

MKTG  
Principles Of Marketing  
Twelfth Edition



**Chapter 7**  
Business Marketing

LAMB • HAIR • McDANIEL  
MKTG<sup>12</sup>  
PRINCIPLES OF MARKETING

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## Learning Outcomes (1 of 2)

- 7-1 Describe business marketing
- 7-2 Describe trends in B-to-B Internet marketing
- 7-3 Discuss the role of relationship marketing and strategic alliances in business marketing
- 7-4 Identify the four major categories of business market customers



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## Learning Outcomes (2 of 2)

- 7-5 Explain the North American Industry Classification System
- 7-6 Explain the major differences between business and consumer markets
- 7-7 Describe the seven types of business goods and services
- 7-8 Discuss the unique aspects of business buying behavior



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## Learning Objective 1: What Is Business Marketing?



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## Business Marketing

- Marketing of goods and services to individuals and organizations for purposes other than personal consumption
- Called industrial, business-to-business, B-to-B, or B2B marketing



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## Business and Consumer Products

- **Business products**
  - Are used to manufacture other products
  - Facilitate an organization's operations
  - Are resold to other customers
- **Consumer products**
  - Are bought to satisfy an individual's personal wants or needs



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## Learning Objective 2: Trends in B-to-B Internet Marketing



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## Trends in B-to-B Internet Marketing (1 of 2)

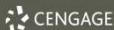
- Ways in which B-to-B firms use the Internet:
  - Use company websites to facilitate communication and orders
  - Use digital marketing to increase brand awareness and to position their businesses as thought leaders so as to generate sales leads
- New applications provide additional information about customers:
  - Help lower costs, increase supply chain efficiency, or enhance customer retention, loyalty, and trust



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## Trends in B-to-B Internet Marketing (2 of 2)

- B-to-B marketers use technology to facilitate orders and enhance customer experiences:
  - Through use of smartphones and tablets
- Firms use social media to attract customers to their websites:
  - E-mail marketing, search engine optimization, paid search, and display advertising
- Use of social media in marketing requires vigilant adjustment to keep track of new applications and platforms and constant evaluation to determine whether these new avenues are beneficial to (or used by) customers.



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## Content Marketing (1 of 3)

- Strategic marketing approach focused on creating and distributing valuable, relevant, and consistent content
- Goal: To attract and retain a clearly defined audience and drive profitable customer action



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## Content Marketing (2 of 3)

- Marketers use social media to increase awareness and build relationships and community.
  - Creating compelling and useful content for customers is key to social media-based content marketing.
- Growth of platforms, such as mobile and streaming video, necessitate development of new ways to measure campaign effectiveness.



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## Content Marketing (3 of 3)

- Metrics that are useful for increasing the success of a social media campaign
  - Awareness: Attention that social media attracts
  - Engagement: Interactions between brands and audience through comments, retweets, shares, and searches
  - Conversion: Occurs when action is taken



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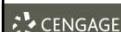
### Learning Objective 3: Relationship Marketing and Strategic Alliances



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#### Relationship Marketing

- This has become important because:
  - Customers have become more demanding.
  - Competition has become more intense.
  - Business suppliers use social networking sites to advertise themselves to businesses.
- Steady dialogue between the supplier and the customer needs to be maintained to gain repeat business.



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#### Strategic Alliance (1 of 2)

- Cooperative agreement between business firms
- Types:
  - Licensing or distribution agreements
  - Joint ventures
  - Research and development consortia
  - Partnerships
- Formed to strengthen operations and better compete



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#### Strategic Alliance (2 of 2)

- **Relationship commitment** means that a firm believes an ongoing relationship with some other firm is so important that it warrants maximum efforts at maintaining it indefinitely.
- **Trust** exists when one party has confidence in an exchange partner's reliability and integrity.



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## Relationships in Other Cultures

- In Japan, exchange between firms is based on personal relationships developed through indulgent dependency.
- Relationships between companies can develop into a **keiretsu**.
  - **Keiretsu**: Network of interlocking corporate affiliates
- Many firms have found the best way to compete in Asian countries is to form relationships with Asian firms.



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## Learning Objective 4: Major Categories of Business Customers



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## The Major Categories of Business Customers

- Producers: Construction, manufacturing, transportation, finance, real estate, and food service firms
  - **Original equipment manufacturers (OEMs)**: Individuals and organizations that buy business goods and incorporate them into the products they produce for eventual sale to other producers or to consumers
- Resellers: Wholesalers and retailers
- Governments: Federal, state, and local buying units
- Institutions: Educational institutions, hospitals, churches, labor unions, fraternal organizations, civic clubs, foundations, and other nonbusiness organizations



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## Exhibit 7.1 How NAICS Works (1 of 2)

The more digits in the NAICS code, the more homogenous the groups at that level.



