

ELEVENTH EDITION

MARKETING

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CHAPTER

6

UNDERSTANDING
ORGANIZATIONS
AS CUSTOMERS

THE NATURE AND SIZE OF ORGANIZATIONAL MARKETS

➤ Business Marketing

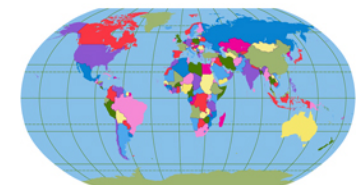
➤ Organizational Buyers

- Industrial Markets (Industrial Firms)
- Reseller Markets (Resellers)
- Government Markets (Government Units)

- Wholesalers
- Retailers



- Global Organizational Markets



MEASURING DOMESTIC AND GLOBAL INDUSTRIAL, RESELLER, AND GOVERNMENT MARKETS

➤ **North American Industry Classification System (NAICS)**

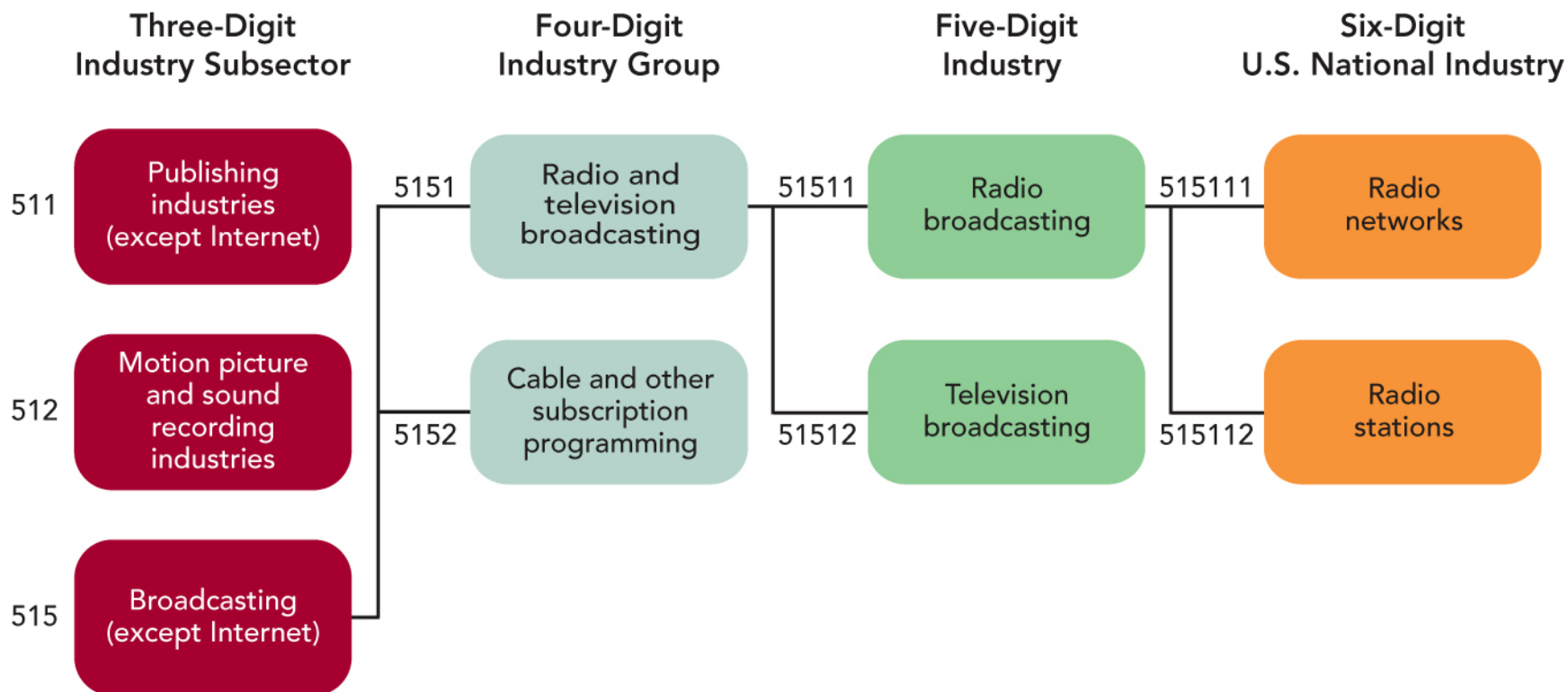


➤ **North American Free Trade Agreement (NAFTA)**



FIGURE 6-1 NAICS breakdown for the information industries sector: NAICS code 51 (abbreviated)

