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7

Analyzing Business Markets

Marketing Management, 13th ed

Chapter Questions

- What is the business market, and how does it differ from the consumer market?
- What buying situations do organizational buyers face?
- Who participates in the business-to-business buying process?

Chapter Questions

- How do business buyers make their decisions?
- How can companies build strong relationships with business customers?
- How do institutional buyers and government agencies do their buying?



CISCO Targets Businesses

The screenshot shows the Cisco website homepage with the following elements:

- Header:** Cisco logo on the left. Navigation links: Worldwide [change], Log In, Register, About Cisco. A search bar with a "Go" button.
- Navigation Menu:** Solutions, Products & Services, Ordering, Support, Training & Events, Partner Central.
- Main Banner:** A photograph of a young man with curly hair holding a skateboard and looking at a laptop. Text overlay: "And customers are the most valuable designers." Below the banner: "See how Cisco gives emerging companies a competitive advantage." with two small thumbnail images.
- Information for:** A sidebar menu with links: Small & Medium Business, Enterprise, Service Provider, Consumer.
- Quick Links:** A sidebar menu with links: Partner Locator, Find a Service Provider, Security Center, Documentation, Career Opportunities, Investor Relations, Discussion Forums, Human Network.
- Latest News:** A section with three news items:
 - Partnerships Help Northern Ireland's Education System - 29 Jan 2008
 - Cisco Unveils Nexus 7000 Series Data Center-Class Platform - 28 Jan 2008
 - The Platform: The Official Cisco Blog - 28 Jan 2008A "View All News" link is at the bottom.
- Featured Product:** A section titled "New Firewall/VPN Appliance" featuring an image of a Cisco firewall unit. Text: "Secure the most demanding enterprise networks and data centers. Learn more". A "View All Products" link is at the bottom.
- Download Software:** A section with a dropdown menu labeled "select".
- Cisco I-Prize:** A section titled "Cisco I-Prize Your Inspiration. Our Resources." with a photo of two men looking at a device. A "Learn How" link is at the bottom.

What is Organizational Buying?

Organizational buying refers to the decision-making process by which formal organizations establish the need for purchased products and services, and identify, evaluate, and choose among alternative brands and suppliers.

Top Business Marketing Challenges

- Expand understanding of customer needs
- Compete globally as China and India reshape markets
- Master analytical tools and improve quantitative skills
- Reinstate innovation as an engine of growth
- Create new organizational models and linkages

Characteristics of Business Markets

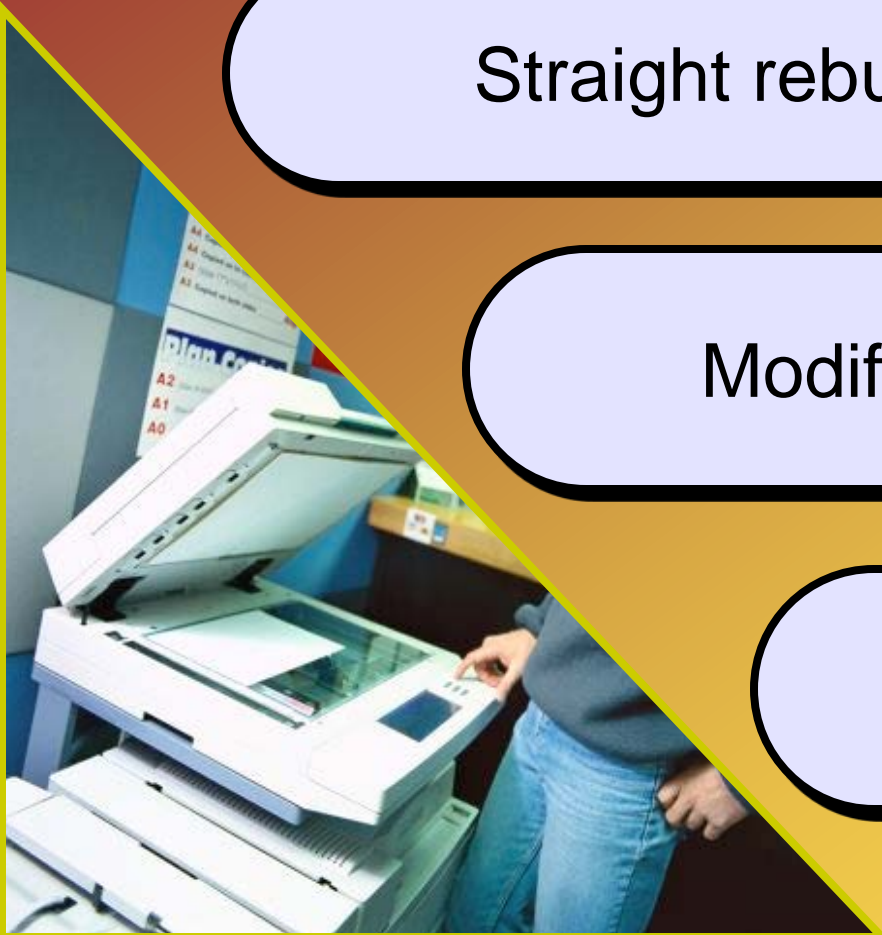
- Fewer, larger buyers
- Close supplier-customer relationships
- Professional purchasing
- Many buying influences
- Multiple sales calls
- Derived demand
- Inelastic demand
- Fluctuating demand
- Geographically concentrated buyers
- Direct purchasing

