

Business  
Marketing

**MKTG 8**

Chapter 7

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2014-2015

1

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Learning Outcomes →

- LO<sup>1</sup> Describe business marketing
- LO<sup>2</sup> Describe the role of the Internet in business marketing
- LO<sup>3</sup> Discuss the role of relationship marketing and strategic alliances in business marketing
- LO<sup>4</sup> Identify the four major categories of business market customers

2

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Learning Outcomes →

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

3

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What Is Business Marketing?

**Describe business marketing**

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4

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### What Is Business Marketing?

The marketing of goods and services to individuals and organizations for purposes other than personal consumption.

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### Business Products

- Are used to manufacture other products
- Become part of another product
- Aid the normal operations of an organization

***The key is intended use.***

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### Business Marketing on the Internet

**Describe the role of the  
Internet in  
business marketing**

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### Business-to-Business Electronic Commerce

The use of the Internet to  
facilitate the exchange of  
goods, services, and  
information between  
organizations.

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## Business-to-Business and Social Media

- The reviews on social media are mixed.
- Many B-to-B marketers are experimenting with how to use social media to build successful relationships with business customers.
- Some companies are using social media listening tools to determine strategic topics to include in newsletters and videos.

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9

## Measuring Online Success

### Stickiness

A measure of a Web site's effectiveness; calculated by multiplying the frequency of visits by the duration of a visit by the number of pages viewed during each visit.

$$\text{Stickiness} = \text{Frequency} \times \text{Duration} \times \text{Site Reach}$$

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## Internet Sites for Small Businesses

- <http://www.allbusiness.com> AllBusiness provides entrepreneurs with the knowledge and tools to start, manage, and grow their business. The site links to hundreds of how-to articles and provides expert answers to questions.
- <http://www.microsoftbusinesshub.com> Microsoft Business offers small business solutions from security to enterprise content management to cloud services. The site also contains practical tips, advice, and links to how-to articles.

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11

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## Relationship Marketing and Strategic Alliances

Discuss the role  
of relationship marketing  
and strategic alliances in  
business marketing

12

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### Relationship Marketing

- Loyal customers are more profitable than price-sensitive customers with little brand loyalty.
- Long-term relationships build competitive advantage.

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13

### Strategic Alliances

- Licensing or distribution agreements
- Joint ventures
- Research and development consortia
- Partnerships

Alliances succeed with  
commitment and trust.

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14

### Relationships in Other Cultures

Keiretsu relationships are highly integrated:

- Companies have executives sitting on each others' boards
- Maintain dedicated trade efforts
- Joint development, finance, and marketing

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### Major Categories of Business Customers

Identify the four major  
categories of business  
market customers

16

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## Major Categories of Business Customers

<b>Producers</b>	• OEMs
<b>Resellers</b>	• Wholesalers • Retailers
<b>Governments</b>	• Federal • State • Local
<b>Institutions</b>	<div style="display: flex; justify-content: space-between;"> <div> <ul style="list-style-type: none"> <li>• Schools</li> <li>• Churches</li> <li>• Civic Clubs</li> <li>• Nonbusiness organizations</li> </ul> </div> <div> <ul style="list-style-type: none"> <li>• Hospitals</li> <li>• Unions</li> <li>• Foundations</li> </ul> </div> <div> <ul style="list-style-type: none"> <li>• Colleges</li> <li>• Fraternal groups</li> </ul> </div> </div>

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## North American Industry Classification System

### Explain the North American Industry Classification System

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## North American Industry Classification System (NAICS)

A detailed numbering system developed by the U.S., Canada, and Mexico to classify North American business establishments by their main production processes.

