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**Objectives**

- Understand Business Market and Business Marketing.
- Distinct the differences between B2B and B2C.
- Know the different kinds of demand in Business Market.

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**Content**

- 1.1 Concepts of Business Market
- 1.2 Concepts of Business Marketing
- 1.3 Demands of Business Market
- 1.4 Conceptual Questions
- 1.5 Homework



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### 1.1. Concepts of Business Market

#### ❖ What is Business Market?

- All of the organisations who buy goods and/or services for producing their own goods and/or services.

Krishna K Havaladar (2010), *Business Marketing*, McGraw Hill, 3rd edition, p1.



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### 1.1. Concepts of Business Market (cont')

#### ❖ Business organizations include:

- **Commercial market:** the Firms that acquire products to support, directly or indirectly, production of other goods and services. This is the largest segment of the business market.
- **Trade industries:** Retailers or wholesalers that purchase products for resale to others.



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### 1.1. Concepts of Business Market (cont')

#### ❖ Business organizations include (cont'):

- **Government:** all domestic levels (federal, state, local) and foreign governments.
- **Public and private institutions:** such as hospitals, churches, colleges and universities, and museums.



The first hospital in Vietnam accredited by HAS



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**1.1. Concepts of Business Market (cont')**

**❖ Characteristics of Industrial Market:**

- **Geographic market concentration**
  - Business market is **more concentrated** than consumer market and becomes less geographically concentrated as Internet technology improves.
- **Sizes and number of buyers**
  - Business market has **smaller number** of buyers than consumer market.
  - Many buyers are **large organizations**, such as Boeing, which buys jet engines.



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**1.1. Concepts of Business Market (cont')**

**❖ Characteristics of Industrial Market (cont'):**

- **The purchase decision process**
  - Sellers must navigate organizational buying processes that often involve **multiple decision makers**.
  - Purchasing process is usually **more formal** than in consumer market and may require **bidding and negotiations**.
- **Buyer-seller relationships**
  - Often **more complex** than in consumer market.
  - **Greater reliance (trust)** on relationship marketing.



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**1.1. Concepts of Business Market (cont')**

**❖ Characteristics of Industrial Market (cont'):**

- **Evaluating international business markets**
  - Business **purchasing patterns** differ from country to country.
  - **Global sourcing** purchasing goods and services from suppliers worldwide.
    - Can bring significant cost savings but requires adjustments.



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**1.1. Concepts of Business Market (cont')**

**❖ Customer value in Business Markets:**

- *The economic, technical, service and social benefits received by a customer firm in exchange for the price paid for the product or service offering.*

Anderson and Narus, *Business Market Management*, Pearson Education, 2<sup>nd</sup> edition, p5-9.

- *A ratio between what the customer gets (functional and emotional benefits) and what he gives (monetary, time, energy cost).*

Philip Kotler, *Marketing Management*, Prentice Hall India, 11<sup>th</sup> edition, p11-12.



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**1.1. Concepts of Business Market (cont')**

**❖ Customer value in Business Markets (cont'):**

- Accurately estimating value would help the supplier firms to create and deliver value to targeted market segments and customers. Here are some methods:

- Focus group
- Customer interview
- Internal test (conduct laboratory test)



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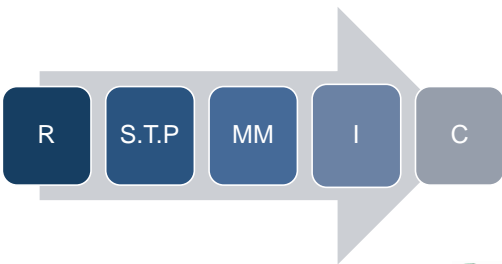
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**1.2. Concepts of Business Marketing**

**❖ What is Business Marketing?**



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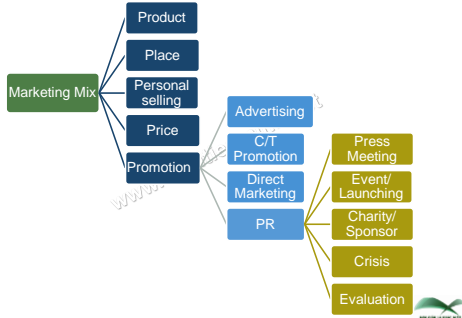
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### 1.2. Concepts of Business Marketing (cont')



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### 1.2. Concepts of Business Marketing (cont')

#### ❖ What is Business Marketing? (cont')

- Organizational sales and purchases of goods and services to support production of other products, to facilitate daily company operations, or for resale.
- Companies also buy services, such as legal, accounting, office-cleaning, and other services.

Lau Geok Theng (2007), *Business Marketing – An Asian Perspective*, McGraw Hill, p3.

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### 1.2. Concepts of Business Marketing (cont')

#### ❖ The importance of Business Marketing

- The business market occupies several layers of the value chain in comparison to the consumer market, which often occupies one layer.

Metal plastics	Electronic components	Printed circuit boards	Televisions Computers
• Business market	• Business market	• Business market	• Consumer market • Business market

Lau Geok Theng (2007), *Business Marketing – An Asian Perspective*, McGraw Hill, p4.

