

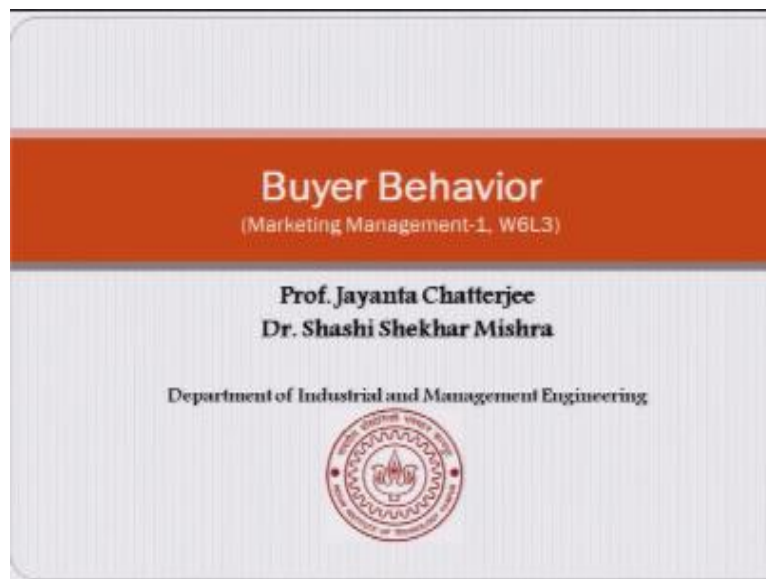
Indian Institute of Technology Kanpur
National Programme on Technology Enhanced Learning (NPTEL)
Course Title
Marketing Management – 1

Lecture: W6-L3
Analyzing the Buyer Behavior

by
Prof. Jayanta Chatterjee
Dr. Shashi Shekhar Mishra
Dept. of Industrial Management and Engineering
I.I.T. Kanpur

Dr. Shashi Shekhar Mishra: This is marketing management part 1.

(Refer Slide Time: 00:18)



Dr. Shashi Shekhar Mishra: We are discussing our fourth module of this course that is buyer behavior. Inside the buyer behavior when we have started we have told about this thing that buyer behavior can be studied with respect to the classification of the markets that consumer market versus industrial market or business market. And in the first few session of this module buyer behavior we have discussed about consumer behavior in-depth and also probably width wise also we have covered lot of things inside the consumer behavior.

Now we are going to talk about in next couple of session about industrial marketing management and or industrial buyer behavior.

(Refer Slide Time: 01:07)



Dr. Shashi Shekhar Mishra: The thing that comes into the mind is what is basically industrial marketing and how it is different from B2C marketing, the two terms are there, business to business marketing and business to consumer marketing, you will see that lot of those companies which work in the B2C market also work in B2B market, take the case of these companies like Dell and then take the case of Hewlett-Packard, many of these companies which you see selling their products to the consumer market also sell their products in their business markets.

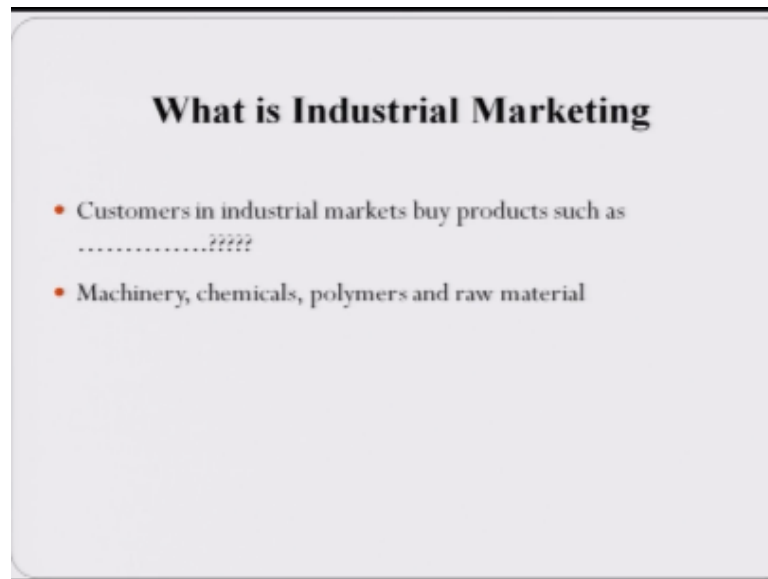
However you will also notice that some of these companies get their major share of revenues from the business market, than probably the consumer market.

