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good for you*

Chapter Six

Business Markets and Business Buying Behavior

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Business Markets and Business Buying Behavior

Topic Outline

- Business Markets
- Business Buyer Behavior
- The Business Buying Process
- E-Procurement: Buying on the Internet
- Institutional and Government Markets



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Business Markets

Business buyer behavior refers to the buying behavior of the organizations that buy goods and services for use in production of other products and services that are sold, rented, or supplied to others.

Business buying process is the process where business buyers determine which products and services are needed to purchase, and then find, evaluate, and choose among alternative brands



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Business Markets

Market Structure and Demand

Fewer and larger buyers

Derived demand

- Inelastic demand
- Fluctuating demand

Buyer and seller dependency

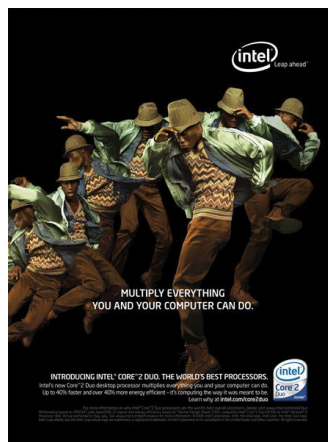


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Business Markets Decision Process

- More complex
- More decision participants
- More professional purchasing effort



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Business Markets Decision Process

Supplier development

systematic development of networks of supplier-partners to ensure an appropriate and dependable supply of products and materials that they will use in making their own products or resell

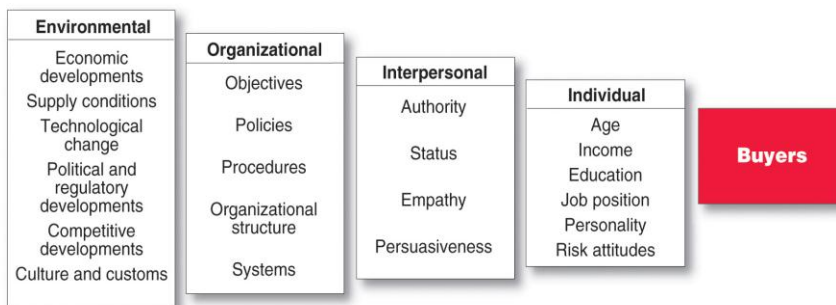


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Business Buyer Behavior

The Model of Business Buyer Behavior



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Business Buyer Behavior

Major Types of Buying Situations

Straight rebuy is a routine purchase decision such as reorder without any modification

Modified rebuy is a purchase decision that requires some research where the buyer wants to modify the product specification, price, terms, or suppliers

New task is a purchase decision that requires thorough research such as a new product



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Business Buyer Behavior

Major Types of Buying Situations

Systems selling

involves the purchase
of a packaged solution
from a single seller



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Business Buyer Behavior

Participants in the Business Buying Process

Buying center is all of the individuals
and units that participate in the
business decision-making process

- Users
- Influencers
- Buyers
- Deciders
- Gatekeepers



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Business Buyer Behavior

Participants in the Business Buying Process

- Buying center provides a major challenge
- Who participates in the process
 - Their relative authority
 - What evaluation criteria each participant uses
 - Informal participants



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Business Buyer Behavior

Participants in the Business Buying Process

Users are those that will use the product or service

Influencers help define specifications and provide information for evaluating alternatives

Buyers have formal authority to select the supplier and arrange terms of purchase