Buying Situation

Straight rebuy

Modified rebuy

New task



Systems Buying and Selling

Turnkey solution
desired;
bids solicited

System
subcomponents
assembled

Prime
contractors

Second-tier
contractors



The Buying Center



Initiators

Users

Influencers

Deciders

Approvers

Buyers

Gatekeepers

Of Concern to Business Marketers

- Who are the major decision participants?
- What decisions do they influence?
- What is their level of influence?
- What evaluation criteria do they use?

Sales Strategies



Stages in the Buying Process: Buyphases

- Problem recognition
- General need description
- Product specification
- Supplier search
- Proposal solicitation
- Supplier selection
- Order-routine specification
- Performance review

Table 7.2 Buygrid Framework

		Buyclasses		
		New Task	Modified Rebuy	Straight Rebuy
BUYPHASES	1. Problem recognition	Yes	Maybe	No
	2. General need description	Yes	Maybe	No
	3. Product specification	Yes	Yes	Yes
	4. Supplier search	Yes	Maybe	No
	5. Proposal solicitation	Yes	Maybe	No
	6. Supplier selection	Yes	Maybe	No
	7. Order-routine specification	Yes	Maybe	No
	8. Performance review	Yes	Yes	Yes

Forms of Electronic Marketplaces



- Catalog sites
- Vertical markets
- Pure play auction sites
 - Spot markets
- Private exchanges
 - Barter markets
 - Buying alliances

Methods of e-Procurement

- Websites organized using vertical hubs
- Websites organized using functional hubs
- Direct extranet links to major suppliers
- Buying alliances
- Company buying sites

Table 7.3 Vendor Analysis

Attributes	Rating Scale				
	Importance Weights	Poor (1)	Fair (2)	Good (3)	Excellent (4)
Price	.30				x
Supplier reputation	.20			x	
Product reliability	.30				x
Service reliability	.10		x		
Supplier flexibility	.10			x	
Total score: $.30(4) + .20(3) + .30(4) + .10(2) + .10(3) = 3.5$					

