

The background features a complex, layered pattern of overlapping horizontal and diagonal lines in various shades of gray. Interspersed among these lines are several white, stylized symbols, including infinity signs, plus signs, and other geometric shapes. The overall effect is a sense of depth and complexity, suggesting a technical or digital theme.

ORGANISATIONAL
BUYING
BEHAVIOUR

4

▶▶ LEARNING OUTCOMES

At the end of this chapter you should be able to:

- understand the nature and types of business markets
- understand the influences on business market buying behaviour and demand
- understand the business buying decision process
- understand the types of business buying decisions (straight rebuy, modified rebuy, new task buying)
- understand the influence of the buying centre on purchase decision making
- understand the application of relationship marketing in business markets
- understand the role of the Internet in business-to-business (B2B) marketing.

THINK ABOUT THE last item you purchased. It might have been food, a drink, clothes or perhaps it was this textbook! In each of these purchases many steps that you do not even see go into the production of the item. Most of these activities or transactions occur in what we refer to as the business or organisational buying market. This is the market where one organisation markets its products or services to another organisation.

We distinguish between business and consumer markets on the basis of how customers use products and the nature of the customer.¹ The service offered to organisational buyers is often just as important as the products themselves so personal selling is very important in business markets. When you see or hear the term 'B2B', it means 'business-to-business' marketing.

The basic principles of marketing apply equally to business and consumer markets. The differences between consumer and business decision making lie in the nature of demand, the composition of the business market and the motives of buyers in each market. There are also differences in the use requirements in each market.

In this chapter, we will discuss the difference between consumer and business decision making, the composition of the business market, the nature of business market demand and the buying decision process in business markets.

● WHAT IS THE BUSINESS MARKET?

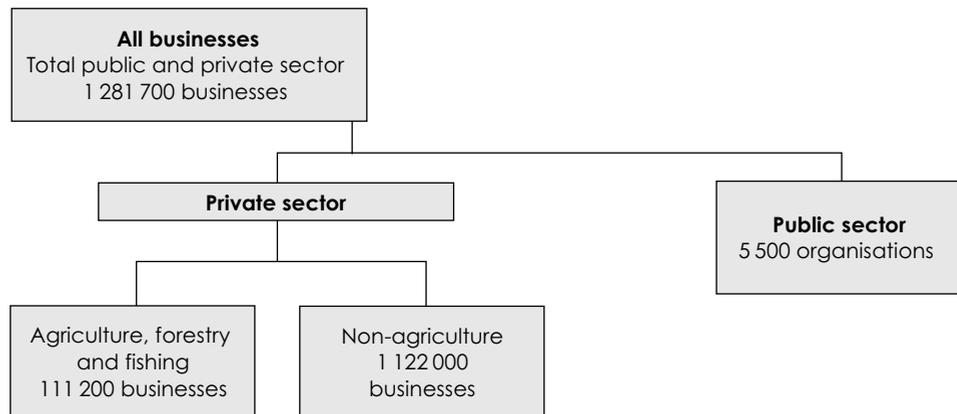
The **business market** consists of all organisations that purchase goods and services.

The business market is often referred to as the **B2B** (business-to-business) market.

The **business market** consists of all organisations that purchase goods and services. All organisations operate in the business market in some way. We refer to the business market, but in fact we are actually referring to the organisational buying market. This is because it is not only businesses that are the target of business to business marketers. Other organisations such as hospitals, schools, charities and agricultural enterprises also form part of the business market. The business market is often referred to as the **B2B** (business-to-business) market.

Figure 4.1 demonstrates the scope of the business market in Australia.

FIGURE 4.1 The business decision-making process



Source: Australian Bureau of Statistics, *Small Business in Australia*, Catalogue No. 1321.0, 2000/2001.

The business market is huge and complex. Consider the example of a men's plain business shirt. The steps before the shirt reaches the consumer are:

1. Cotton farming and processing. The fibre first needs to be grown, harvested and processed into sewing thread.
2. The thread is then processed into fabric rolls.
3. The fabric rolls are then cut to pattern size.
4. The pieces are then sewn together.
5. The shirt is finished with buttons and trim.
6. The shirt is packaged for sale.

This is an overly simplified explanation as many aspects of this operation have been left out. For example, the plastic buttons also need to be manufactured from raw materials. The packaging materials need to be designed and produced. What about the supplier of farming equipment and crop supplies? These aspects of cotton production all form part of the business market. As you can see from this one example, the business market is very complex, involving many different organisations.

Marketers must get smarter in the way they deal with business customers in the increasingly competitive local and international marketplace.

THE SCOPE OF THE BUSINESS MARKET

The following is a list of some of the types of industries and 'organisations' that are considered business buyers.

Agriculture

You may not think of a farm as a business, but it is. The farm owner needs machinery, crops, labour and other supplies to run the agriculture operation. Companies such as Pfizer Animal Health Australia and Kubota Australia actively target agriculture sector. Pfizer sells livestock and animal health products and Kubota sells tractors and heavy farming and mowing equipment.

Case in point 4.2 offers some insight into selling into the farm market in Australia.

Mining

The mining industry in Australia is not as large as it used to be, but it is still a significant market for companies such as Tsubaki, which sells essential maintenance and replacement parts for large mining machinery. You can find out about this company by visiting their website at www.tsubaki.com.au

Construction

The construction market has been booming in recent years with commercial and private developments across the major cities of Australia. The mobile population means that centres such as the Gold Coast are booming as people move north from Sydney and Melbourne. Buying by the construction sector includes everything from machinery and equipment to labour hire.

Manufacturing

Like the mining sector, the manufacturing sector in Australia is shrinking, yet it is still a significant market. Manufacturing organisations need production machinery, raw materials, packaging supplies, safety equipment and many other products and services to keep the business running.



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EXHIBIT 4.1 Heavy equipment is marketed to the agriculture sector

INNOVATIVE B2B PROMOTIONS GAIN ATTENTION

BankWest targets business with pizza delivery

Bankwest has taken to delivering pizzas as part of its new marketing campaign aimed at building awareness about the bank in the minds of small to medium sized business customers. Promoting its new positioning line “Fast food for growing business” the West Australian-based bank had delivered pizzas in BankWest-branded boxes to more than 1400 business owners, managers and small business stakeholders as part of a national direct marketing push spearheading the new campaign. The pizzas are enclosed in a branded BankWest box displaying the tagline. Developed by The Brand Agency the new campaign, which also includes full page colour press ads, mobile billboards, web banner ads and branch merchandising, has been developed as a low cost but targeted way of reaching the market.

It’s aimed at raising awareness among the 70% of Australian small to medium sized business

owners whom are reportedly dissatisfied with their bank, and the 60,000 business owners who are likely to switch banks this year.

Director of BankWest’s Business Express Gary Johnson said that as well as boosting awareness the campaign aimed at demonstrate a commitment to personal service.

“The response we’ve received has been overwhelmingly positive with business owners saying they appreciate a bank that thinks outside the square and treats them like an individual not a number,” Johnson said.

QUESTIONS

1. Do you think this promotion was a good idea? Why/why not?
2. What was the aim of the campaign?
3. How does this campaign differ from those aimed at consumers?

