

# Analyzing Business Markets

Analyzing Business  
Markets



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# CHAPTER 7



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# WHAT IS ORGANIZATIONAL BUYING?

**Frederick E. Webster Jr. and  
Yoram Wind**

Organizational buying as 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



# WHAT IS ORGANIZATIONAL BUYING?

## Business Market VS Consumer Market

aspect	Business market	Consumer market
Buyers	Fewer but larger market	More but smaller market
Supplier-customer relationship	Relative close	Relative not close
Professional purchasing	Purchase contract with professional	Purchase contrast with not professional because the transaction is not complex
Buying influences	Multiple buying influences	Not occur multiple buying
Multiple sales calls	Need a long time to checked contract	Do not have a long contract
Derived demand	Most closely monitor the buying pattern	Not paying attentions to the buyer continued request
Inelastic demand	Not much affected by price changes	Affected by prices changes
Direct purchasing	Buy directly from factory	Buy from distributor

## Buying Situation

### Straight Rebuy



Example: office supply, bulk chemical on a routine basis

### Modified Rebuy



Example: buyer want to change product specifications and supplier accept it as opportunity

### New Task



Example: an office building, a new security system

# Participants in the Bussiness Buying Process

Purchasing agents are influential in straight-rebuy and modified-rebuy situations, where other employee are more influential in new buy situation

## The Buying Center



Targeting firm is finding the sectors with the greatest prospect



Timken carefully segments business markets and adjust the marketing programs for its bearing and rotaries to maximally satisfy taregt segments



GE learned that its plastic fiber customer saw themselves more as artisans, completely changing how the company treated those customer

# The Purchasing/Procurement Process

02

Strategically oriented purchasing departments have a mission to seek the best value from fewer and better suppliers

04

The upgrading of purchasing means business marketers must upgrade their sales staff



01

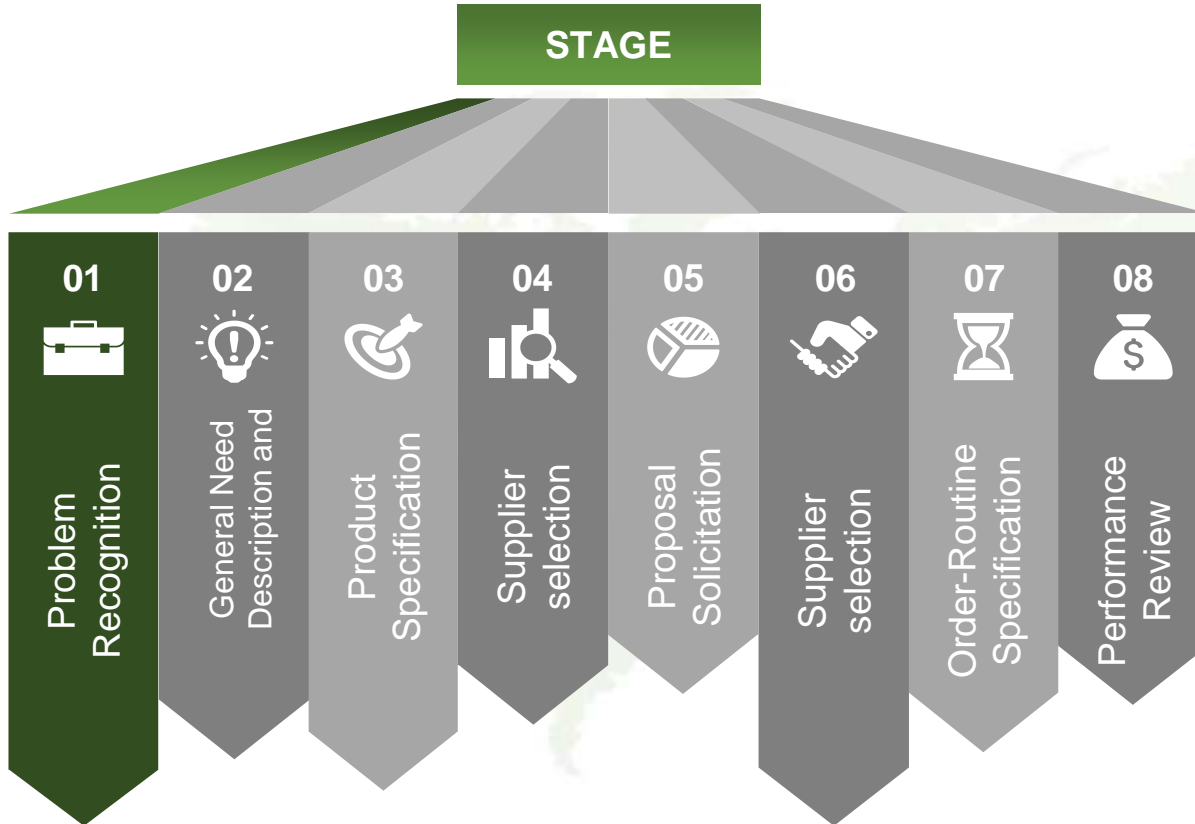
The strength of the incentive to purchase will be a function of the difference between perceived benefits and perceived costs