(Refer Slide Time: 02:01)



Dr. Shashi Shekhar Mishra: So how do you actually define which product, B2B product can be termed as a B2C product, what does come to your mind, can the product characteristics or product itself can be labeled as B2B product, or there is something else that should define it, whether it is a B2B product or a B2C product? So we will look into that part.

(Refer Slide Time: 02:24)



Dr. Shashi Shekhar Mishra: I will just tell you one thing like customer in industrial markets buy what kind of product. So the first thing that probably will come to your mind is that customers purchase machinery, big plants, chemicals, polymers, raw materials, process materials, these are the things, the kind of things that comes to our mind when we talk about B2B market.

(Refer Slide Time: 02:53)



Dr. Shashi Shekhar Mishra: However you will also find out in B2B market there are products like personal computer, furniture and other products like consumables are also purchased in B2B market. Classification based on customer served and product uses instead type of product. So what it means is, when you want to differentiate between a B2B market or B2B product versus B2C product, instead of saying that a particular product is a B2B product or B2C we should look into where probably its uses are or probably who is its customers or who are its buyer.

(Refer Slide Time: 03:31)



Dr. Shashi Shekhar Mishra: I will just give you an example, a very interesting example I find out in India is like this soap the Medimix, in my younger days I mean I am still not that old, but when I was basically a small child I have seen the ads of Medimix coming into the television ads and then suddenly this ads got vanished and I was worried like, I mean I wondered basically what happened to this product.

But then later on I saw this product being present in almost all meteor hotels across India wherever I have travelled I have seen that Medimix soap was present in the toilets of those hotel rooms. Whether it is a B2B product or B2C product, because commonly to our perception we will see that being a soap it is basically a B2C product. But look at its major buyers, majority of its consumption is in hotels actually.

Basically the users is by the -- for the tourist or the basically people who are going and staying in those hotels, why this product is so suitable to that market, because it caters to the need of those markets quite well, its packaging, its, the kind of nature of the chemical composition or the product composition, it is a basically herbal product which is neutral or probably equally suitable to all types of tourist.

So based on that probably it suits to the hotel requirements and packaging, pricing, all reflects the need of basically those hotel industry or the service industry. So based on that you can say that Medimix is probably a B2B product rather than B2C product, because its major customers are hotels.

(Refer Slide Time: 05:19)



Dr. Shashi Shekhar Mishra: Again, I mean like there has to be a comparison, I mean to understand better business market with respect to consumer market, you will see that a business market comprises all the organization that buy goods and services for use in the production of other products and services that are finally sold rented or supplied to end users and customers. So basically in business market what is being exchanged is basically, it goes into the production and servicing of production of something that is finally is being offered to the end customers.

One thing you will notice which is very important to understand, when we are comparing business market with respect to consumer market is that, transaction size of B2B market is many times larger than B2C market. The composition could be as high as 80% versus 20% or 3:1 ratio

is quite common across developed nations. So the volume of transition in B2B market is very high compared to B2C.

(Refer Slide Time: 06:33)



Dr. Shashi Shekhar Mishra: By contrast if you look at business to consumer market B2C marketing is the marketing of goods and services to individuals and family units for personal consumption and wholesalers, and retailers in consumer goods distribution system. So if we talk about the customers or the consumers of B2C products they are either the individual consumers or customer themselves, or they are purchasing it for the consumption of at max a family as a unit. So that is more to elaborate upon B2C versus B2B market.

(Refer Slide Time: 07:13)

| Industrial Markets: Offering Typology | | |
|---------------------------------------|--|---|
| Type | Example | Marketing |
| Heavy Equipment and Machinery | Plants, Engines, Compressors, Large Server | Larges sales cycle, Higher customer investment and perceived risk, Substantial sales effort, DSF and technical capability |
| Light Equipment and Tools | Portable compressors, hand tools | Wide distribution and effort to reach all customers |
| Integrated Solutions | MIS | A central component and peripheral, Compatibility, Long and complex sales |
| Raw Material | Minerals, Crude Oil, Cotton | Price, focus on cost efficiencies, Fewer intermediary, spot marketing |

Dr. Shashi Shekhar Mishra: Then probably if I look into the kind of products which are basically commonly sold a sort of typology of different offerings which are there in the business market, you will see that probably I can come out with seven, eight types of different products being offered in the B2B market. The first type is basically heavy equipment, machinery, and plants. So you will see that this type of products in the form of big engines, the large compressors, large server, plants.

