



Basics of B2B Marketing

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Concept of B2B Marketing/Business Marketing

- ▶ **B2B** (business-to-business) **marketing** is **marketing** of products to businesses or other organizations for use in production of goods, for use in general business operations (such as office supplies), or for resale to other consumers, such as a wholesaler selling to a retailer.



Major Categories of Business Customers

Producers

OEMs (Original Equipment Manufacturers)

Resellers

Wholesalers
Retailers 

Governments

National Party
Municipal
Local

Institutions

Schools Hospitals Colleges
Churches Unions Fraternal groups
Civic Clubs Foundations
Nonbusiness organizations

Figure 1.4 Characteristics of Business Market Customers

<i>Characteristic</i>	<i>Example</i>
<ul style="list-style-type: none">• Business market customers are comprised of commercial enterprises, institutions, and governments.	<ul style="list-style-type: none">• Among Dell's customers are Boeing, Arizona State University, and numerous state and local government units.
<ul style="list-style-type: none">• A single purchase by a business customer is far larger than that of an individual consumer.	<ul style="list-style-type: none">• An individual may buy one unit of a software package upgrade from Microsoft while Citigroup purchases 10,000.
<ul style="list-style-type: none">• The demand for industrial products is derived from the ultimate demand for consumer products. 	<ul style="list-style-type: none">• New home purchases stimulate the demand for carpeting, appliances, cabinets, lumber, and a wealth of other products.
<ul style="list-style-type: none">• Relationships between business marketers tend to be close and enduring.	<ul style="list-style-type: none">• IBM's relationship with some key customers spans decades.
<ul style="list-style-type: none">• Buying decisions by business customers often involve multiple buying influences rather than a single decision maker.	<ul style="list-style-type: none">• A cross-functional team at Procter & Gamble (P&G) evaluates alternative laptop PCs and selects Hewlett-Packard.
<ul style="list-style-type: none">• While serving different types of customers, business marketers and consumer-goods marketers share the same job titles.	<ul style="list-style-type: none">• Job titles include marketing manager, product manager, sales manager, account manager.

B2B Marketing – What is Different?

B2B: Business to Business	B2C: Business to Consumer
Based on relationships with business buyers	Products more important than relationships
Often small & focused market	Usually larger markets
More complex & longer buying process	Single step buying process; often short (e.g. impulse purchase)
More sophisticated buyers	Less sophisticated buyers
Aim is to turn prospects into buying customers	Emotional considerations affect buying behaviour
Educational element to promotion	Brands very important

Organizational buying

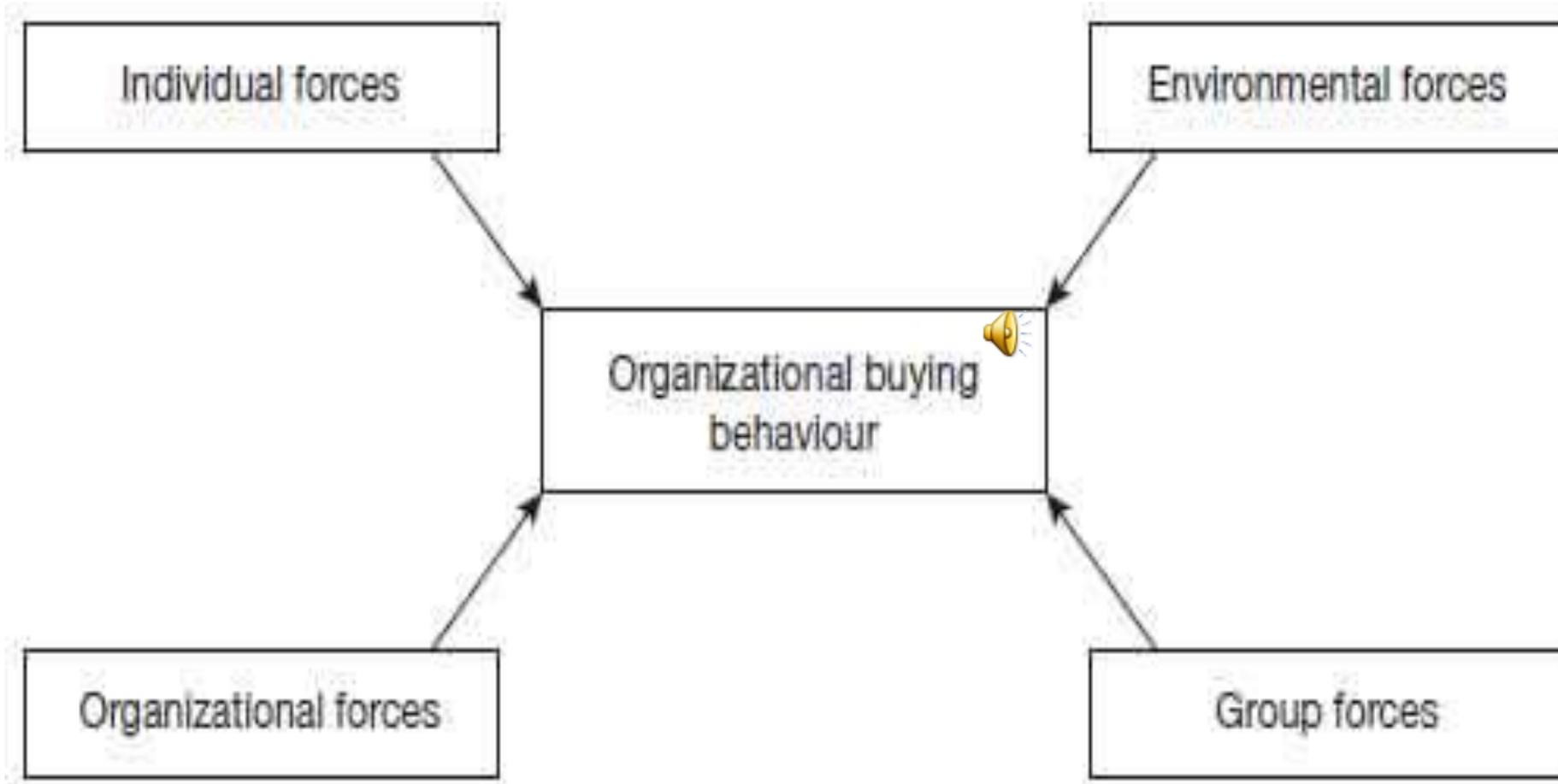
- ▶ **Organization buying** is the decision-making process by which formal **organizations** establish the need for purchased products and services and identify, evaluate, and choose among alternative brands and suppliers. Close relationships and service are required