Source: B&T Weekly, 12 June 2003, (bandt.com.au).

Transport

In this sector, vehicles and their maintenance are very important; however, other associated markets are linked to the transport sector. Forklift suppliers, pallet suppliers, container shipping and handling facilities, and storage warehouses are just some examples of industries linked to the transport market.

Companies that buy goods from other organisations to resell are commonly referred to as **‘resellers’**.

Wholesale and retail trade

This is probably the main industry you would think of when you first consider the business market. Retailers market to consumers; however, retail suppliers conduct extensive marketing and personal selling aimed at retailers. Companies that buy goods from other organisations to resell are commonly referred to as **‘resellers’**.

SUCCESSFUL MARKETING TO THE AGRICULTURE SECTOR

Product focus combats lower price

By Leithen Francis

When Hi-Fert found itself competing in what was becoming a commodity market as a result of fierce competition from companies off-loading cheap fertiliser last year, it had to differentiate or face income loss.

Urea, which is a fertiliser used on crops, fell from \$330 a tonne to as low as \$230 when cheap imports from the Middle East, China and Russia entered the market. Hi-Fert realised that if it tried to compete at these low prices it would lose money. Instead, it invested in marketing to differentiate its products—something the importers had failed to do—; and targeted six market segments using a product-focused, integrated marketing campaign.

“By focusing on products that had a clear differentiation and superiority we provided rational reasons for purchase and deflected the attention away from price,” says Peter Schooling, director of account service at Wilson Everard.

Mark Osborn, Hi-Fert market manager of cropping, says: “We needed to give farmers further reasons to switch to Hi-Fert and the best way to do that was to talk about our new products.”

The integrated approach used television to build awareness, followed by press advertising, inserts and direct mail to generate sales leads. The campaign cost \$500,000, half of which was spent on media, and it ran in all states except Tasmania, Queensland and Western Australia.

The first phase of the campaign launched last September to promote three fertiliser products aimed at dairy farmers; Urea Mag-cote, Dapsulphur-cote and Pasture Gold Plus. A TVC ran on regional stations covering dairy farming areas

such as Gippsland, Mt Gambier and Wollongong. It highlighted the added benefits of Hi-Fert fertilisers, such as magnesium and sulphur coatings at no extra cost, and ended with the question: “Who would use anything else?”

This was followed by direct mail to 5,000 dairy farmers. Each farmer received a colourful piece of cardboard that folded to form a milk carton. Three sides of the carton promoted the fertilisers and the fourth side promoted a competition to win a Honda all-terrain vehicle, which dairy farmers could enter by sending in their details.

Hi-Fert launched phase two in February this year, direct mailing 7,000 existing customers to encourage them to apply for soil analysis. The direct mail piece was made of cardboard and looked like a wallet, to send the message that Hi-Fert could save farmers money by offering to halve the \$70 price for soil analysis.

Those farmers who placed an early order for fertiliser went in a draw to win an iMac computer. The third phase was launched in the last week of February, promoting Pasture Gold and Pasture Gold Plus fertilisers mostly to dairy farmers.

A 30-second TVC went to air on regional stations using the tagline, “Keep your livestock happy”, showing a cow and lamb chewing on green pasture. This was followed a few weeks later by inserts in *The Weekly Times*, *The Land* and *Stock Journal*.

Hi-Fert’s Zinc-cote range was promoted in the fourth stage to cropping farmers. Inserts were placed in the same three papers used in the third stage and a 30-second TVC was supported by direct mail sent to 7,000 farmers, who received a small giftbox with a spanner and a letter encouraging

SUCCESSFUL MARKETING TO THE AGRICULTURE SECTOR CONTINUED

them to send in their details to receive further information. The spanner played on the ad's tagline, "Unlock the wealth in your soil".

Legumix fertiliser was promoted in the fifth stage, launched in March, through press ads aimed at farmers who grow pulse crops. Press included a half-page teaser ad with the tagline, "The truth behind Jack and the beanstalk", followed by a full-page ad showing a giant beanstalk breaking through a page of news type.

The final phase of the campaign was a direct mail and TVC in March for Canola Gold, a fertiliser that provides sulphur. The 30-second TVC was a spoof on children's breakfast cereal commercials and showed animated canola plants calling out to be fed more sulphur.

It was supported by direct mail to 4,000 canola growers who received a piece of cardboard, which folded to form a cereal box, with serving suggestions and messages printed on it promoting the benefits of Canola Gold with lines such as, "Satisfies the hunger of even the hungriest canola crops".

Hi-Fert has measured the campaign's effectiveness from the response rates to the

direct mail. Normally, direct mail gains a 2% to 3% response, according to Schooling. But Wilson Everard's campaign exceeded this and the targets set by the client.

The "milk carton" direct mail achieved a 14% response with 1,120 sales leads. A 5.5% response with 379 sales leads was achieved through the direct mail promoting 50% off the cost of a soil analysis and the insert in *The Weekly Times*, *The Land and Stock Journal* promoting Pasture Gold achieved more than 1,000 leads. Hi-Fert's Zinc-cote insert in the same three papers achieved 378 leads and the direct mail piece achieved a 12% response with 835 leads. The Canola Gold "cereal box" direct mail piece achieved 550 leads representing a 14% response.

QUESTIONS

1. What was the advantage of shifting the sales appeal to a product benefit focus, rather than price?
2. Would this approach work in all markets and with all customers?
3. What are the benefits of using a direct mail approach to target farmers?

Source: ADNEWS Magazine, 19 May 2000, (bandt.com.au).

Finance, insurance, real estate

These are service-based markets but they are just as important as product-based markets.

Government

Government contracts can sometimes be very lucrative, depending on their nature. However, the government market operates slightly differently from many other markets, with tender processes to determine which supplier will be awarded government business.

Non-profit organisations

Non-profit organisations are often charities, but they could also be community groups, such as Greenpeace, council-run childcare centres or special interest clubs and associations.

Each of these types of organisation forms part of the business market with its own unique environmental influences and buying decision processes.

● THE NATURE OF BUSINESS MARKETS

Business market sales volume surpasses consumer market sales. The traditional view of the 'industrial market' has changed. It still relies very much on personal selling; however, marketers have realised that they need to understand the buying decision process in the B2B market as it forms the basis for influencing decision making.

In the past, management of salesforce time allocation has been based on scientific measures and account size. However, if marketing-focused businesses are interested in customer needs, it makes sense that salesforce time allocation should be based on the buying behaviour and needs of the market.²

Organisational buyers will have different needs and buying patterns across different buying situations. For example, a medical products representative may call on major accounts regularly to maintain orders for consumable products like gloves and needles. However, more time is required when, say, looking at a situation where a hospital wants to purchase more complex equipment such as X-ray machines. In this case, a great deal of sales time may be required before the sale is actually finalised.

The key distinction between consumer and B2B markets is the type of customer and their reason for buying, or product usage. Table 4.1 illustrates some of the key differences between organisational and consumer buying. Business users are organisations that buy goods and services for any of the following purposes.