The major installations and these are basically the heavy equipment and machinery category. And you will see that some of the key aspect of marketing of these product is that because these are a very high investment from the customer side, the customer will like to evaluate in much more depth and probably with large, as much as information they can process. So the width of information will also be high.

So they will like to see what are the different options available, and you will see that because of that of because of the nature of the information processing in B2B markets of this kind of product, the sales cycle will vary from months to sometimes even years. This large sale cycle is

you will also seek with respect to this large sale cycle you will see that significant sales efforts will be required in the selling of these product.

(Refer Slide Time: 08:44)

| Industrial Markets: Offering Typology | | |
|---------------------------------------|--|---|
| Type | Example | Marketing |
| Heavy Equipment and Machinery | Plants, Engines, Compressors, Large Server | Larges sales cycle, Higher customer investment and perceived risk, Substantial sales effort, DSF and technical capability |
| Light Equipment and Tools | Portable compressors, hand tools | Wide distribution and effort to reach all customers |
| Integrated Solutions | MIS | A central component and peripheral, Compatibility, Long and complex sales |
| Raw Material | Minerals, Crude Oil, Cotton | Price, focus on cost efficiencies, Fewer intermediary, spot marketing |

Dr. Shashi Shekhar Mishra: And as you can see from the example side being plants, compressors, servers you will see there are lot of technical inputs, the technical features in the product, they will also be very prominent in the sales process. So that direct sales force will be probably a better option or these products are more commonly sold through the direct sales force than any other option. And sales will involve lot of technology or technology related information.

(Refer Slide Time: 09:15)

| Industrial Markets: Offering Typology | | |
|---------------------------------------|--|---|
| Type | Example | Marketing |
| Heavy Equipment and Machinery | Plants, Engines, Compressors, Large Server | Larges sales cycle, Higher customer investment and perceived risk, Substantial sales effort, DSF and technical capability |
| Light Equipment and Tools | Portable compressors, hand tools | Wide distribution and effort to reach all customers |
| Integrated Solutions | MIS | A central component and peripheral, Compatibility, Long and complex sales |
| Raw Material | Minerals, Crude Oil, Cotton | Price, focus on cost efficiencies, Fewer intermediary, spot marketing |

Dr. Shashi Shekhar Mishra: Then the second category of product is basically light equipment and tools like portable compressors, hand tools. You will see with respect to heavy machinery or heavy equipment these products have a wider distribution and the effort from the seller side or the manufacturer side is to reach to as many as consumers which is possible.

(Refer Slide Time: 09:44)

| Industrial Markets: Offering Typology | | |
|---------------------------------------|--|---|
| Type | Example | Marketing |
| Heavy Equipment and Machinery | Plants, Engines, Compressors, Large Server | Larges sales cycle, Higher customer investment and perceived risk, Substantial sales effort, DSF and technical capability |
| Light Equipment and Tools | Portable compressors, hand tools | Wide distribution and effort to reach all customers |
| Integrated Solutions | MIS | A central component and peripheral, Compatibility, Long and complex sales |
| Raw Material | Minerals, Crude Oil, Cotton | Price, focus on cost efficiencies, Fewer intermediary, spot marketing |

]

Dr. Shashi Shekhar Mishra: The thing that differentiated from the heavy machinery and equipment is that probably the sales cycle is smaller and you can exercise probably other option than DSF also. Then you have the third product category which is integrated solution, you will see that in this -- basically instead of selling an individual product or individual component the seller is offering a sort of system fully basically configured system to its customers.

So it is a form of a complete solutions to consumers – business customers problem, and you will see that the design of the solution will be the -- system will be that it will have a central component.

(Refer Slide Time: 10:26)

| Industrial Markets: Offering Typology | | |
|---------------------------------------|--|---|
| Type | Example | Marketing |
| Heavy Equipment and Machinery | Plants, Engines, Compressors, Large Server | Larges sales cycle, Higher customer investment and perceived risk, Substantial sales effort, DSF and technical capability |
| Light Equipment and Tools | Portable compressors, hand tools | Wide distribution and effort to reach all customers |
| Integrated Solutions | MIS | A central component and peripheral, Compatibility, Long and complex sales |
| Raw Material | Minerals, Crude Oil, Cotton | Price, focus on cost efficiencies, Fewer intermediary, spot marketing |

Dr. Shashi Shekhar Mishra: And the peripheral components along with that central piece of component. Now what happens in this, this kind of sales is that again it will be required a lot of information processing because it will be large and complex sale, there will be issues like compatibility, like how the different components work together and what is the overall output of that solution as compared to probably performance of any individual component in this kind of offering.

