Chapter 6

Business and Organizational Customers and Their Buying Behavior

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At the end of this presentation, you should be able to:

1. Describe who the business and organizational buyers are.
2. See why business and organizational purchase decisions often involve multiple influences.
3. Understand the problem-solving behavior of organizational buyers, and how they get market information.
4. Understand the different types of buyer-seller relationships and their benefits and limitations.
At the end of this presentation, you should be able to:

5. Know about the number and distribution of manufacturers and why they are an important customer group.

6. Know how buying by service firms, retailers, wholesalers, and governments is similar to—and different from—buying by manufacturers.
Understand Business & Organizational Customers for Marketing Strategy (Exhibit 6-1)
Understanding Business & Organizational Customers for Marketing Strategy (Exhibit 6-1)

Organizational Customers

Differences between organizational customers & final consumers
- Purchase criteria & specifications
- Multiple buying influence
- Problem-solving process
- B2B e-commerce
- Buyer-seller relationships

Key characteristics of specific types of organizational customers
- Manufacturers
- Producers of services
- Retailers & wholesalers
- Government units
Business and Organizational Customers – A Big Opportunity

All Business & Organizational Customers

- Producers
  - Manufacturers
  - Farms, mines, etc.
  - Financial Institutions
  - Other providers

- Intermediaries
  - Wholesalers
  - Retailers

- Governments
  - Federal
  - State and Local

- Nonprofits
  - National
  - Local
Business and Organizational Customers
At BB&T, we don’t think there’s anything small about your business.

Proud to be named the nation’s #1 Small Business Friendly Bank.

We were honored when the U.S. Small Business Administration recently ranked BB&T the number one lender to small business. But we’ve never needed an award to motivate us – after all, we have the goals of our clients to do that. With over 250 relationship managers dedicated to helping companies like yours, small business has always been a big deal to us. Stop by your local BB&T branch today to learn more about how we can help yours prosper. To locate the branch nearest you, visit us at BBandT.com. ©2000 BB&T. Member FDIC. Equal Housing Lender.
Organizational Customers Are Different
Specifications and Quality

Specifications Describe the Need

Quality Certification - ISO 9000
Many Different People May Influence a Decision (Exhibit 6-2)
Consuela Velasquez is a receptionist for a group of seven physicians. As she controls the calendars for the physicians, any sales representatives from pharmaceutical companies wanting to call on the physicians have to go through Consuela. As a result, it is very important for sales reps to cultivate a good relationship with her. In the buying center, Consuela would be best described as a:

A. buyer.
B. user.
C. influencer.
D. gatekeeper.
E. decider.
Ahmed Jamison is a purchasing specialist for a large company. He has the authority to execute purchase orders or amounts up to $100,000. On a purchase order for a higher amount, Ahmed arranges the terms of sale, but the transaction has to be approved by the company president. In the buying center for a purchase in excess of $100,000, Ahmed is a __________ and the president is a __________:

A. buyer; influencer.
B. influencer; buyer.
C. buyer; decider.
D. gatekeeper; decider.
E. user; influencer.
Evaluating Organizational Buying Influences

- Vendor Analysis Considers All Influences
- Behavioral Needs Are Important Too
- Ethical Conflicts May Arise
- Purchasing May Be Centralized
Organizational Buyers Are Problem Solvers  
(Exhibit 6-4)

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>New-Task Buying</th>
<th>Modified Rebuy</th>
<th>Straight Rebuy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time required</td>
<td>Much</td>
<td>Medium</td>
<td>Little</td>
</tr>
<tr>
<td>Multiple influences</td>
<td>Much</td>
<td>Some</td>
<td>Little</td>
</tr>
<tr>
<td>Review of suppliers</td>
<td>Much</td>
<td>Some</td>
<td>None</td>
</tr>
<tr>
<td>Information needed</td>
<td>Much</td>
<td>Some</td>
<td>Little</td>
</tr>
</tbody>
</table>
New Task Buying Requires Information

- Search Engines – a first step
- Online marketplaces
- Reverse Auctions
- Competitive Bids
Nikita Jackson, a sales representative for an industrial supply house, calls on a prospective business customer. The customer has an established relationship with another supplier, but says that there have been some reliability problems with deliveries. Nikita seizes the opportunity to describe her company’s state-of-the-art logistics and transportation system that provides outstanding delivery reliability at low shipping costs. Nikita is encouraged because her customer seems to be in a ___________ situation.