TO MAKE OTHER GOODS AND SERVICES

This means organisations purchasing inputs for their business. For example, Coca-Cola buys sugar and flavours for its drinks and aluminium cans and glass bottles to pour its products into. A local restaurant would buy food to make into the meals on its menu. A paint company such as Wattyl buys chemicals to manufacture its paint.

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EXHIBIT 4.2 Optus targets businesses

TABLE 4.1 Organisational buyers and consumers

	CONSUMER	ORGANISATIONAL BUYER
Buying motives	A range of rational and emotional motives are possible: practical personal need, status, to satisfy spouse or family	Most likely rational motives relating to benefits for the organisation: increased sales, reduced costs, improved quality
Product and market knowledge	Variable but unlikely to match salesperson's breadth and depth of knowledge	Often comprehensive, their job usually demands detailed product and market knowledge
Buying skill	Variable but usually do not use a well-organised, systematic approach	Highly developed skills through experience and/or training, may see 10 or more salespeople every day
Buying method and style	Tends to be informal, usually verbal, may be alone or with friend or family members	Usually formal, often requiring written proposal, sometimes involving colleagues or buying committee
Selection criteria	As with motives, brand and store selection criteria may include practical and emotional aspects: function, quality, convenience, style, colour; salesperson may have major impact on purchase decision	Buyer looks to maximise benefit to organisation at minimum risk: price, quality, service support offered, supplier's reputation; salesperson's impact can be significant but often less than with consumer purchases

Source: Based on Peter Rix, John Buss & Graham Herford, *Selling: A Consultative Approach*, McGraw-Hill, Sydney, 1999, p. 111.

This definition would even extend to products such as breakfast cereals that are sold to hotels. For example, the Hilton Hotel offers its customers room and breakfast so the cereal becomes part of the overall 'product' offered by the hotel.

TO RESELL TO OTHER BUSINESS USERS OR CONSUMERS

Some organisations buy finished goods and services to on sell to other customers. This market is commonly called the reseller market. It includes retailers and product distributors. For example, Repco is an automotive parts and related products distributor that purchases a range of auto parts and accessories from different suppliers to sell to mechanics and auto accessory retailers. Supermarkets such as Woolworths are also a part of this reseller market as they purchase goods from many companies to sell to consumers.

TO CONDUCT THE ORGANISATION'S OPERATION

All organisations need to purchase goods and services that are essential to the running of the organisation, but which do not actually form part of the product or service they offer. For example, offices require stationery, farms require accounting computer hardware and software, and hospitals require cleaning services. These organisations could not operate without these goods and services, even though they do not actually help to directly generate profits.

● PURCHASE DECISION MAKING IN BUSINESS MARKETS

The business decision-making process is somewhat similar to the consumer decision-making process; however, there are a few differences and it often takes much longer.

Some additional factors that influence the decision-making process are discussed below.

BUYING IS OFTEN A GROUP PROCESS

We will discuss the various roles in the decision-making process later in the chapter; however, marketers should never assume that there is only one person involved in the decision process.

BUYING IS LESS FREQUENT AND IN LARGER QUANTITIES

We will also discuss the issue of fluctuating demand later in the chapter. Marketers should be aware that order sizes and quantities will vary.

NEGOTIATION PERIOD IS OFTEN LONGER

Obviously this depends on the type of decision. For example, a farmer's decision to buy a new tractor would take longer than their decision about a new fax machine.

CUSTOMER SERVICE IS OFTEN A MAIN REQUIREMENT

Many organisations count on the reliability of suppliers to help them satisfy their own customers' needs. Often greater reliability may come at a higher cost, meaning that price is not always the key concern of buyers. For example, Tsubaki Australia sells maintenance parts for heavy mining equipment. If mine operations are closed down for any length of time for a breakdown while parts are sourced, a great deal of money will be lost in down time. Guaranteed availability means that customers are willing to pay more.

CONSISTENCY OF QUALITY AND SUPPLY ARE IMPORTANT

This point is similar to the previous one and also indicates why some firms may pay more for guarantee of quality and consistency. For example, Coca-Cola could not accept

cans with varying print quality, some red, some crimson, some pink. That would be totally unacceptable from any supplier. McDonald's is the same. It is famous for consistent quality.

New task buying

occurs when a similar product/ decision has not been made.

A modified rebuy

situation occurs when an organisation has purchased a similar type of item, but has decided to change suppliers or make some modifications.

● TYPES OF BUYING SITUATIONS

Just as consumers are faced with different types of decisions, so too are business buyers. The three types of buying decisions are new task buying, modified rebuying and routine buying.

New task buying occurs when a similar product/ decision has not been made. It offers the seller the opportunity to be creative. The information needs of the buyer will be high. For example, a school may be looking to install airconditioning throughout all its buildings. In this case it is a brand new decision area for the school. A local delicatessen owner might decide to offer home delivery and so she needs to buy a refrigerated van, a decision that has never been considered before.

A modified rebuy situation occurs when an organisation has purchased a similar

type of item, but has decided to change suppliers or make some modifications. For example, the school in the previous example might simply want to replace one airconditioning unit with another and the delicatessen owner might be looking for a larger vehicle as her business expands. In both these cases, the organisations have gone through the process of selecting suppliers and finding out information about the various product options in the past. That should make their rebuying task a lot easier as they know what they are looking for and what is available to meet their needs.

A straight rebuy situation is a routine purchase where the items have been purchased many times previously. Using the example of the school and the delicatessen again, the school may order more photocopying paper from its supplier and the delicatessen owner might order plastic carry bags from the same supplier.

● BUSINESS MARKET DEMAND

Consumer demand is heavily influenced by marketing environment factors such as the interest rate level, social trends and marketing communications. Whereas some of

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EXHIBIT 4.3 *Appealing to businesses in a modified rebuy situation*

these factors may influence business buying, there are three main aspects of business market demand that marketers should understand.

DEMAND IS DERIVED

The demand for business goods is based on the underlying demand for consumer goods, so business markets are said to have **derived demand**. For example, Austral Bricks must base its forecast on the number of brick homes and buildings being constructed. The company can only sell as many bricks as there is demand for brick buildings.

The healthy lifestyle trend has seen a decline in the consumption of sugar and some dairy goods. Campaigns by the industry associations for these products have helped to boost consumption levels. In each case, the demand for the raw materials is influenced by consumer demand. A similar industry campaign was run several years ago by the aluminium can manufacturers. They ran a campaign that promised 'nothing's as good as a coldie', which encouraged consumers to choose drinks in aluminium cans as they stay colder, longer. The industry was trying to influence consumer demand so that demand for can stock from soft drink and beer manufacturers would increase.

It is extremely important for B2B marketers to keep up to date with trends in the consumer market. For example, the popularity in lifestyle and home improvement television shows has seen an increase in demand for a whole range of products, including paint, pots for plants, garden maintenance products and light building goods such as pergola roofing. There has also been a trend towards more internal décor items such as wall hangings and light fittings.

Failure to notice this trend may mean some firms miss out on their share of this lucrative market.