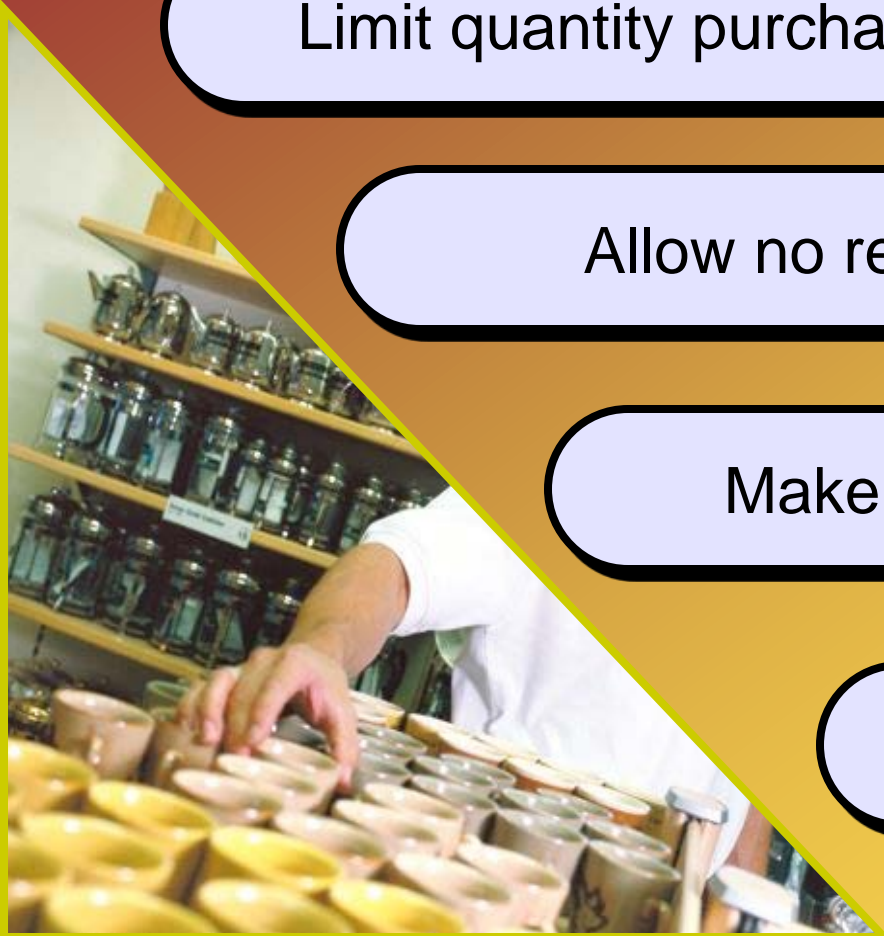
Handling Price-Oriented Customers

Limit quantity purchased

Allow no refunds

Make no adjustments

Provide no services



Methods for Researching Customer Value

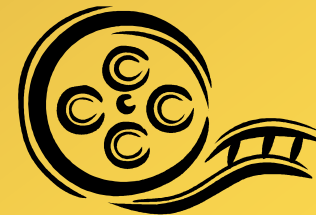
- Internal engineering assessment
- Field value-in-use assessment
- Focus-group value assessment
- Direct survey questions
- Conjoint analysis
- Benchmarks
- Compositional approach
- Importance ratings