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**1.2. Concepts of Business Marketing (cont')**

**❖ Differences between B2B & B2C Marketing:**

Areas	Business markets	Consumer Markets
1. Market characteristics	- Geographically concentrated - Relatively fewer buyers	- Geographically dispersed - Mass markets
2. Product characteristics	- Technical complexity - Customized	- No technical - Standardized
3. Service characteristics	- Service, timely delivery and availability very important	- Service, delivery, and availability somewhat important
4. Buyer behavior	- Involvement of various functional areas in both buyer and supplier firms - Purchase decisions are mainly made on rational/performance basis - Technical expertise - Stable interpersonal relationship between buyers and sellers	- Involvement of family members  - Purchase decisions are mostly made based on physiological/ social/ psychological needs - Less technical expertise - Non-personal relationship

Krishna K Havaladar (2010), *Business Marketing*, McGraw Hill, 3<sup>rd</sup> edition, p5.



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**1.2. Concepts of Business Marketing (cont')**

**❖ Differences between B2B & B2C Marketing:**

5. Channel characteristics	- More direct - Fewer channel levels	- Indirect - Multiple levels of intermediaries
6. Promotional characteristics	- Emphasis on personal selling	- Emphasis on advertising
7. Price characteristics	- Competitive bidding and negotiated prices - List price for standard product	- List prices or maximum retail price (MRP)

Krishna K Havaladar (2010), *Business Marketing*, McGraw Hill, 3<sup>rd</sup> edition, p5.



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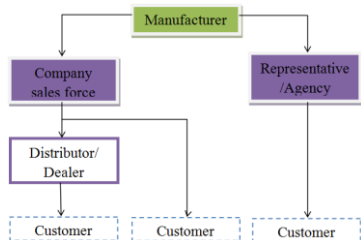
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**1.2. Concepts of Business Marketing (cont')**

**❖ B2B distribution channels:**



Krishna K Havaladar (2010), *Business Marketing*, McGraw Hill, 3<sup>rd</sup> edition, p7.



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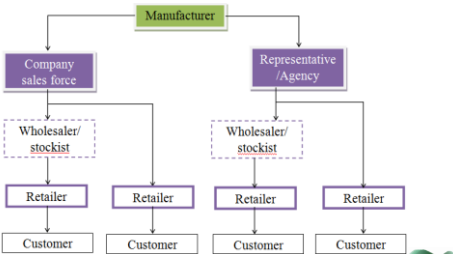
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**1.2. Concepts of Business Marketing (cont')**

**❖ B2C distribution channels:**



Krishna K Havaladar (2010), *Business Marketing*, McGraw Hill, 3<sup>rd</sup> edition, p7.

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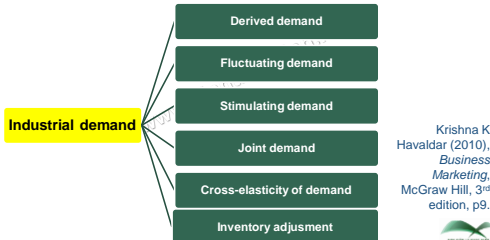
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**1.3. Demands of Business Market**

❖ The demand for industrial products and services does not exist by itself. It is derived from the ultimate demand for consumer goods and services.



Krishna K Havaladar (2010), *Business Marketing*, McGraw Hill, 3<sup>rd</sup> edition, p9.

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**1.3. Demands of Business Market (cont')**

**❖ Derived demand**

- The linkage between demand for a company's output and its purchases of resources such as machinery, components, supplies, and raw materials.
- **Example:** The demand for precision steel tubes does not exist itself. It results from demand for bicycles, motorcycles, scooters.




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**1.3. Demands of Business Market (cont')**

**❖ Fluctuating demand**

- Derived demand creates volatility.
- Demand for industrial products fluctuate more than the demand for consumer goods.
- **Example:** In India, in 1986, due to recession in bicycle industry, the demand had fallen by 40%. This resulted in the drop in demand for precision steel tubes by 70%.



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**1.3. Demands of Business Market (cont')**

**❖ Stimulating demand**

- Demand for industrial products is derived from ultimate demand for consumer goods.
- Business marketers should carry out promotional campaigns that reach directly the ultimate consumers.
- **Example:** Intel was stimulating the demand for their microprocessor by making customers of personal computers aware and more interested by "INTEL INSIDE" in their advertising.



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**1.3. Demands of Business Market (cont')**

**❖ Joint demand**

- Occurs when one industrial product is useful if other products also exist.
- **Example 1:** Electrical Panel Builder needs complete set of components.
- **Example 2:** A pump set can not be used for pumping water, if the electrical motor is not available. Crompton Greaves circumvented the influence of joint demand by designing the mono-bloc pump set.



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**1.3. Demands of Business Market (cont')**

**❖ Cross-Elasticity of demand**

- Elasticity is simply the change in demand from a change in price (inelastic – unitary – elastic).

Krishna K Havaladar (2010), *Business Marketing*, McGraw Hill, 3<sup>rd</sup> edition, p10.

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**1.3. Demands of Business Market (cont')**

**❖ Inventory adjustments**

- Just-In-Time (JIT) inventory policies boost efficiency by cutting inventory and requiring vendors to deliver inputs as they are needed.
- Inventory adjustments are also vital to wholesalers and retailers.

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**1.4. Conceptual questions**

1. Explain the major differences between consumer and industrial marketing?
2. Define value in business markets. What methods are used to estimate customer value?
3. Explain with an example why industrial demand is called derived demand.

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**1.5. Homework**

1. Illustrate how a company can circumvent the influence of joint demand.
2. Out of the various differences between industrial and consumer marketing, which characteristics would have maximum impact on development of marketing strategy for an industrial pump manufacturer? Give reasons.
3. Construct a customer value proposition for a company known to you. Explain how would you demonstrate and document the customer value.



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