DEMAND IS RELATIVELY INELASTIC

Elasticity of demand refers to how responsive demand will be to a change in price. The change must be industry-wide. The demand for business goods is generally considered inelastic as the cost of one element of a product is usually only a small portion of the cost of the finished product. For example, if the price of sugar went up, it might cost beer manufacturers an average of an extra 2 cents per can. Even if the retail price increased by 2 cents, the overall demand for sugar would be unlikely to change. Unless consumer demand changes as a result of the industry price rise, business market demand is unlikely to change significantly.

DEMAND IS WIDELY FLUCTUATING

The demand for business products fluctuates more widely than for consumer products. This is because consumers tend to purchase in single units, whereas business market purchases vary in size and order frequency.

A straight rebuy situation is a routine purchase where the items have been purchased many times previously.

The demand for business goods is based on the underlying demand for consumer goods, so business markets are said to have **derived demand**.

Elasticity of demand refers to how responsive demand will be to a change in price.

TABLE 4.2 Organisational buying criteria and motives

TYPE	EXAMPLES OF SPECIFIC CRITERIA
Price/cost	Initial price, installation costs, inward freight, operating costs, repairs and maintenance, spare parts, possible resale or scrap value. Increasingly buyers are calculating the total lifetime cost of ownership, rather than simply the initial cost
Product	Design suitability for purpose, reliability, durability, uniformity/consistency, low defect rate. Operating under total quality management systems, organisations demand high-quality products all the time from their suppliers.
Service	Reliable availability, on-time delivery, design assistance, training, willingness and ability to respond to and solve problems quickly. Organisations increasingly see their suppliers as partners who will work with them to increase profits.
Buying method and style	<i>Risk reduction:</i> buyers may spread orders among several suppliers, remain loyal to known, proven suppliers rather than experiment, order conservative quantities and ranges. <i>Promotion:</i> buyers' advancement will often depend on successful negotiating, introducing innovation and cost reduction. <i>Recognition:</i> like most people, buyers are motivated by recognition from their peers and organisations. <i>Pride/ego:</i> buyers can be driven by their personal need for control and being pandered.

Source: Peter Rix, John Buss & Graham Herford, *Selling: A Consultative Approach*, McGraw-Hill, Sydney, 2004, p. 117.

BUSINESS MARKET BUYERS ARE WELL INFORMED

Increasingly, business purchasing is handled by a specialist buyer. Even in small businesses, buyers are aware of what each supplier can offer and where the best deal is. In many organisations where purchasing is a specialised function, it involves university- or TAFE-qualified buying teams. These individuals are skilled in evaluating alternative suppliers and conducting negotiations.

Most B2B marketers place greater emphasis on personal selling, so sellers are able to make sure their customers and potential customers are well informed about products and services on offer in the marketplace.

Finally, another reason why buyers are well informed is the incredible amount of information that exists on the Internet. A buyer need not even contact a potential supplier to find information when they can find what they need at the press of a button, at any time.

TABLE 4.3 Comparison of buying motives for dog food

	DOG OWNER	PET SHOP OWNER	MAJOR SUPERMARKET BUYER
Price	Interested in value for money—not necessarily the lowest price	High profit per unit required due to low turnover and limited space	Seeks high profit based on turnover
Range product	Different owners might have different needs, e.g. fat dogs, old dogs	Exclusive lines with higher profit yield	Only fast-moving lines to maximise turnover
Promotion	Information to help keep the dog healthy	Increase store traffic Specialist training and seminars might be useful for staff	Brand support Incentives Deals all important
Distribution	Consumers not likely to travel a long distance to buy unless it is a special product	Pet shop usually owner-managed so business does not want to compete directly with supermarket chains. As volumes through this channel are small, sale or return might be offered to encourage stocking	Price pressure expected due to intense competition

● BUYING MOTIVES

Business buying motives are presumed to be **'rational'**, methodical and objective. This means that business buyers make decisions with the needs of the business in mind. This sounds reasonable in theory, but it must be remembered that we are dealing with people. B2B marketers and successful salespeople are skilled at building relationships with customers. Self-advancement may also play a part in business buying, with buyers choosing particular suppliers due to the benefit to their career or reputation. Many companies invite clients to lunches and sporting events as part of their rapport-building efforts. However, there are also many companies such as Dick Smith Electronics that forbid the giving of gifts or any such benefits to staff by suppliers. Table 4.2 highlights some of the common motives behind organisational buying decisions.

Just as consumers have motives, so too do business buyers. These motives are not always based on finding the lowest cost supplier, although profit is often a key motivator. Some common B2B market motivators are:

Business buying motives are presumed to be **'rational'**, methodical and objective.

- cost and profit related benefits
- ongoing promotional support
- service support
- ability to generate store traffic
- improvements to productivity.

Table 4.3 is a practical example of the different buying motives of dog owners and two types of retail buyers when purchasing dog-food brands. A consumer is likely to love their pet and care about its health, whereas a supermarket buyer has no interest in dog nutrition but has a big interest in the profit that the brand can generate. A pet shop owner may be interested in stocking exclusive lines that the supermarket does not carry so that a greater profit per unit can be achieved with lower stock holding. The pet shop owner might also be interested in promotional activities that generate store traffic, whereas the supermarket wants to know what brand support and allowances the company can offer.

Case in point 4.3 outlines the fundamental motivation behind business buying decisions.

● MULTIPLE BUYING INFLUENCES

The concept of a purchase decision chain was discussed in the previous article. A **buying centre** is the group of individuals in the company who are involved in purchase decision making. The buying centre is made up of a variety of different people.

A **buying centre** is the group of individuals in the company who are involved in purchase decision making.

A buying centre consists of any individual who directly or indirectly influences the purchasing decision process of the organisation. For example, a secretary may not be the person who makes the actual decision about which brand of photocopier to buy, but they may influence the decision by providing their opinions about which machine is better suited to the needs of the office.

The roles that might exist in a buying centre include the following.

USERS

Users are the people who actually use the product.

Users are the people who actually use the product. For example, when purchasing safety goggles for manufacturing or welding the users might be asked to test them out to see which ones are the best.

INFLUENCERS

Influencers are those who have a direct or indirect influence over what is purchased.

Influencers are those who have a direct or indirect influence over what is purchased. It may be someone who sets specifications, such as a production manager, or someone who has financial control or power, such as the firm's managing director. For example, the warehouse manager may suggest that the firm changes its packaging supplier as the current packaging is not strong enough to withstand road freight from Sydney to Perth without breaking.

DEFINING THE SYSTEM OF NEEDS IN AN INDUSTRIAL MARKET

Defining the system of needs in an industrial market

By Cliff Havener

Editor's note: Cliff Havener is president of Growth Resources, Inc., a Minneapolis-based consulting firm.

The most functional and fundamental means of identifying a market is by its systems of needs. By literally seeing the purchase decision maker's problem through the decision maker's eyes, it is quite easy to determine:

- what combination of product characteristics represent real value,
- how to communicate the product for the maximum perception of value, and, once that's done,
- how likely the respondent will be to buy.

This article is about need research in industrial markets, which is considerably more straightforward than in consumer markets, although it follows the same process. What makes it "easier" is that each respondent's job—not his or her personal values and attitudes—pretty well defines his or her priorities toward the subject. Consequently, markets are more homogeneous, generally speaking, with less individual variance from prospective user to prospective user.