Then you have basically four type of offering in business market is in the form of raw material. As you can understand very easy to understand this category is that the kind of product which are being offered in this categories, minerals, crude oil, cotton fiber.

(Refer Slide Time: 11:20)

| Industrial Markets: Offering Typology | | |
|---------------------------------------|--|---|
| Type | Example | Marketing |
| Heavy Equipment and Machinery | Plants, Engines, Compressors, Large Server | Larges sales cycle, Higher customer investment and perceived risk, Substantial sales effort, DSF and technical capability |
| Light Equipment and Tools | Portable compressors, hand tools | Wide distribution and effort to reach all customers |
| Integrated Solutions | MIS | A central component and peripheral, Compatibility, Long and complex sales |
| Raw Material | Minerals, Crude Oil, Cotton | Price, focus on cost efficiencies, Fewer intermediary, spot marketing |

Dr. Shashi Shekhar Mishra: You will see that these are basically commodities and the key differentiation or the key purchasing criteria is the lowest price at which the product can be available. Since they are commoditized product and the prices are -- customers are very sensitive to price, you will see that from the seller side there will be lot of focus on the selling and the production efficiencies.

So the seller of these kind of product will like to be as close as to the customer to reduce basically the sales and the distribution cost and also economies of scale and economies of scope, all those sort of things will come into the picture because they want to produce product at the lowest possible cost.

Another thing is that because of this price, lowest price thing you will also see the fewer layer of intermediaries in between the seller and the buyer, because you see as that each layer of intermediary is added into the distribution channel, the costs will increase, that will basically bring down the compatibility of a seller with respect to other competitor who has a fewer layer of intermediary.

One thing you will also find out in the case of raw materials is, the sale is more of a spot transaction kind of thing. The marketing is more of a transitional marketing that one deal to other deal and whichever is basically the seller offering at the lowest price, and also providing it on time delivery, and some of the other peripheral requirements of the customer.

(Refer Slide Time: 13:03)

| Industrial Markets: Offering Typology | | |
|---------------------------------------|--|---|
| Type | Example | Marketing |
| Processed Materials | Plastic , Elastomer, Steel | Value added, can be differentiated, convention sales and distribution |
| Consumables | Stationary, power equipment | Easy availability of supply |
| Components | Motors, shaft, microprocessor | Critical vs. Non-critical Component, close technical contact |
| Services | Engineering Solutions, Consulting and Contractual services | Deep expertise |

Dr. Shashi Shekhar Mishra: They will probably win the deal one by one basis actually. Then we have process material, so process material is a one step ahead of raw materials and you will see that in process materials that these are value added because few stages of processing is involved in it. So these products can be differentiated while the scope of differentiation was very less in the case of raw materials there is a scope for differentiation in raw materials.

(Refer Slide Time: 13:35)

| Industrial Markets: Offering Typology | | |
|---------------------------------------|--|---|
| Type | Example | Marketing |
| Processed Materials | Plastic , Elastomer, Steel | Value added, can be differentiated, convention sales and distribution |
| Consumables | Stationary, power equipment | Easy availability of supply |
| Components | Motors, shaft, microprocessor | Critical vs. Non-critical Component, close technical contact |
| Services | Engineering Solutions, Consulting and Contractual services | Deep expertise |

Dr. Shashi Shekhar Mishra: Examples are plastic, elastomer, steel and other type of process materials, you will see that again this process material, this is the sales and distribution channels are more conventional and probably you will see that distributors being employed in a sales of this process materials. Then we have consumables, you will see that running of a plant or running of any service organization for the part of whatever they produce ultimately, they will also be consuming some of these things like stationary, tube lights, all those kind of things will come into the picture.

They will also be requiring these things as a basically support things to carry out their production activities. So you will see that the marketing of these consumable is based on the -- depending on the kind of consumables is that easy availability of the supply and whether you can keep on getting the supply or not. Then probably you have another type of industrial product in the form of components like motor shaft, microprocessor.