03

Some multinationals have even elevated purchasing departments to “strategic supply departments”

# Stages In The Buying Process

STAGE



STAGE



1. Problem Recognition
2. General Need Description
3. Product Specification
4. Supplier Search
5. Proposal Solicitation
6. Supplier selection
7. Order-Routine Specification
8. Performance Review

# Stages In The Buying Process

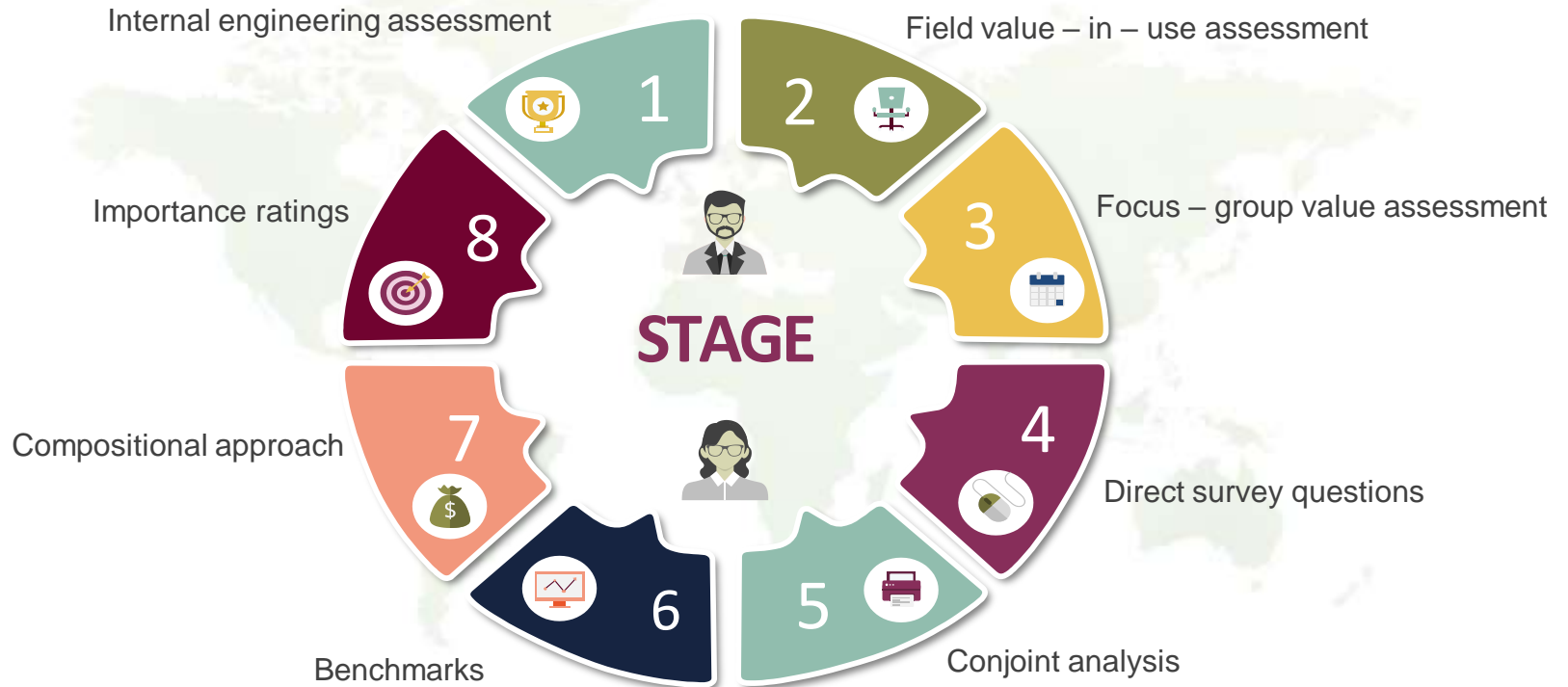
## Buygrid Framework

		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



# Stages In The Buying Process

Developing Compelling Customer Value Propositions



# Developing Effective B2B Marketing Program

B2B marketer must use mix of marketing tools to attract new customers and retain existing customers.



## Communication & Branding Activities

Corporate branding is critical part as it's associated to company's products.

**Case Study :** Emerson Electric align their global brand identity, consolidate company Web sites, translate campaign into local languages, and built social media platforms



