Chapter 1: Answers to Questions for Review and Discussion

1. Describe the differences between business-to-business and consumer marketing for the following market elements:
   products buyer behavior decision making

Products differ by typically being larger in quantity and total purchase value, and they are generally used in the creation of another, final product in business-to-business. Consumer products will probably have only a few ancillary features, such as a warranty or a service contract. Business-to-business "products" are often more complex, with features that include customization, installation, testing, training, spare parts, financing, etc. Often product features blend into attributes provided by the other elements of the marketing mix, so thinking in terms of a total offering is often more useful than thinking in terms of products.

Buyer behavior in business-to-business markets tends to involve several people in the decision process, often including professional purchasing personnel, and may seem less emotional than consumer behavior because task motives tend to predominate in business purchases. Business buying behavior is often tied to relationship selling from the vendor. Buying behavior in business-to-business is often more systematic in that it is established by specifications to manufacturing needs, reflects specific manufacturing timing needs, and generally has less tolerance for deviation in the form of what is purchased/received.

Customer decision making in business-to-business marketing often progresses in somewhat observable stages, focused on the satisfaction of organizational needs. . Conversely, decision making by consumers seldom moves through observable, quantifiable stages and is often focused on the satisfaction of individual, personal needs.
Referenced from Exhibit 1-1:
Business Products:

- *Can be technically complex*
- *Customized to user preference*
- *Service, delivery, & availability very important*
- *Purchased for other than personal use*

Consumer Products:

- *Standardized*
- *Service, delivery, & availability only somewhat important*
- *Purchased for personal use*

Business Buyer Behavior

- *Professionally trained purchasing personnel*
- *May involve several individual members of the Buying Center - Functional involvement at many levels*
- *Task motives predominate*

Consumer Buyer Behavior

- *Individual purchasing*
- *Family involvement, influence*
- *Social/psychological motives predominate*

Business Decision Making

- *Must satisfy specific technical needs*
- *Must satisfy organizational needs*
- *Progresses through somewhat observable stages*

Consumer Decision Making

- *Seldom technical in nature*
- *Primarily focused on subjective, personal needs*

- *Stages of process difficult to quantify and observe*

2. Describe the differences between business-to-business and consumer marketing for the following market elements:

   market structure channels promotion

   Market structures in business-to-business markets often follow the 80/20 rule, with few buyers – an oligopoly – that consume a high percentage of products. Additionally, businesses will tend to cluster where other similar businesses are located, taking advantage of already-developed infrastructure and support facilities and businesses. Conversely, consumer markets are mass markets with many buyers, geographically dispersed; where product attributes differentiate offerings. Markets are in monopolistic competition.

   Channels in business-to-business are more direct, with fewer participants acting in a highly coordinated manner. Consumer channels have many levels in an attempt to provide a wide variety of economic utility needs. Many relationships are indirect, and seldom is the consumer involved in the channel design. In fact, it can be said that the ideal situation is where the channel design is "invisible" to the consumer.

   Promotion in business-to-business markets relies heavily on personal sales, establishing and maintaining relationships through dialog. Communications in business-to-business are targeted, not generally seen by mass markets. Consumer markets are dominated by advertising, a less personal monologue. Messages are broad based, seldom involving the specific needs of an individual.
   As with question 1 above, reference Exhibit 1-1.

3. Describe the difference between derived demand and consumer demand. How does the leveraging phenomenon occur?

   Derived demand starts with consumer demand for goods and services. To create these consumer products, businesses must obtain goods and services themselves, which are translated into the final consumer products. Thus the demand for business-to-business goods and services is derived from and dependent on consumer demand. Because there is a long chain of suppliers who create goods and services that eventually result in the final consumer products, business activity is leveraged from the initial consumer demand. Changes in demand for consumer products result in changes in demand across a wide range of business-to-business markets.

9. As consumers, how do our "shopping instincts" make it difficult to understand business-to-business marketing philosophy?

   Consumer "shopping instincts" are often based on emotional needs/wants, individual interpretations of value, issues attributed to peer/social pressure, to who we are, where we are, and how we are versus the business-to-business necessity to buy against specified criteria of price, quality, availability, delivery, etc. Because of the emotional basis and a subjective interpretation of value, our instincts as consumers often make it difficult to fully "see" the business-to-business process.

10. What factors can contribute to a customer remaining with a particular supplier even though lower-cost substitutes may be available?

Customer retention in business-to-business in the face of lower-cost substitutes can be enhanced by the vendor's recognition of buyer perceived value in less tangible areas such as technological support, just-in-time stock holding, on-going participation in problem-solving, and over-all confidence in the supplier as a partner in the success of the customer.