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### Example of NAICS Hierarchy

NAICS Level	Sector	Subsector	Industry Group	Industry	Industry Subdivision
NAICS Code	51	513	5133	51332	513321
Description	Information	Broadcasting and telecoms	Telecoms	Wireless telecoms carriers, except satellite	Paging

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## NAICS

- Provides a common industry classification system
- Valuable tool for marketers in analyzing, segmenting, and targeting markets
- Data can be used to determine:
  - Number, size, and geographic dispersion of firms
  - Market potential / market share estimates
  - Sales forecasts
  - New customer identification

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## Business versus Consumer Markets

Explain the major differences between business and consumer markets

22

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## Business versus Consumer Markets

Characteristic	Business Market	Consumer Market
<b>Demand</b>	Organizational	Individual
<b>Volume</b>	Larger	Smaller
<b># of Customers</b>	Fewer	Many
<b>Location</b>	Concentrated	Dispersed
<b>Distribution</b>	More Direct	More Indirect
<b>Nature of Buying</b>	More Professional	More Personal
<b>Buy Influence</b>	Multiple	Single
<b>Negotiations</b>	More Complex	Simpler
<b>Reciprocity</b>	Yes	No
<b>Leasing</b>	Greater	Lesser
<b>Promotion</b>	Personal Selling	Advertising

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## Demand in Business Markets

Demand is...	Description
<b>Derived</b>	Demand for business products results from demand for consumer products.
<b>Inelastic</b>	A change in price will not significantly affect the demand for product.
<b>Joint</b>	Multiple items are used together in final product. Demand for one item affects all.
<b>Fluctuating</b>	Demand for business products is more volatile than for consumer products.

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## Types of Business Products

Describe the seven types of business goods and services

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## Types of Business Products

- Major Equipment
- Accessory Equipment
- Raw Materials
- Component Parts
- Processed Materials
- Supplies
- Business Services

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## Types of Business Goods and Services

- Aluminum ore is a raw material.
- Extruded metal is a processed material.
- Propeller blade is a component part.
- Paper is a supply.
- Uniforms are often a contracted service.
- An extruding machine is major equipment.
- A tool cart is accessory equipment.

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## Intel Buys McAfee

- Intel creates nearly 80 percent of the microprocessors used in PCs and server systems.
- Intel's purchase of security software maker McAfee will allow it to produce chips that are directly integrated with McAfee's security products.
- What kinds of business products were Intel and McAfee producing, and what kinds of products will they be producing together?

Source: Thomas H. Davenport, Nathan B. Brucher and Jerry A. D'Amico, "Intel Buys Its Own On McAfee: Tech Giant Strikes \$7.68 Billion Deal for Security-Software Maker, Drawing Mixed Reaction," Wall Street Journal Online, August 19, 2010, <http://online.wsj.com/article/B810001424062748704470104075439180565643938.html>.

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## Business Buying Behavior

Discuss the unique aspects  
of business buying  
behavior

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29

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## Business Buying Behavior

Aspects of  
Business  
Buying  
Behavior

- Buying Centers
- Evaluative Criteria
- Buying Situations
- Business Ethics
- Customer Service

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30

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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
- Buying centers do not appear on formal organization charts

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31

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## Roles in Buying Centers

Initiator	Influencers	Gatekeepers
Decider	Purchaser	Users

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## Evaluative Criteria

- **Quality**
- **Service**
- **Price**

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## Buying Situations

### New Buy

A situation requiring the purchase of a product for the first time.

### Modified Rebuy

A situation where the purchaser wants some change in the original good or service.

### Straight Rebuy

A situation in which the purchaser reorders the same goods or services without looking for new information or investigating other suppliers.

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## Customer Service

- ◆ Divide customers into groups based on their value.
- ◆ Create policies that govern how service will be allocated among groups.

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35

## Chapter 7 Video

### Zappos

Zappos gives away information about making organizational culture work for employees and the company. The program, Insights, offers companies assistance in building strong cultures around core values in a variety of ways, starting with free tours. Despite seeming like this would give away valuable competitive information, Zappos is expanding this service to help other companies deliver happiness to their customers.

[CLICK TO PLAY VIDEO](#)

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