Two-Digit Industry Sector: Information Industries (NAICS Code 51)

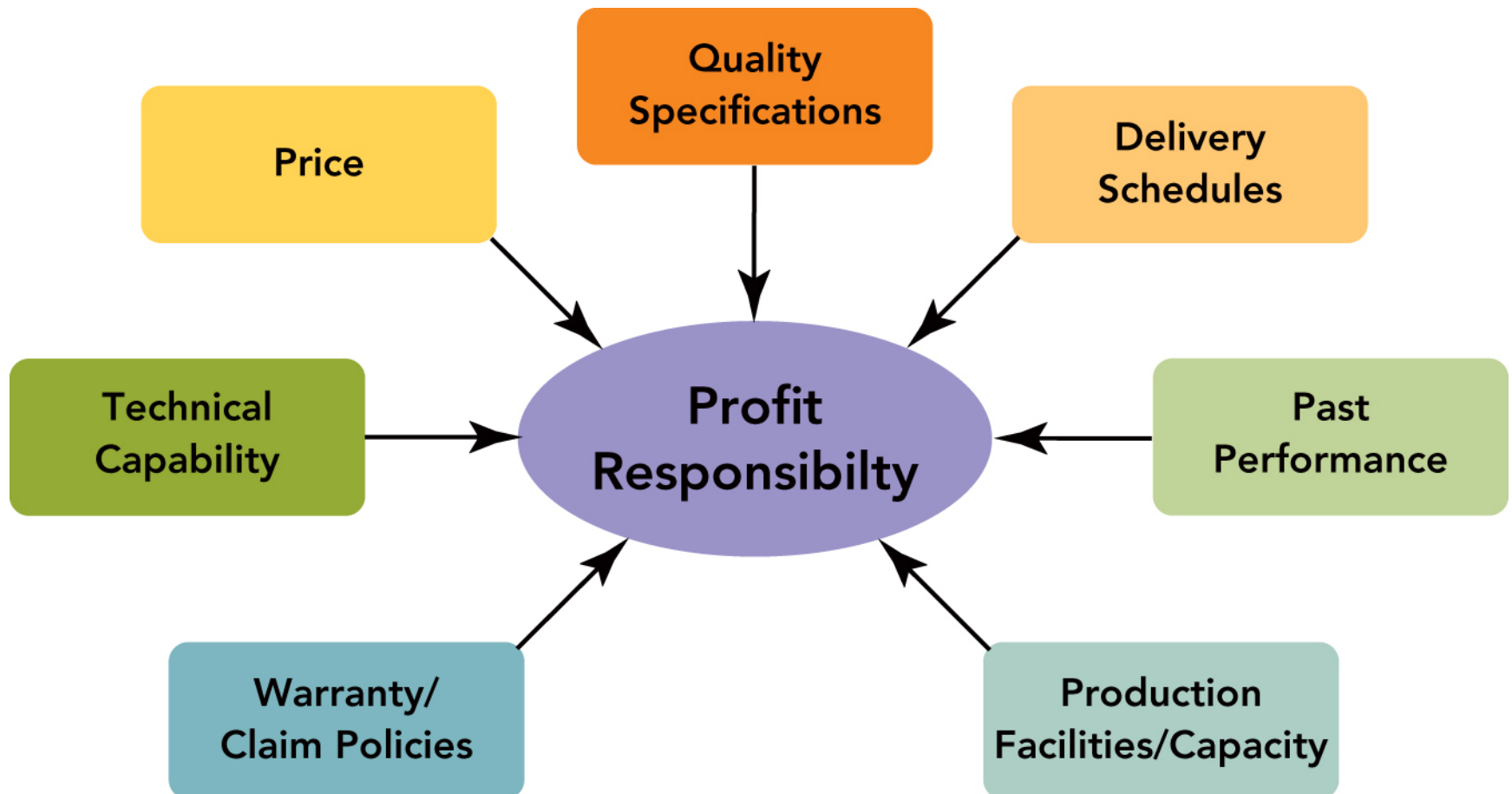


CHARACTERISTICS OF ORGANIZATIONAL BUYING

- **Derived Demand**
- **Size of Order or Purchase**
- **Number of Potential Buyers**
- **Organizational Buying Objectives**
 - **Profits**
 - **Efficiency**
 - **Women/Minority Suppliers/Vendors**
 - **Environment**

FIGURE 6-B Key organizational buying criteria

➤ Organizational Buying Criteria



CHARACTERISTICS OF ORGANIZATIONAL BUYING

- **ISO 9000** 
- **Supplier Development**
 - **Just-in-Time (JIT)**

CHARACTERISTICS OF ORGANIZATIONAL BUYING

THE BUYING CENTER

- **Buying Center**
- **Buying Committee**
- **People in the Buying Center**
- **Roles in the Buying Center**
 - Users
 - Influencers
 - Buyers
 - Deciders
 - Gatekeepers



CHARACTERISTICS OF ORGANIZATIONAL BUYING THE BUYING CENTER

➤ Buy Classes

- **New Rebuy**
- **Straight Rebuy**