The appropriate starting point is to segment the market by the variables that create different perspectives about the same subject. For example, we recently did a study designed to "find a home" for an electronic controller for air compressors. Specifically, the study had to identify the "problems" users of compressed air had with this practice, to determine those the controller could solve. Therefore, the market segmentation, based on attitudes and objectives about use of

compressed air, was designed to identify different problems held by different groups of users. It was to differentiate need systems.

This specific controller handled centrifugal compressors, not rotary or reciprocating compressors. Step one was to identify industries with a high incidence of centrifugal compressors in use. The next was to identify those industries where consumption of compressed air was a major component of total plant energy use. The perspective that drove this cut is that people make greater investments to solve big problems than to solve little ones.

Once we had a list of those industries that were the heaviest consumers of compressed air, we then did the actual segmentation based on the nature of demand on the compressed air being produced and used. It was likely that an industry such as textiles that uses compressed air continuously to drive precision equipment would view its operations—and hence, its needs—very differently from an industry that used compressed air in batches, on fairly coarse equipment such as air powered hand tools, like many plants in the automotive industry.

The focus in designing a theoretical segmentation is identifying those fundamental factors that are likely to create very different definitions of needs from one type of prospective user to another.

The next step in the process was to define the purchase decision chain, that is, all jobs or positions in the company that influence the purchase decision. The influence may be direct, as in evaluation of the solution offered to the

DEFINING THE SYSTEM OF NEEDS IN AN INDUSTRIAL MARKET CONTINUED

problem, or it may be indirect, as in the definition of the problem itself. Job titles will often change from industry to industry, even from company to company. The levels of influence of each player in these multilevel purchase decisions will change from company to company. Therefore, in scheduling interviews within any company that represents a market segment, it's critical to identify who the "players" are in that company, and then talk to all of them.

In the case of the compressor project, we talked to: powerhouse managers who were ultimately responsible for the performance of the compressed air supply system; plant based manufacturing engineers; corporate based manufacturing and energy management engineers; plant managers and plant comptrollers. The one job didn't interview was "purchasing agent," because the definition of both the nature of the problem and desired criteria for a solution came from various combinations of the above jobs.

Once we knew who to talk to, the next trick was to find out how to talk with them so as to obtain their whole view of the situation. Most so-called need research focuses too tightly, too soon, on the application or use situation. Interviewers might open by asking, "How do you feel about how your compressors are operating now?" or worse, assume a benefit of this product and present the "solution" in whatever choice of words they and/or their client dreamed up without understanding the potential buyer's perspective. Then they might ask for a reaction to the "concept."

To obtain "context," start with the person's job responsibilities. Define his or her priorities for doing the job. Determine how the person in the job sees his or her own career advancement, because when it comes to any decision, that

decision will almost always be primarily driven by that person's perception of "how to get ahead."

Once this has been defined, then move to how the product application at hand does and does not support "doing a good job." For example, in the compressor situation, one plant manager whose number 1 priority was to increase plant productivity had a list of eight areas of productivity that needed to be tightened up. Compressed air wasn't on the list in any form. How receptive do you think he would be to any promise of solving compressed air problems? How articulate will he be at describing problems with compressed air? Once you know the subject is so low on a respondent's priorities that it's effectively a non-subject, end the interview. Whatever he might say after that is worth nothing.

Another plant manager had just received a top management directive to reduce energy costs. He'd also been told by the corporate energy engineer that compressor blow-off (oversupply that is exhausted into the atmosphere and thus, wasted) could be as much as 30% of his compressor energy consumption and 15% if his total energy cost. Now, in the context of "doing a good job," how likely is this guy to pay attention to compressor issues?

There are several more factors that constitute his view of "the problem" and often, these come from specialists like corporate energy engineers and manufacturing design engineers.

Once the whole view of the usage/ problem situation is defined, then isolate which factors or factor interactions contribute most to the essential problem. In the compressor situation, the essential problem is waste, due to blow-off.

In this plant manager's mind, the primary cause of blow-off (key factors) was an inability of the

DEFINING THE SYSTEM OF NEEDS IN AN INDUSTRIAL MARKET CONTINUED

powerhouse staff to anticipate changes in demand and then figure out which compressors to reduce or increase, and by how much, relative to changes in demand, so that their combined output fluctuated in sync with demand. This synchronisation, he believed, would eliminate blow-off caused by over supply yet would supply all the power needed up and down the demand cycles.

The combination of understanding his goal, his motivation, his view of the whole condition where the problems exist and his view of the major factors causing the problem come together to form a picture of “the problem” which is both complete and accurately emphasized.

The complete definition of “the problem” in this example is: “To look good in the context of management’s directive to reduce plant energy costs, this plant manager is seeking a means of instantaneously adjusting and balancing a bank of compressors to bring it into synchronization with fluctuating demand, thereby reducing waste sufficiently (50% or more) that it will be reflected

in reduced plant energy costs on the plant’s operating statement.”

If the electronic controller could produce these results, what the plant manager would buy would be “sufficient reduction in plant energy costs so that it was clearly reflected on the plant’s operating statement” because he’s buying career advancement, not an electronic air compressor controller. If the manufacturer doesn’t understand the whole problem and doesn’t show this plant manager how his electronic controller will very likely produce lower energy costs on the plant’s operating statement, he’s not likely to “sell” this prospect.

QUESTIONS

1. What is meant by the term 'purchase decision chain'?
2. What methods can a marketer use to find out about the purchase decision-making process in an organisation?
3. Why is the 'product use' not always the best way to approach defining customer needs in B2B markets?

Source: www.quirks.com

CASE IN POINT 4.3 CONTINUED

DECIDERS

The **decider** makes the actual buying decisions. This person will vary, depending on the buying situation and the budget involved. For example, a purchasing officer may decide on a stationery supplier, but the supplier of a new million dollar computer system might be decided by management.

The **decider** makes the actual buying decisions.

GATEKEEPERS

Gatekeepers influence the decision process by controlling the flow of information. For example, a production manager might be given samples of safety equipment by a supplier, but the manager may think the supplier does not have a good reputation, so the products do not get seriously tested.

Gatekeepers influence the decision process by controlling the flow of information.

EXHIBIT 4.4
The Qantas
Skybed appeals
to business
travellers



The Qantas Business Skybed. Coming soon to a sky near you.

Our new Business Skybed gives you total flexibility to work, sleep or relax. The seat will be progressively introduced from September 2003 on our 747-400 fleet, initially available on Hong Kong and London routes. We look forward to seeing you comfortably on board. **The Spirit of Australia.**
 Qantas Airways Limited ABN 16 009 661 901 qantas.com

oneworld **QANTAS**

BUYERS

Buyers are responsible for the selection of suppliers and negotiation of supply agreements and terms.

Buyers are responsible for the selection of suppliers and negotiation of supply agreements and terms.

You should note that in many cases there are only one or two influences on the decision process and that one person can play multiple roles. For example, a user could also be an influencer and a gatekeeper.

● RELATIONSHIP MARKETING IN BUSINESS MARKETS

Relationship marketing involves 'all marketing activities directed toward establishing, developing and maintaining successful exchanges with customers'.