Order Routine Specification

Stockless
purchase plans

Vendor-managed
inventory

Continuous
replenishment



Establishing Corporate Trust and Credibility

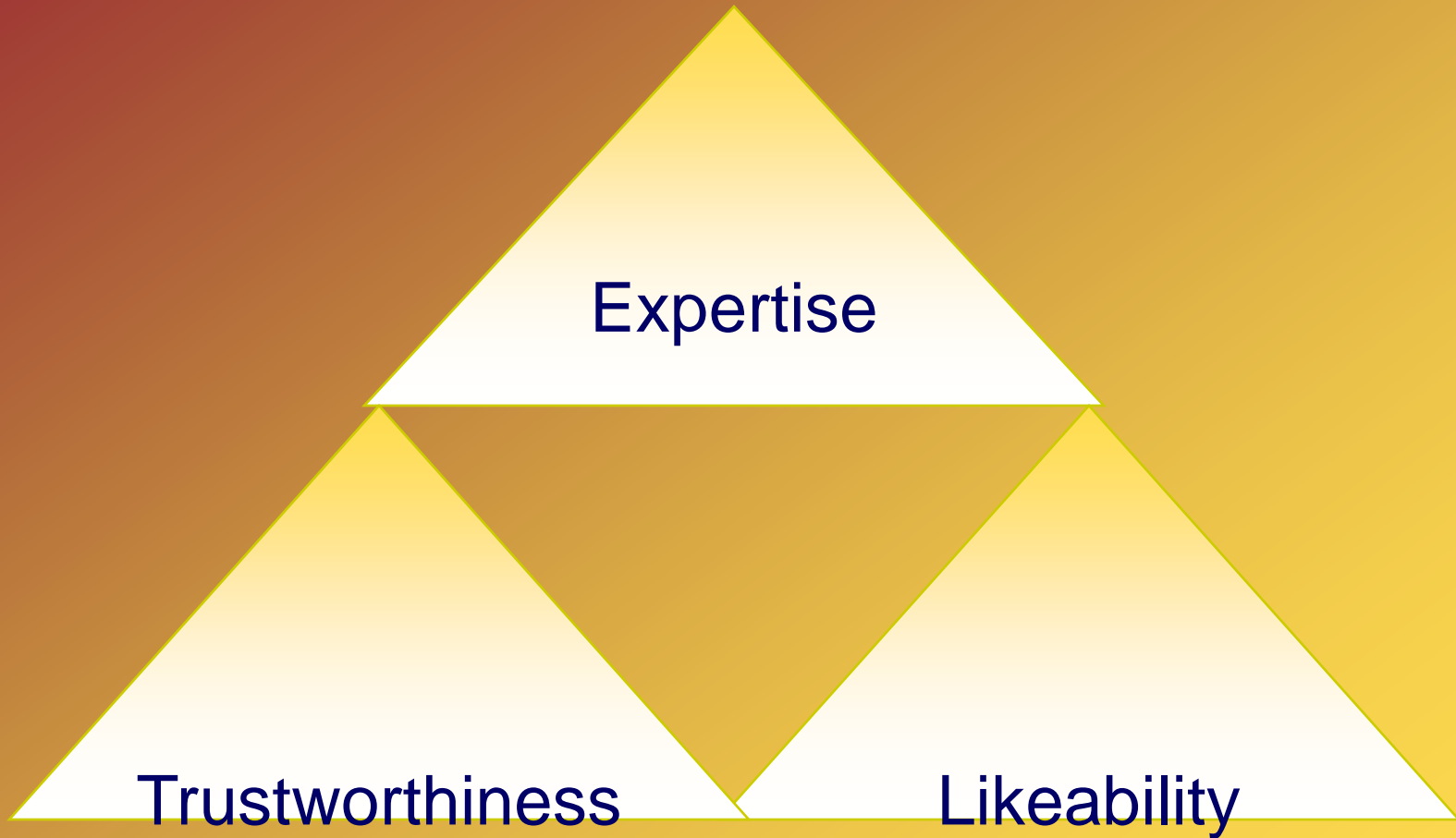


Figure 7.1 Trust Dimensions

Transparent

Cooperating
Design

Product/Service
Quality

Product
Comparison

Incentive

Supply Chain

Partnering

Pervasive
Advocacy

Factors Affecting Buyer-Supplier Relationships

Availability of
alternatives

Importance of
supply

Complexity of
supply

Supply market
dynamism

Categories of Buyer-Seller Relationships

- Basic buying and selling
- Bare bones
- Contractual transaction
- Customer supply
- Cooperative systems
- Collaborative
- Mutually adaptive
- Customer is king

What is Opportunism?

Opportunism is some form of cheating or undersupply relative to an implicit or explicit contract.

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Marketing Debate

✓ how different is B-to-B marketing?

Take a position:

1. Business-to-business marketing requires a special, unique set of marketing concepts and principles.

or

2. Business-to-business marketing is really not that different and the basic marketing principles apply.

Marketing Discussion

- ✓ Consider some of the consumer behavior topics from Chapter 6.
- ✓ How might you apply them to business-to-business settings?