- **Modified Rebuy**

CHARTING THE ORGANIZATIONAL BUYING PROCESS

STAGES IN THE ORGANIZATIONAL BUYING PROCESS

➤ **Organizational Buying Behavior**

- **Problem Recognition**
- **Information Search**
- **Alternative Evaluation**
- **Purchase Decision**
- **Postpurchase Behavior**

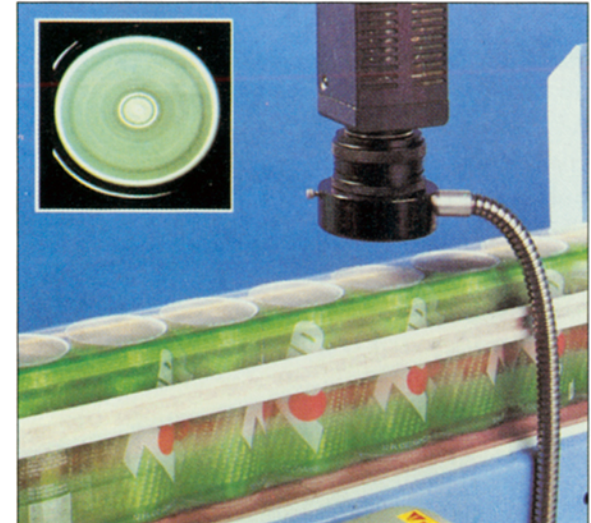
CHARTING THE ORGANIZATIONAL BUYING PROCESS BUYING A MACHINE VISION SYSTEM

➤ Problem Recognition

- Make-Buy Decision

➤ Information Search

- Value Analysis



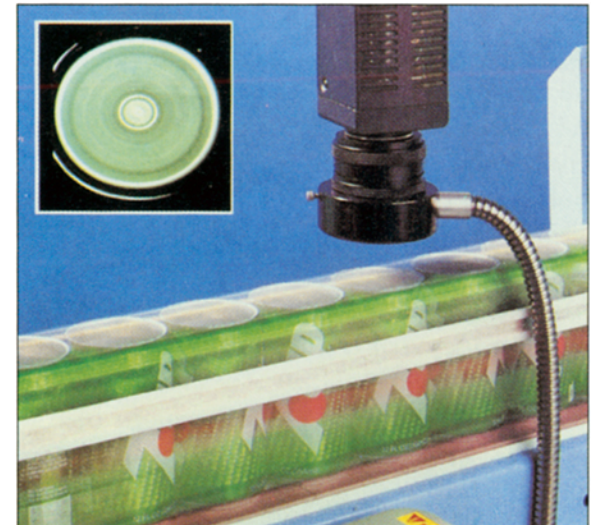
CHARTING THE ORGANIZATIONAL BUYING PROCESS BUYING A MACHINE VISION SYSTEM

➤ Alternative Evaluation

- Bidder's List

➤ Purchase Decision

➤ Postpurchase Behavior



ONLINE BUYING IN ORGANIZATIONAL MARKETS

- **Prominence of Online Buying in Organizational Markets**
- **E-marketplaces**
- **Online Auctions in Organizational Markets**
 - **Traditional Auction**
 - **Reverse Auction**