One of the 'buzz' phrases in marketing today is 'relationship marketing'. **Relationship marketing** involves 'all marketing activities directed toward establishing, developing and maintaining successful exchanges with customers'.³

Table 4.4 highlights the importance of strategic relationships with business buyers, along with some other trends in organisational buying.

An organisation's business-to-business marketing strategy should focus on identifying opportunities in which the firm can utilise its specific competencies to deliver superior value to customers. This means that organisations should utilise their strengths as a means of positioning in business markets. This is known as creating a 'value proposition'.⁴

The purpose of customer relationship management (CRM) strategies is to maximise customer retention rates and share of individual customers' business.⁵ CRM programs

TABLE 4.4 Trends in organisational buying

TREND	SALES RESPONSE
Formal, periodic supplier evaluation	Purchasers use systematic assessment criteria to rate suppliers and negotiate improvements. Salespeople need to become familiar with the specific criteria being used and ensure these are communicated to relevant sections of the supplier's organisation. Fast responses to assessed shortcomings can actually improve their status with the customer.
Increased use of computer technology and online EDI	Purchasers collect mass information for analysis and order calculation. Salespeople must become computer literate in order to be able to participate genuinely with their customers. The Internet is increasingly being used as a source of information and method of transferring order information.
Centralised purchasing	Major retailers, manufacturers, government departments and instrumentalities are increasingly centralising their buying rather than allowing each store or location to purchase their own requirements. Suppliers use key account managers to coordinate sales activities on a regional or national basis. Salespeople need strong presentation and negotiation skills.
Outsourcing	Many goods and services previously produced or supplied in-house are increasingly being purchased from outside suppliers. Examples are maintenance, data processing systems and materials handling. Salespeople need to be proactive in developing proposals and demonstrating efficiencies or cost savings.
Strategic relationships	Organisations increasingly see benefits in developing long-term partnerships to maintain stability of supply. Salespeople can help to foster the personal relationships which can cement the organisational partnership.

Source: Peter Rix, John Buss & Graham Herford, *Selling: A Consultative Approach*, McGraw-Hill, Sydney, 2004

typically include loyalty schemes and direct marketing activities. Many organisations state that they are interested in customer satisfaction and commitment levels; however, very few actually achieve high levels of customer satisfaction. Research has shown that customer retention and share of business is greatly influenced by past behaviour by both parties in the relationship.⁶ Past behaviour of and relationships with business customers influence future dealings and a genuine relationship is developed as customers invest in the relationship.

Three major factors have led to the growth in relationship marketing.⁷ First, the 1970s saw an increase in global competition with many firms under increasing pressure from foreign

Corporate Problem.

We needed a multi-manager with a proven way of investing for our company super...

Corporate Solution.

The MLC way gives us access to leading fund managers from around the world.

When a world-renowned electronics company decided to outsource its members' accumulation super, it came to MLC. In fact, MLC Corporate Solutions offered every member broader investment choice, comprehensive education and greater control over super savings while maintaining all existing benefits. With a proven multi-manager investment process, built-in employee benefits and a selection of customised solutions to suit your individual outsourcing needs, MLC is well placed to have an answer for any of your corporate issues. For more information you can call Joanna Davison at MLC Corporate Solutions on 02 8220 5457.

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EXHIBIT 4.5 Finance industry firms look to CRM strategies to maximise profitability

suggests that the largest revenue accounts are not necessarily the most profitable for an organisation.⁸

- Many firms such as banks are facing increasing costs associated with servicing unprofitable customers. Therefore they are looking at ways to maximise profitability from other customers.

● USING THE INTERNET IN B2B MARKETING

A website can convey more attribute information about each stock keeping unit than the most knowledgeable sales representative.⁹

This is certainly true; however, can marketers rely on a virtual world to take over the role of personal selling? The answer is that there is a place for the Internet in providing valuable information for business customers, in a timely and convenient manner. It reduces the time taken to call a customer service office to find out what might be a very simple piece of information about a firm's products. Items such as Material Safety Data Sheets (MSDS), product barcodes, specifications, adherence to quality standards and ordering information can all be found by customers and potential customers at the press of a button.

companies. This forced businesses to adopt defensive strategies to retain existing customers, rather than attracting new ones. Secondly, services marketing began to grow in importance in the 1980s and 1990s, particularly in the United States and Australia. These types of industries are based on direct relationships, so it makes sense that relationship marketing grew in this area. As a result, many organisations began to focus on professional customer account management strategies. A further influence on the growth of relationship marketing came from Japan's success in adopting a 'value chain' approach to business. This became the model for many businesses. A 'value chain' is a set of linked value creating activities. It begins with basic raw materials, continues with value added activities related to production, and ends with support and after sales service. The idea is to produce maximum efficiency across all aspects of operations.

The growth of relationship marketing in the future is likely to be influenced by the following factors:

- The use of technology and the Internet has grown.
- As companies seek to maintain profitability, it is likely that they will become more selective in their adoption of relationship marketing practices. Sheth

MEASURING CRM PROGRAMS

Key measurement programs for a customer satisfaction system in a business-to-business market

By Maria E. Ramos

The growing popularity of customer satisfaction measurement has given rise to the development of different programs for measuring customer satisfaction. Although these programs vary widely in scope and methodology, most are designed to produce a single satisfaction metric based on random sampling of customers at a single point in time. This common approach ignores the fact that, in many cases, such as equipment and other durable products, customers use products over a relatively long life cycle (usually in years) made up of a sequence of distinct phases. These products may require the investment of significant resources by the customers and the longer the life of the product the greater the potential for customer satisfaction to change (usually decrease) over time. These aspects tend to increase a customer's recollections of his/her experiences with the product throughout its life.

The product's life cycle, and the key phases and events that define it, can be very important to understanding customer satisfaction and to designing effective strategies for enhancing customer satisfaction. First, life cycle events have the potential of influencing customer satisfaction and loyalty. This means that stratifying or segmenting customers according to where they are in the life cycle will reveal more information about the nature of customer satisfaction. Second, designing and conducting surveys according to where the customers are in their cycle (e.g., having recently purchased or about to replace the product), will

provide more accurate customer feedback by capturing the customers' most recent experiences with the product. Such information also enables the company to design finely targeted intervention strategies to increase customer satisfaction.

The customer satisfaction system

In an organization, customer satisfaction should be a system that involves everyone. Customer satisfaction is a systematic process for collecting customer data (e.g., via surveys, complaints, sales calls), analysing this data to make it into actionable information, driving the results throughout an organisation, and implementing satisfaction improvement plans. Therefore, the main components of a customer satisfaction system are the measurement programs coupled with other information provided by the customer (e.g., customer complaints, sales and service information) and customer satisfaction improvement plans. The measurement programs should be designed to assess satisfaction levels at different periods during the life cycle of a customer and should clearly point out what aspects of the business need to be improved. The satisfaction measures and analysis obtained are then used to create close-looped customer satisfaction improvement plans which should be devised and implemented by the different functions in an organisation. Once improvement plans are implemented, follow-up surveys should be done to track progress. A product goes through

MEASURING CRM PROGRAMS CONTINUED

different phases during its life: installation, use of the product and replacement decision. At the end of the product's life, the customer decides whether or not to replace the product with the same or another manufacturer's new product. One can then think of the customer as having a "life cycle" which ends and may be renewed when the product's life ends. The events preceding the "replacement" phase can strongly influence customer satisfaction and a customer's willingness to repurchase a company's products ...