Deciders have formal or informal power to select and approve final suppliers

Gatekeepers control the flow of information

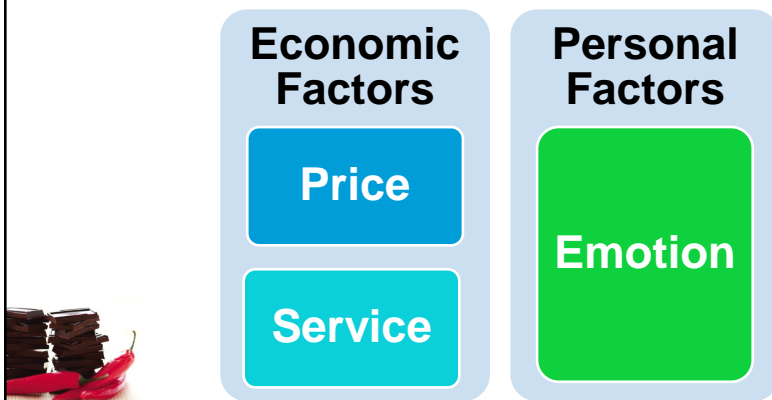


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Business Buyer Behavior

Major Influences on Business Buyers



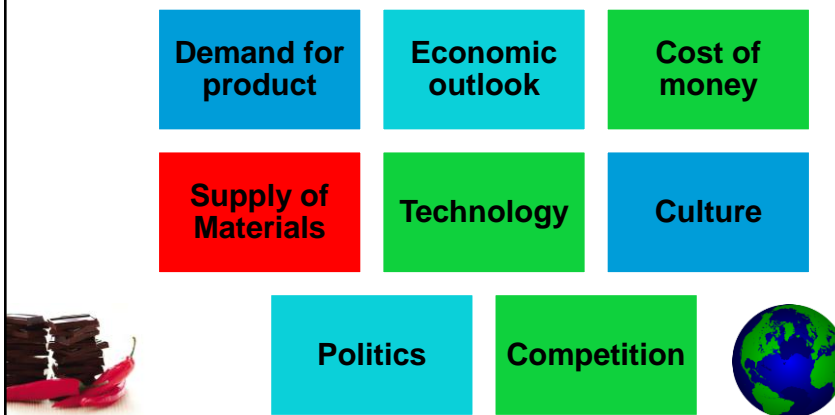
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Business Buyer Behavior

