and Demand*

*Nature of the
Buying Unit*

*Types of Decisions and
the Decision Process*

Compared to consumer markets:

- Business markets
 - have fewer but larger customers
- Business customers
 - are more geographically concentrated
- Demand is different
 - Demand is derived
 - Demand is price inelastic
 - Demand fluctuates more

Business Markets

Characteristics

*Marketing Structure
and Demand*

*Nature of the
Buying Unit*

*Types of Decisions and
the Decision Process*

Compared to consumer purchases:

- Involve more buyers in the decision process
- More professional purchasing effort

Business Markets

Characteristics

Marketing Structure and Demand
Nature of the Buying Unit
Types of Decisions and the Decision Process

Compared to consumer purchases

- More complex buying decisions
- The buying process is more formalized
- Buyers and sellers work more closely together and build long-term relationships

Business Buyer Behaviour

Major Types of Buying Situations

- **Straight rebuy**
 - *Reordering without modification*
- **Modified rebuy**
 - *Requires modification to prior purchase*
- **New task**
 - *First-time purchase*

Business Buyer Behaviour

Systems Selling

- **Buying a packaged solution to a problem from a single seller.**
- **Often a key marketing strategy for businesses seeking to win and hold accounts.**

Business Buyer Behaviour

Buying Centre

- The decision-making unit of a buying organization
- Includes all individuals and units that participate in the decision making

Business Buyer Behaviour

Members of the Buying Centre

- **Users**
- **Buyers**
- **Influencers**
- **Deciders**
- **Gatekeepers**



Major Influences on Business Buyers

Key Factors

Environmental

Organizational

Interpersonal

Individual

Economic trends
Supply conditions
Technological, political
and competitive
changes
Culture and customs

Major Influences on Business Buyers

Key Factors

Environmental
Organizational
Interpersonal
Individual

Objectives
Policies
Procedures
Organizational
structure
Systems

Major Influences on Business Buyers

Key Factors

Environmental
Organizational
Interpersonal
Individual

Influence of members in the buying centre

- Authority
- Status
- Empathy
- Persuasiveness

Major Influences on Business Buyers

Key Factors

Environmental
Organizational
Interpersonal
Individual

Personal characteristics of members in the buying center

- Age and income
- Education
- Job position
- Personality
- Risk attitudes
- Buying styles

Stages in the Business Buying Process

Stage 1: Problem Recognition

Stage 2: General Need Description

Stage 3: Product Specification

- Value analysis helps to reduce costs

Stage 4: Supplier Search

- Supplier development

Stages in the Business Buying Process

Stage 5: Proposal Solicitation

Stage 6: Supplier Selection

Stage 7: Order-Routine

Specification

- Blanket contracts are often used for maintenance, repair and operating items.

Stage 8: Performance Review

Institutional and Government Markets

Institutional Markets

- Consist of churches, schools, prisons, hospitals, nursing homes and other institutions that provide goods and services to people in their care.

Institutional and Government Markets

Institutional Markets

- Often characterized by low budgets and captive patrons.
- Marketers may develop separate divisions and marketing mixes to service institutional markets.

Institutional and Government Markets

Government Markets

- More than 82,000 buying units in the U.S.
- Require suppliers to submit bids and often give job to lowest bidder
- Favour domestic suppliers
- Much "red tape" can exist