A. straight rebuy
B. modified rebuy
C. new-task
D. extensive problem-solving
E. limited problem-solving
Auto parts wholesaler Fixem, Inc. decides to invest in a new data management system to increase the efficiency of its warehouse operations. Previously, all record-keeping was done via printed documents, but now all transactions will be electronic. This change will require Fixem to expend a significant amount of money for hardware, software, and training. However, in the long run, the cost savings should exceed the up-front investment. Fixem has arranged for presentations to be made by three different vendors. Fixem seems to be facing a ______________ buying situation.

A. straight rebuy  
B. modified rebuy  
C. new-task  
D. extensive problem-solving  
E. limited problem-solving
Interactive Exercise: Organizational Buying

Select one of the three types of organizational buying processes:

- New-Task Buying
- Modified Rebuy
- Straight Rebuy
Close Relationships May Produce Mutual Benefits

- Reliable source of supply
- Cost reductions
- Price stability or concessions
- Reduced uncertainty
- Joint problem solving
- Improved quality

BUT

Relationships May Not Make Sense

- Reduced flexibility
- Some purchases are too small or infrequent
- Higher risk from greater purchase concentration
Relationships Have Many Dimensions (Exhibit 6-6)
Relationships Have Many Dimensions (Exhibit 6-6)
Relationship Dimensions
Relationship Dimensions
Gotcha! is a chain of trendy stores catering to the urban contemporary market. As part of its close relationship with suppliers, Gotcha! has an Internet site that is accessible only by suppliers, and it provides up-to-the minute point-of-sale information from all of the Gotcha! stores. Suppliers can see how their products are doing at retail during any time of the day or night. In the relationship between Gotcha! and its suppliers, the Gotcha! supplier site is an example of:

A. information sharing.
B. legal bonds.
C. reciprocity.
D. operational linkages.
E. negotiated contracts.
Dynamics of Buyer-Seller Relationships

- Powerful Customer May Control the Relationship
- Buyers May Still Use Several Suppliers
- Buying Varies by Customer Type
Manufacturers Are Important Customers

- Not Many Big Ones
- Clustered in Geographic Areas
- NAICS Codes
- Business Data Classifies Industries
An NAICS Code Example (Exhibit 6-8)

- Construction (23)
- Manufacturing (31)
- Retail (44)
- Others...

Manufacturing (31)
- Apparel (315)
- Leather (316)
- Others...

Apparel (315)
- Cut & sew apparel (3152)
- Apparel accessories (3159)
- Other cut & sew (31529)
- Others...

Cut & sew apparel (3152)
- Women’s & girls’ (31523)
- Other cut & sew (31529)
- Others...

Women’s & girls’ (31523)
- Blouses (315232)
- Dresses (315233)
- Others...

Apparel accessories (3159)
- Dresses (315233)
- Others...

Others...
- Food (311)
- Leather (316)
- Others...

Food (311)
- Mens & boys’ (31522)
- Lingerie (315231)
- Others...

Mens & boys’ (31522)
- Knitting Mills (3151)
- Lingerie (315231)
- Others...

Knitting Mills (3151)
- Knitting Mills (3151)
- Others...

Others...
Producers of Services – Smaller and More Spread Out

- Car Repair
- Medical Services
- Legal Services
- Housekeeping Services
- Library Service
- Small Service Buyers

Buying May Not Be Formal
Retailers & Wholesalers Buy for Their Customers

- Committee Buying Is Impersonal
- Residents Buyers May Help
- Reorders Are Straight Rebuys
- Some Are Not “Open to Buy”
The Government Market

- Size + Diversity
- Competitive Bids
- FCPA
- Rigged Specs?
- "Approved" Supplier List
- Negotiated Contracts
- Foreign Governments
- Learning Wants
You should now be able to:

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4. Understand the different types of buyer-seller relationships and their benefits and limitations.
5. Know about the number and distribution of manufacturers and why they are an important customer group.

6. Know how buying by service firms, retailers, wholesalers, and governments is similar to—and different from—buying by manufacturers.
Key Terms

- Business and organizational customers
- Purchasing specifications
- ISO 9000
- Purchasing managers
- Multiple buying influence
- Buying center
- Vendor analysis
- Requisition
- New-task buying
- Straight rebuy
- Modified rebuy
- Competitive bid
- Just-in-time delivery
- Negotiated contract buying
- Outsource
- NAICS codes
- Open-to-buy
- Resident buyers
- Foreign Corrupt Practices Act