Major Influences on Business Buyers

Environmental Factors

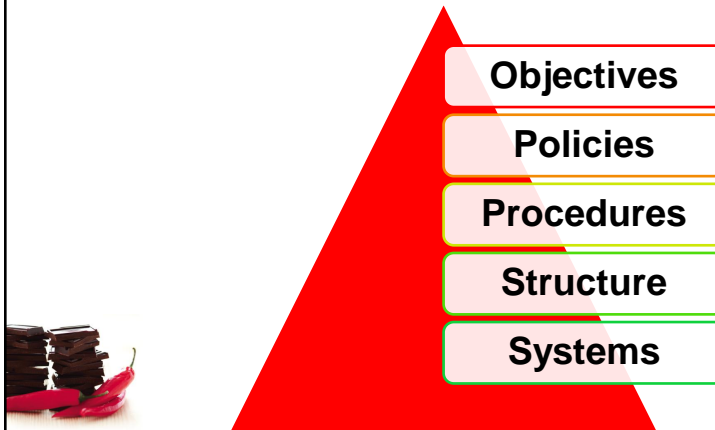


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Business Buyer Behavior

Major Influences on Business Buyers Organizational Factors

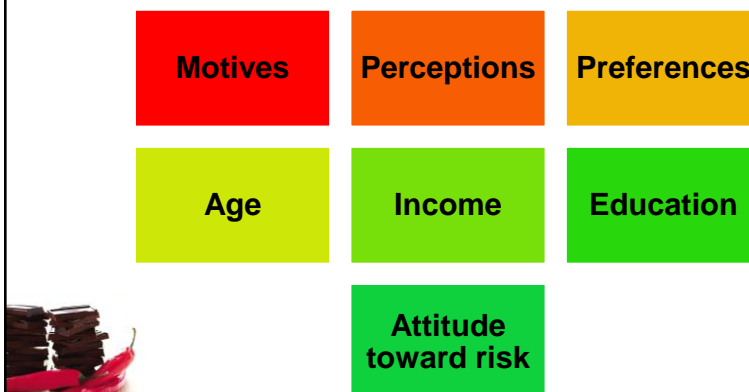


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Business Buyer Behavior

Major Influences on Business Buyers Individual Factors

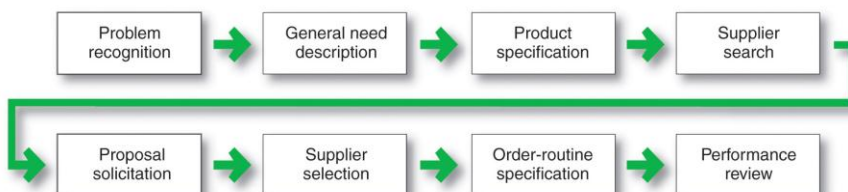


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Business Buyer Behavior

The Buying Process



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Business Buyer Behavior

The Buying Process

Problem recognition occurs when someone in the company recognizes a problem or need

- Internal stimuli
 - Need for new product or production equipment
- External stimuli
 - Idea from a trade show or advertising



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Business Buyer Behavior

The Buying Process

General need description describes the characteristics and quantity of the needed item

Product specification describes the technical criteria

Value analysis is an approach to cost reduction where components are studied to determine if they can be redesigned, standardized, or made with less costly methods of production



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Business Buyer Behavior

The Buying Process

Supplier search involves compiling a list of qualified suppliers

Proposal solicitation is the process of requesting proposals from qualified suppliers



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Business Buyer Behavior

The Buying Process

Supplier selection is the process when the buying center creates a list of desired supplier attributes and negotiates with preferred suppliers for favorable terms and conditions

Order-routine specifications is the final order with the chosen supplier and lists all of the specifications and terms of the purchase



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Business Buyer Behavior

The Buying Process

Performance review involves a critique of supplier performance to the purchase terms



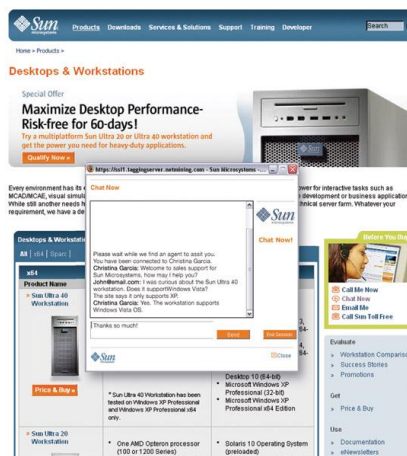
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Business Buyer Behavior

E-Procurement

- Online purchasing
- Company-buying sites
- Extranets



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Business Buyer Behavior

E-Procurement

- Advantages
 - Access to new suppliers
 - Lowers costs
 - Speeds order processing and delivery
 - Shares information
 - Sales
 - Service and support
- Disadvantages
 - Can erode relationships as buyers search for new suppliers
 - Security



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Institutional and Government Markets

Institutional markets

consist of hospitals, nursing homes, and prisons that provide goods and services to people in their care

- Characteristics
 - Low budgets
 - “Captive” audience



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Institutional and Government Markets

Government markets

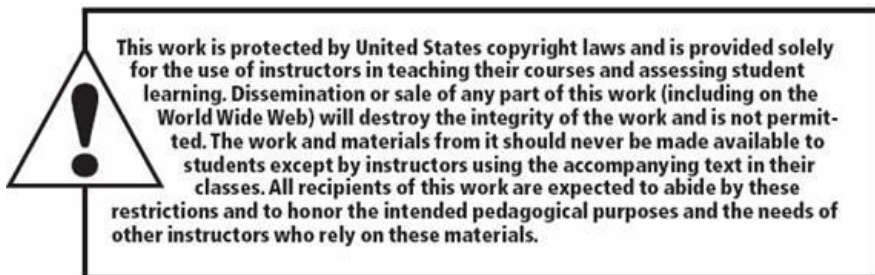
tend to favor domestic suppliers and require suppliers to submit bids and normally award to the lowest bidder

- Affected by environmental factors
- Non-economic factors considered
 - Minority suppliers
 - Depressed suppliers
 - Small businesses



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