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### Exhibit 7.1 How NAICS Works (2 of 2)

The more digits in the NAICS code, the more homogenous the groups at that level.

| NAICS level          | NAICS code | Description  |
|----------------------|------------|--|
| Sector               | 51         | Information  |
| Subsector            | 513        | Broadcasting and telecommunication                                       |
| Industry group       | 5133       | Telecommunications   |
| Industry             | 51332      | Telecommunications Wireless telecommunication carriers, except satellite |
| Industry subdivision | 513321     | Paging   |



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### Learning Objective 5: The North American Industry Classification System



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### North American Industry Classification System (NAICS)

- Detailed numbering system developed by the United States, Canada, and Mexico
  - Classifies North American business firms by their main production processes
- Number, size, and geographic dispersion of firms can be identified
  - Data can be converted to market potential and share estimates and sales forecasts
- Can identify firms that may be prospective users of a supplier's goods and services



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### Learning Objective 6: Business versus Consumer Markets



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## Nature of Demand in Business

- Derived
  - Demand for business products results from demand for consumer products
- Inelastic
  - Demand for product not significantly affected by change in price
- Joint
  - Demand for multiple items used together in final product
- Fluctuating
  - Demand for business products is more volatile than for consumer products



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## Business versus Consumer Markets

| Characteristic   | Business market  | Consumer market |
|------------------|------------------|-----------------|
| Demand           | Organizational   | Individual      |
| Volume           | Larger           | Smaller         |
| No. of customers | Fewer            | Many            |
| Location         | Concentrated     | Dispersed       |
| Distribution     | Direct           | Indirect        |
| Nature of buying | Formal           | Informal        |
| Buying influence | Multiple         | Single          |
| Negotiation      | Common           | Rare            |
| Reciprocity      | Yes              | No              |
| Leasing          | Greater          | Lesser          |
| Promotion        | Personal selling | Advertising     |



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## Learning Objective 7: Types of Business Products



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## Types of Business Products (1 of 3)

- Major equipment: Capital goods such as large or expensive machines, mainframe computers, airplanes, and buildings
  - Depreciates over time and often custom-designed
  - Personal selling is an important marketing strategy
- Accessory equipment: Less expensive and shorter-lived than major equipment
  - Portable drills, power tools, microcomputers, and computer software



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## Types of Business Products (2 of 3)

- Raw materials: Unprocessed extractive or agricultural products, such as mineral ore, lumber, wheat, corn, fruits, vegetables, and fish
- Component parts: Either finished items ready for assembly or that need very little processing
  - There are two important markets: The OEM market and the replacement market
- Processed materials: Used directly in manufacturing other products and do not retain their identity in final products



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## Types of Business Products (3 of 3)

- Supplies: Consumable items that do not become part of the final product
  - Fall into categories of maintenance, repair, or operating supplies (MRO)
- Business services: Expense items that do not become part of the final product
  - Includes janitorial, advertising, legal, management consulting, marketing research, maintenance, and other services



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## Exhibit 7.2 Buying Center For Computer Purchases

| Role                   | Illustration  |
|------------------------|---|
| Initiator              | Division general manager proposes to replace company's computer network.  |
| Influencers/evaluators | Corporate controller's office and vice president of information services have an important say in which system and vendor the company will deal with. |
| Gatekeepers            | Corporate departments for purchasing and information services analyze company's needs and recommend likely matches with potential vendors.            |
| Decider                | Vice president of administration, with advice from others, selects vendor the company will deal with and system it will buy.                          |
| Purchaser              | Purchasing agent negotiates terms of sale.  |
| Users                  | All division employees use the computers.   |



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## Learning Objective 8: Business Buying Behavior



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## Aspects of Business Buying Behavior

- Buying centers
- Evaluative criteria
- Buying situations
- Business ethics
- Customer service



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## Buying Centers

- All those people in an organization who become involved in the purchase decision
- Number of people involved varies with each purchase decision
- Do not appear on formal organization charts



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## Roles in Buying Centers

- Initiator
- Influencer/evaluator
- Gatekeeper
- Decider
- Purchaser
- User



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## Evaluative Criteria

- Quality: Refers to technical suitability
- Service: Includes prepurchase, postsale, and dependability of supply
- Price: Business buyers want to buy at low prices



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|   |  |
|---|--|
| <h2>Buying Situations</h2>  | <h2>Business Ethics</h2>   |
| <ul style="list-style-type: none"> <li>• <b>New buy</b> <ul style="list-style-type: none"> <li>– Purchase of a product for the first time</li> </ul> </li> <li>• <b>Modified rebuy</b> <ul style="list-style-type: none"> <li>– Purchase involving some change in the original good or service</li> </ul> </li> <li>• <b>Straight rebuy</b> <ul style="list-style-type: none"> <li>– Purchase of the same goods or services without looking for new information or investigating other suppliers</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Most companies:           <ul style="list-style-type: none"> <li>– Follow ethical practices</li> <li>– Offer ethics training to employees</li> </ul> </li> <li>• Many companies have codes of ethics that guide buyers and sellers</li> </ul> |
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|  |  |
|--|--|
| <h2>Customer Service</h2>  | <h2>Key Terms (1 of 3)</h2>  |
| <ul style="list-style-type: none"> <li>• Beneficial to have a formal system to monitor customer opinions and perceptions of the quality of customer service</li> <li>• To ensure superior service, firms must:           <ul style="list-style-type: none"> <li>– Divide customers into groups based on their value</li> <li>– Create policies that govern how service will be allocated among groups</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Business marketing (industrial, business-to-business, B-to-B, or B2B marketing)</li> <li>• Business product (industrial product)</li> <li>• Consumer product</li> <li>• Content marketing</li> <li>• Strategic alliance (strategic partnership)</li> <li>• Relationship commitment</li> <li>• Trust</li> <li>• Keiretsu</li> <li>• Original equipment manufacturers (OEMs)</li> </ul> |
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### Key Terms (2 of 3)

- North American Industry Classification System (NAICS)
- Derived demand
- Joint demand
- Multiplier effect (accelerator principle)
- Business-to-business online exchange
- Reciprocity
- Major equipment (installations)
- Accessory equipment
- Raw materials



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### Key Terms (3 of 3)

- Component parts
- Processed materials
- Supplies
- Business services
- Buying center
- New buy
- Modified rebuy
- Straight rebuy



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