Installation phase

After the customer purchases, rents or leases a product, the installation experience can affect customer satisfaction, not only during or right after the installation of the product but also over the life of the product. This is particularly true when problems that surfaced during installation are not resolved to the satisfaction of the customer. Therefore, it is important to conduct a post-installation survey right after the product "settle-down" period, i.e., when the product begins its normal or expected way of operation. A product's "settle-down" period may differ from product to product and industry to industry.

A post-installation survey is an excellent vehicle to obtain the most accurate information about the customer's satisfaction and dissatisfaction with the equipment's initial performance and features, the operator's training and manuals, and other aspects important to the customers. Ideally, a company should contact all of its new and repeat customers, particularly customers of products that the company has just introduced into the marketplace. If budget and resources are not sufficient to contact all customers, random sampling of customers or concentrating on those customers purchasing newly

introduced products and/or products that are key revenue earners are alternative approaches. A post-installation survey also is a way to tell customers that the company cares and it realises that customer has just invested considerable resources in its product.

Use phase

Once the equipment has been installed and settles into a "normal" pattern of operation, the customer moves to the use phase. By then the customer has become accustomed to the product's way of operation and what was initially novel or disturbing about the product may be taken for granted. The customer may have actually changed or accommodated his or her way of operating to fit the product. Several measurement programs should be carried out with customers who are in this phase. Customer needs assessment is at the heart of customer satisfaction. Understanding customers' current and future needs and expectations will unveil the added benefits that a company can provide in its future products and services. These are also the aspects that can give a company an edge over its competitors.

Ongoing tracking and competitive surveys are the vehicles most companies have traditionally used to measure customer satisfaction. They track customer satisfaction with the company's overall performance and with its functional areas such as product, service, sales, support and installation, customers' image of the company and their perceived value of the products, and willingness to recommend and repurchase. An overall metric of satisfaction is derived from these surveys to be used for tracking the company's performance over time. Statistical models are developed using these surveys to identify the key drivers of overall satisfaction. The ongoing tracking survey usually

MEASURING CRM PROGRAMS CONTINUED

identifies the company sponsoring the survey while the competitive survey does not.

Despite the importance of the ongoing tracking and competitive surveys, they typically do not explore, in-depth, recent customer events. They tend to sample customers randomly, without regard to the life cycle phase, and track customer satisfaction over time. Some companies have integrated these two surveys and expanded them to explore, in more detail, recent customer events such as the installation or the replacement of the product. However, the design of this single survey vehicle and the information derived can become cumbersome and difficult to manage and, often, companies will ignore the information obtained on the individual phases of the customer life cycle.

Due to the nature of the measurement programs discussed so far, large customers may not be sampled and surveyed in an appropriate manner. Large account customers may require a different survey vehicle since they may have different buying processes such as a centralised group or committee making overall purchasing decisions. Also, the life cycle of these customers, in particular the “replacement decision,” may be influenced by other factors such as corporate mandates to buy uniform products for all of its sites from a few companies or a single company. A large account survey will allow a company to obtain a global understanding of large or complex customers. It is designed to gain an in-depth understanding of these customers’ satisfaction levels and expectations, business needs, buying processes and repurchase intent. This survey may be conducted via personal interviews by a team of individuals responsible for the account. The customers or participants are the individuals responsible for making the purchasing decisions,

individuals that provide input to the purchasing group or committee and users of the products.

Replacement decision

Moving along the customer life cycle, there comes a point when the customer decides to replace or stop using the product. If a decision is made to replace the product, it is important for the company to understand satisfaction levels during this phase and the different aspects of the decision making process. Learning about satisfaction levels with the new product is especially valuable when lost customers are contacted in the future.

Lost/gained customer surveys have been given little attention in customer satisfaction research even though the information obtained can be critical to the success of a company. These surveys explore: the reasons for high or low satisfaction ratings; the reasons why the company’s customers and its competitor’s customers decide to replace the product; the brand and model purchased, and the reasons for purchasing the new brand and model. The data from these surveys can be used to develop switching behaviour models to understand the key reasons for replacing a product with the company or a competitor’s product(s). One can then plot the importance of each key factor versus the percent of the time the factors are mentioned and determine whether the company or the competitor is advantaged, disadvantaged or neither. This analysis will provide valuable insight into what needs to be improved in order to gain competitive advantage. Lost customer surveys can also be conducted with customers lost in a contract bid and with partially-lost customers, i.e., customers who have replaced a portion of the company’s products with those of a competitor. These surveys can provide insights

MEASURING CRM PROGRAMS CONTINUED

into the bidding process, the reasons for not selecting the product or the reasons for replacing a portion of the products. Customers who partially replace their product are considered as being vulnerable; the company should devise plans to avoid completely losing these customers.

Beyond “event driven”

A mature customer satisfaction measurement process will include and integrate each of the different surveys discussed above. When a company surveys its customers throughout their life cycle, a combined measure or index of overall customer satisfaction can be derived by using weighted averages of surveys during the life cycle.

In recent years, some companies have opted for conducting customer satisfaction surveys that are “event driven,” such as after providing service or support. The information provided by these surveys is actionable and accurate. However, using just event driven surveys will miss those customers who do not trigger these events and the information may not be representative of the total population of customers. Also, unless an appropriate sample weighting scheme is used, those customers who frequently trigger these events tend to be oversurveyed.

To effectively manage the wealth of data and its analysis, a customer database can be set up such that each customer’s account can be readily accessed to learn such information as the customer’s responses to the surveys,* sales and service information and customer comments. Additionally, charts and data summaries can be made available to all employees in the organisation which allow employees to be better educated about the company’s customers and its products and can lead to better customer service and response.

In acquiring a more complete picture of satisfaction levels over the life of its customers, a company can more effectively devise strategies and improvement plans to keep its customers and attract new customers. A company will also have the information necessary to make short-term ongoing improvements as well as long-term improvements that may require substantial investment of resources. The customer satisfaction process can be set up and managed by a cross-functional team until it is well established throughout the organisation. And, one last but important point, the customer satisfaction system needs to have management support and resources in order to succeed.

**Only possible when the survey identifies the company sponsoring it and the customer agrees to disclose the information provided.*

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QUESTIONS

1. What is a purchase cycle and why is it important?
2. What are the different needs that might be addressed at each stage in a purchase cycle?
3. How can customer satisfaction be measured?

