WEEK 2- B2B MARKETING AND ORGANISATIONAL BUYING BEHAVIOUR

Significance of business to business marketing

The field of B2B can be viewed as fundamentally different, both conceptually and managerially to B2C marketing. Whatever you buy in the supermarket, has already been purchased through B2B sales, upstream at least 3 to 4 times.

Defining B2B marketing
Business marketing- Used to describe the marketing activities of any kind of organisation which has exchange relationships with other organisations or business.

- The origins of business marketing centred around industrial marketing
- However this did not cover organisations who did not primary engage in manufacturing
- More recently, principals of marketing are appropriate to any organisation from charities and hospitals to government departments and thus the term 'organisational marketing' was implemented

Significance

- Purchasing power of private and public sector organisations can be huge
- Upstream interorganisational trading supports almost every end user market
- Key B2B activities are carried out 'behind the scenes' of most B2C experiences
- B2C marketers are learning from B2B marketing practises
- B2B activities make a major contribution to mast national economies
- B2B exchanges have a greater impact on people's lives than B2C trading

B2B marketing management
Individuals and organisations are dependent on interactions with other actors seeking different things from their relationship, suggesting B2B marketers face 3 paradoxes:

1. Seeking opportunities and then facing limitations
2. Influencing others and yet being influenced themselves
3. Controlling but never being in control in network situations

Significance of supply/demand & value chains

Supply chain- the business system represented by a series of inter-organisational relationships set up to support the buying and selling of goods

SCM- a management philosophy which strives to integrate the dependant activities, actors and resources into marketing channels between point of origin and consumption

Value chain
A requirement of the supply chain is that each component add value in some way. All activities summarised below have the ability to add value to the chain and the potential to incur costs but also value.

- Value is subjective and can be destroyed by poor S/DCM
- Managers in marketing and supply chain play an important role in preventing this

Organisational main activities:

- Moving parts and materials
- Manufacturing
- Moving finished products
- Marketing and sales
- Providing services

Supporting activities:

- Purchasing
- Research & Development
- Personnel
- Organisational infrastructure

Characteristics of organisational markets & buying behaviour

Fundamentally, B2B marketing managers must recognise that most organisational buyers are focused on helping their firms increase sales, lower costs and improve efficiency by purchasing cheaper goods. Recognising these forces means that we can identify some characteristics:

1. Size of the market
    - B2B market is far larger than B2C
2. Concentration of buying power
    - Few customers account for a large share of spending in a particular segment, not many business customers
3. International aspects of business
    - B2B markets operate on a global scale, hence the products are far less diverse in terms of functionality and performance
4. Nature of demand
    - Demand for many B2B products are derived from sales to the end user, demand can also be hugely variable due to factors outside manufacturers hands
5. Buying processes & decision making
    - B2B purchases typically involve more people and are more rational purchases

Different types of customers may have common and different:

- Needs
- Purchase volumes
- Buying policies and procedures
- Target market strategies
- Performance standards

Thus, it is crucial to segment markets according to relevant bases!!!

<u>Demand</u>

There a 4 different types of demand:

1. **Derived:** demand for a product is derived from an activity eg. buying a house creates demand for furnishings, carpet, blinds
2. **Inelastic:** changes in price doesn't hugely impact the amount of product we buy eg. milk, underwear
3. **Joint**: demand for one product determines the other, consumption of related item also goes up eg. printers & ink