## System Buying and Selling

Sellers offer total problem solution as a turnkey model to get the job done

**Case Study :** Rexel manage inventory of Bridgestone plant



## Role of Services

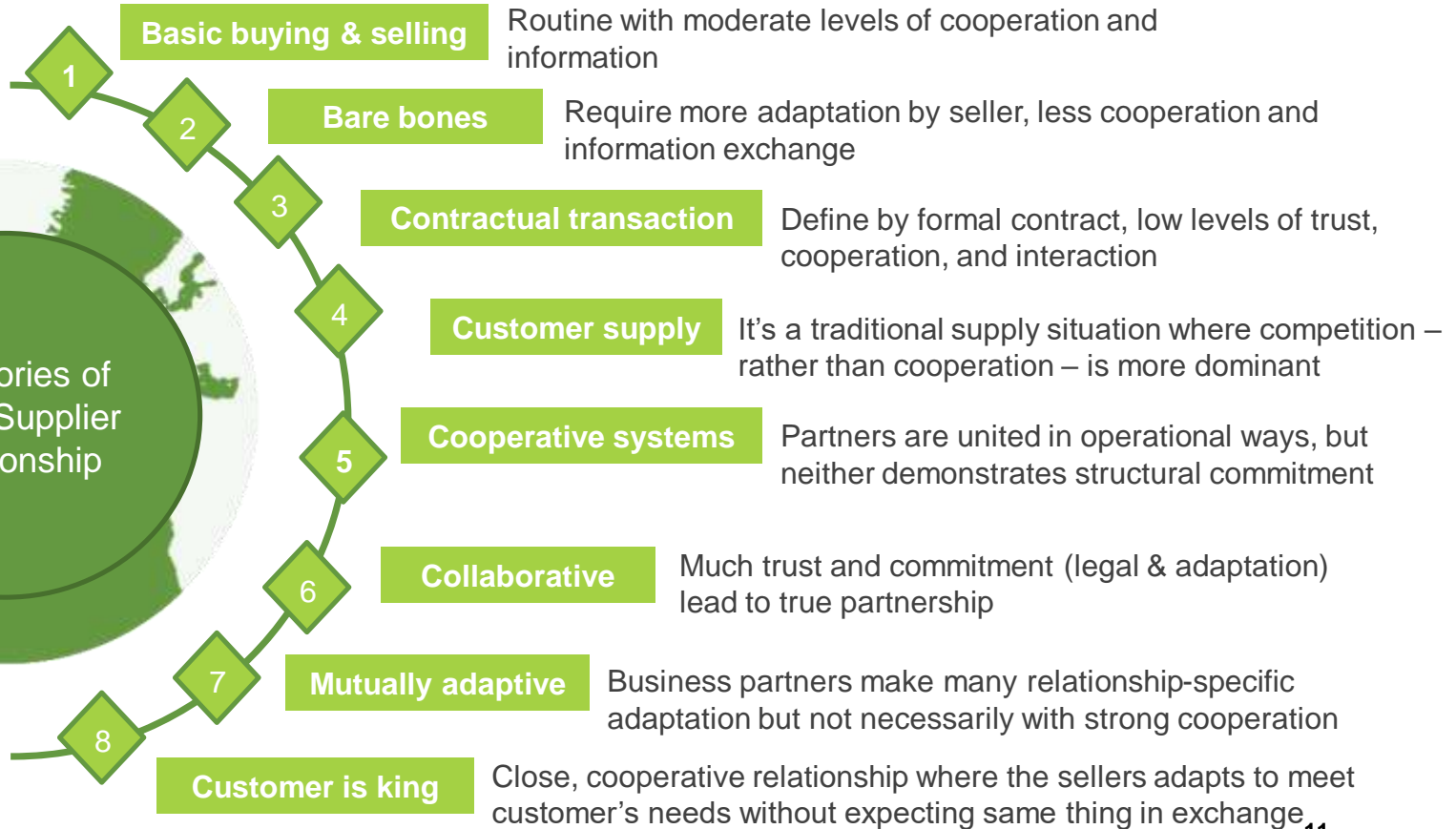
Value-added services can increase strategic, financial role and closer ties to customers.

**Case Study :** Rolls Royce jet engine offer "Power by the hour" for long-term repair & maintenance contracts.



# Managing B2B Customer Relationship

A Risks and Opportunism in Business Relationship



# Institutional Markets



Provide goods and services to people in their care.

- Schools
- Hospitals
- Nursing Homes
- Prisons

Character market : low budgets and captive clients

# Government Markets



Major buyer of goods and services in most countries.

- Gov.Power Companies
- Gov.Telco Companies
- Gov.Oil & Gas Companies
- Gov.Water Companies

Character market : open bids/tender base, negotiated-contract, lots of paperwork, domestic companies in favor, decision making delays.



## Implementing marketing orientation to grab institutional & government market :

Establish a government marketing department in the company to anticipate projects, participate in product specification (spec-in) phase, gather Competitive Intelligence (CI), produce strong communications to enhance company reputations, prepare bids.

# Summary

1. Organizational buying is the decision making process by establish the need for purchased products and services, then identify, evaluate and choose among alternative brands and suppliers.
2. Business markets have fewer and larger buyers, price inelastic but need closer customer-supplier relationship.
3. The buying center is the decision-making unit of a buying organization
4. The buying process consists of 8 stages
5. Business marketers are strengthening their brands using technology and other marketing communication tools.
6. Business marketers must have strong bonds and relationship with their customers
7. Marketing concept can also be implementing into institutional and government market but need to adapt with their special needs and follow procedures.



Thank  
**YOU**

A 3D orange figure is standing on the word 'YOU' in the 'Thank YOU' graphic. The figure is in a confident, slightly leaning pose with its hands on its hips. The entire graphic is set against a background of a faint world map.