THE INFLUENCE OF THE INTERNET IN ADVERTISING

Decision makers get online

By Sarah Plaskitt

THE Internet is a force to be reckoned with when it comes to online advertising, especially for products targeting business decision-makers, according to studies released recently in the US. The studies showed that “c-level” executives (CEOs, CFOs and so on) spend 16 hours a week on the Web and only eight hours a week watching TV. One study by Nielsen//Net-Ratings in conjunction with Washingtonpost.com found that 60% of executives polled felt the Web was the best way for advertisers to reach them. Nearly 50% of participants said the Web had influenced them to make a purchase or obtain a service for their business, and 50% of the respondents who increased their Web usage in the past year said their TV viewing had decreased. Excluding email, 92% of respondents said they had read general news during the workday; 45% had read financial news and checked stocks and 44% researched possible business related purchases. Of those polled in the Nielsen//NetRatings study, 77% said the Web was the place they found out about new products and companies—more than twice as many as the next highest medium. It also found that according to business-decision makers, advertising on the Web gave products and services a more modern and up-to-date image than advertising on traditional media. The study found that Internet advertising hit business decision-makers at a crucial time: when they were working. Another study, by Forbes.com and the Online Publishers Association (for which Australian

executives were also surveyed), found that people are using the Web as a functional tool and for evaluating and purchasing personal products. It said that the number of online buyers in the US would increase as a share of all Internet users from 53.2% in 2001 to just shy of 60% by 2004. The study also concluded that 82% of users 14 and older would be browsing and getting product information online by 2004. Carat Interactive director Patty Keegan said the studies showed that people were using the Web as a functional tool and even for doing personal tasks, such as banking and purchasing. “Australian companies will not start to spend advertising dollars online until they trust the sites on which they want to advertise,” Keegan said. Keegan said there was a great synergy between using the Web as a branding tool combined with other media, such as magazines. Australian online ad spend is nowhere near the level of online consumption in Carat’s view. However Carat has seen an increase in the amount of spend advertisers are allocating to the Internet and expects this to increase in the future.

QUESTIONS

1. What types of online information might be sought by organisational buyers?
2. What are the advantages and limitations of using the Internet to target organisational buyers?
3. Which general media would you use to target business decision makers?

● CHAPTER SUMMARY

The nature of decision making is very different in business markets compared to consumer markets, but it is just as important to understand. The basic difference between business and consumer markets is the reason for purchases and the ultimate use of the product or service. The types of business buying decisions are a straight rebuy, modified rebuy and new task buying. Each of these decision types influences the decision-making process.

There are many often overlooked players in the business market, including agriculture, the government sector, resellers and non-profit groups. Each of these types of organisations has its own unique industry aspects to consider. Business market decision making is characterised by multiple influences on buying and the entire process often takes longer than a consumer decision-making process.

Finally, the two major trends in today's B2B environment are the trend towards relationship marketing and CRM, and the increasing use of the Internet in every aspect of the decision-making process.

● KEY TERMS

B2B	(p. 92)	elasticity of demand	(p. 101)	relationship marketing	(p. 108)
business market	(p. 92)	gatekeepers	(p. 107)	resellers	(p. 94)
buyer	(p. 108)	influencers	(p. 104)	straight rebuy	(p. 100)
buying centre	(p. 104)	modified rebuy	(p. 100)	users	(p. 104)
decider	(p. 107)	new task buying	(p. 100)		
derived demand	(p. 101)	rational	(p. 103)		

● REVIEW QUESTIONS

1. Outline the basic difference between consumer and business markets.
2. How might the Internet be used to aid business purchase decision making?
3. Think of two examples of:
 - (a) a new task buying situation
 - (b) a modified rebuy situation
 - (c) a routine buying situation.
4. What is relationship marketing and how is it linked to the marketing concept?
5. What are some reasons why price is not always the major motivation in business purchase decisions?
6. What is a gatekeeper?
7. How might organisational culture influence purchase decision making in the business market?
8. What is the role of personal selling in B2B marketing?

● TOPICS FOR FURTHER DISCUSSION

1. Imagine you are the marketing manager for Qantas.
 - (a) How would you segment your business market?
 - (b) What are the key needs of each of the segments you have identified?
 - (c) How would the motives of each group differ?
2. If you were a sales representative for an office furniture company, what sales aids would you consider useful to help convince customers to buy?
3. How would a business go about finding information on government tenders? Use the Internet to see what you can find out. Based on your experience in searching and finding (or not finding) information, do you think it would be easy for a small business to seek government work through the tender process?
4. 'Small businesses do not have a buying centre.' Discuss this comment.



PowerWeb international articles related to this topic are available at the Online Learning Centre at www.mhhe.com/au/webb



The Online Learning Centre that accompanies this text is designed to assist you to get the most from your course. The centre can be accessed at www.mhhe.com/au/webb

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CASE STUDY: AUTOCRATIC MANAGEMENT VERSUS THE BUYING GROUP

BY GRAHAM ERICKSON

BACKGROUND

The client company is a major printer and manufacturer of high quality books and publications. It was founded over 50 years ago, and is recognised as the major quality supplier of coffee table books, educational texts and general fiction to the national publisher/wholesale distributor channels.

The printing process uses between eight and twelve large-sized, sheet-fed, six-colour presses, which results in the consumption of large volumes of ink.

The quality and technical back-up of multicoloured ink supply were two of the critical success factors needed to maintain the ongoing reputation the printer had developed for quality products, reliability and dependability.

Technical support, good levels of back-up stock, high quality ink and a competitive price were considered essential elements of supply.

The volume of the high grade inks used was most significant, amounting to annual purchases in excess of \$4 000 000. The ink represented a significant component of the overall job cost of the product, so any saving was a favourable outcome.

From a supply point of view, a policy of splitting the volume on an approximate 80/20 basis between two large suppliers was adopted, with a third supplier 'sitting in the wings', gleaning some token business.

The current second supplier decided to negotiate for a larger share of the business, with the objective of becoming the major supplier within 12 months.

Negotiations commenced with the general manager, who involved representatives from finance, production and purchasing in a modified 'buying panel'.

After some weeks of discussion and negotiation, the printer took a management decision to change suppliers.

As this new supplier was currently the second-tier supplier, the decision was principally taken on the basis of the financial savings and the more suitable trading terms that were negotiated. These savings represented over \$500 000 a year and had a large effect on the profitability of the company.

Arrangements were made for sufficient quantities of the ink to be supplied to the factory for product trial and confirmation of suitability. Once these tests had been completed, a schedule of long-term supply, on a weekly basis and item by item, would be arranged.

OUTCOME

After a test period of only 1 week, the factory rejected the new ink range on the grounds of unsuitable quality. A number of quality factors were tabled in the rejection statement, despite the same grades of ink being previously used in the press rooms, and despite the considerable financial saving benefit to the company.

REQUIREMENT

In formally structured organisations, most major buying decisions are generally the responsibility of a buying group, typically consisting of influencers, deciders, users, technical specialists, functional representatives, gatekeepers and management.

The foregoing situation paints a scenario in which, had the process been managed and executed differently, the change of supplier could have been made and the financial benefits to the company realised.

QUESTIONS

1. Discuss what went wrong in the approach used. Your answer should relate to the role and influence of each member of a typical buying centre or group (for example, the user, influencer, decider, gatekeeper and buyer). List the weaknesses of the process used and indicate the reactions that probably led to the rejection.
2. Identify the most important factors/items (key issues) that you feel should have been considered, for the change of supplier to have been successful. Relate these considerations to the functional responsibilities of each member of a typical buying centre or group, and outline the sequence you would have used to achieve an acceptable change of supplier.