Characteristics of Organizational Buying

1. In organizations, many individuals are involved in making buying decisions,
2. The organizational buyer is motivated by both rational and quantitative criteria dominant in organizational decisions
3. Organizational buying decisions frequently involve a range of complex technical dimensions. A purchasing agent for Volvo Automobiles, for example, must consider a number of technical factors before ordering a music system to go into the new model. The electronic system, the acoustics of the interior, and the shape of the dashboard are a few of these considerations
4. Lag time exists between contact and actual decision
5. Organizations cannot be grouped into precise categories. Each organization has a different way of functioning

Factors influencing organizational buying



Factors influencing organizational buying

- ▶ **Individual Factors** - A person's job position, tenure, and level in the organization may all play a role influencing a purchasing decision
- ▶ **Organizational Factors** - Organization's strategies, priorities, and performance. Eg.: If a company goes through a quarter with poor sales performance, for example, the management team might slow down or halt purchasing decisions until performance improves.
- ▶ **Business Environment** - The health of the economy and the company's industry may determine whether an organization chooses to move ahead with a significant purchase or hold off until economic indicators improve.
- ▶ **Group factors** - A decision maker's relationships with peers and managers could lead them to exert more-or less-influence over the final selection.

Industrial Buyer Information Sources

- ▶ Sales people
- ▶ Personnel in buyer's firm (peer group references)
- ▶ Purchasing agents in other companies (Peer group references external to the buyer's firm)
- ▶ Trade association (*Cooperatives* voluntarily joined by companies designed to assist its members and industry in dealing with mutual problems e.g. National Association of Purchasing Management)
- ▶ Advertising in trade journals (Commercial messages placed by the manufacturer or distributor of the Product)
- ▶ Trade registers (Buyer guides providing listings of suppliers and other marketing information)
- ▶ Product literature (Specific product and *vendor* information supplied by the manufacturing or distributing firm)

Evaluation criteria/Buying criteria purchasing managers use

Tangible Factors

- ▶ Quality
- ▶ Performance
- ▶ Delivery fulfillment
- ▶ After sales service
- ▶ Price
- ▶ Availability
- ▶ Ease of maintenance

Intangible factors

- ▶ Reputation of supplier
- ▶ Reliability 
- ▶ Brand
- ▶ Relationship with suppliers

Supplier's evaluation Rating scale

Buying Criteria	Importance (%)	Poor	Fair	Good	Excellent
Product quality	30				
Supplier reputation	20				
price	20				
Service support	15				
Payment execution	15				



Business Marketing Challenges - Current & Future

- ▶ Segmenting industrial markets and growing profitably
- ▶ Responding to customers
- ▶ Competing against lower price competitors
- ▶ Customizing offerings for each customer 
- ▶ Building stronger b2b brand
- ▶ Keeping customers loyal
- ▶ Improving sales force productivity
- ▶ Establishing multiple channels and managing channel conflict