Agentrics
Video



FIGURE 6-6 How buyer and seller participants and price behavior differ by type of online auction

Traditional auction



One seller



Many buyers

Reverse auction



Many sellers



One buyer

VIDEO CASE 6

TREK: BUILDING BETTER BIKES THROUGH ORGANIZATIONAL BUYING



TREK



VIDEO CASE 6

TREK

1. What is the role of the buying center at Trek? Who is likely to comprise the buying center in the decision to select a new supplier at Trek?

VIDEO CASE 6

TREK

2. What selection criteria does Trek utilize when it selects a new supplier or evaluates an existing supplier?

VIDEO CASE 6

TREK

3. How has Trek's interest in the environmental impact of its business influenced its organizational buying process?

VIDEO CASE 6

TREK

4. Provide an example of each of the three buying situations—straight rebuy, modified rebuy, and new buy—at Trek.

Business Marketing

Business marketing involves the marketing of goods and services to companies, governments, or not-for-profit organizations for use in the creation of goods and services that they can produce and market to others.



Organizational Buyers

Organizational buyers are those manufacturers, wholesalers, retailers, and government agencies that buy goods and services for their own use or for resale.



North American Industry Classification System (NAICS)

The North American Industry Classification System (NAICS) provides common industry definitions for Canada, Mexico, and the United States, which makes it easier to measure economic activity in the three member countries of the North American Free Trade Agreement (NAFTA).



Derived Demand

Derived demand is the demand for industrial products and services that is driven by, or derived from, the demand for consumer products and services.



Organizational Buying Criteria

Organizational buying criteria are the objective attributes of the supplier's products and services and the capabilities of the supplier itself.



ISO 9000

ISO 9000 consists of standards for registration and certification of a manufacturer's quality management and assurance system based on an on-site audit of practices and procedures developed by the International Standards Organization (ISO).



Supplier Development

Supplier development is the deliberate effort by organizational buyers to build relationships that shape suppliers' products, services, and capabilities to fit a buyer's needs and those of its customers.



Reciprocity

Reciprocity is an industrial buying practice in which two organizations agree to purchase each other's products and services.



Supply Partnership

Supply partnership is a relationship that exists when a buyer and its supplier adopt mutually beneficial objectives, policies, and procedures for the purpose of lowering the cost or increasing the value of products and services delivered to the ultimate consumer.



Buying Center

A **buying center** consists of the group of people in an organization who participate in the buying process and share common goals, risks, and knowledge important to a purchase decision.



Buy Classes

Buy classes consists of three types of organizational buying situations: straight rebuy, new buy, and modified rebuy.



Organizational Buying Behavior

Organizational buying behavior is the decision-making process that organizations use to establish the need for products and services and identify, evaluate, and choose among alternative brands and suppliers.



Make-Buy Decision

A **make-buy decision** involves an evaluation of whether components and assemblies will be purchased from outside suppliers or built by the company itself.



Value Analysis

Value analysis involves a systematic appraisal of the design, quality, and performance of a product to reduce purchasing costs.



Bidder's List

A **bidder's list** consists of a list of firms believed to be qualified to supply a given item.



E-marketplaces

E-marketplaces are online trading communities that bring together buyers and supplier organizations to make possible the real time exchange of information, money, products, and services. Also called *B2B exchanges* or *e-hubs*.



Traditional Auction

A traditional auction, in an e-marketplace, is an online auction in which a seller puts an item up for sale and would-be buyers are invited to bid in competition with each other.



Reverse Auction

A reverse auction, in an e-marketplace, is an online auction in which a buyer communicates a need for a product or service and would-be suppliers are invited to bid in competition with each other.