Here one thing which is very important to note is that, within components it is important to differentiate whether it is a critical component or non critical component.

(Refer Slide Time: 14:56)

| Industrial Markets: Offering Typology | | |
|---------------------------------------|--|---|
| Type | Example | Marketing |
| Processed Materials | Plastic , Elastomer, Steel | Value added, can be differentiated, convention sales and distribution |
| Consumables | Stationary, power equipment | Easy availability of supply |
| Components | Motors, shaft, microprocessor | Critical vs. Non-critical Component, close technical contact |
| Services | Engineering Solutions, Consulting and Contractual services | Deep expertise |

Dr. Shashi Shekhar Mishra: Depending on whether it is a critical component you will see that it will be probably its purchasing will be entirely different, it will follow a different kind of organizational purchase, it will face different kind of organizational purchasing roots than probably a non-critical parts will purchase.

(Refer Slide Time: 15:13)

| Industrial Markets: Offering Typology | | |
|---------------------------------------|--|---|
| Type | Example | Marketing |
| Processed Materials | Plastic , Elastomer, Steel | Value added, can be differentiated, convention sales and distribution |
| Consumables | Stationary, power equipment | Easy availability of supply |
| Components | Motors, shaft, microprocessor | Critical vs. Non-critical Component, close technical contact |
| Services | Engineering Solutions, Consulting and Contractual services | Deep expertise |

Dr. Shashi Shekhar Mishra: And in the case of components you will also see that buyer and seller will have close contact for the technical support. The last thing which I have mentioned here is that industrial services, industrial services in the form of engineering solutions or engineering services, management consulting, and contractual services, these are some other types of the industrial services, and they are becoming more and more important because of globalization, cost pressure, and increasing importance of the competitiveness.

I mean like, because of the competition organizations are more and more into using these kind of services. Now probably one thing that comes into the industrial services, marketing will be -- obviously will be based on the expertise of the service provider also. So this was basically the typology of industrial products.

(Refer Slide Time: 16:07)



Dr. Shashi Shekhar Mishra: Then probably after this I will talk to you about the differences in B2B market with respect to B2C market, what are the key differences. So I will take you back to the – probably some of the initial sessions of this course where we have talked about marketing and sales or marketing, specifically being the interface of between the organization and its customers.

So as probably you can see on the screen, that here it is shown that there is a linkage between customer and the marketing and sales, you can call it as basically external interface the marketing is being acting as an external interface of an organization, it is representing the firm. Then you have the internal interface, marketing is basically acting on behalf of its customers, the behalf of the markets, and it is bringing the information back from the customers to the operation and there probably the interaction is happening between marketing and sales.

Based on this we have some of these differences between business market and the consumer market, like when we talk about external interface the B2B buying is far more complex, and they have far more influences rather than individual buyer or at max within a family, there will be couple of people involved, you have many people involved in it. And then you have derived

demand, the demand is not direct it is coming through the end customer, and then you have a geographical concentration of your customers.

(Refer Slide Time: 17:46)



Dr. Shashi Shekhar Mishra: So that is external face and then you have internal face where you have that the sale is basically the products are prominently technology based product, and the purchase is also heavily influenced by the technical criteria's and the ability of the supplier to perform better on the technical aspect. Then you will also see that the solutions are basically customized solutions.

So marketing has to work with operations, so that whatever the specific requirements of the customers are should, can be basically tailored and the appropriately served. And one more thing which you will see that marketing and sales work is probably in B2B market.

(Refer Slide Time: 18:31)



You will see that customers are served on made to order kind of thing, because if you look at -- if a customer wants a plant its requirement will be so specific and based on that, once only you will get the order you will make it. So these are some of the important differences in the basically B2B marketing, and we will discuss these differences in much more detail when we will meet in the next session. So for as till then, thank you very much.

Acknowledgement
Ministry of Human Resource & Development

Prof. Satyaki Roy
Co-ordinator, NPTEL IIT Kanpur

NPTEL Team
Sanjay Pal
Ashish Singh
Badal Pradhan
Tapobrata Das
Ram Chandra
Dilip Tripathi
Manoj Shrivastava
Padam Shukla
Sanjay Mishra
Shubham Rawat
Shikha Gupta
K. K. Mishra
Aradhana Singh
Sweta
Ashutosh Gairola
Dilip Katiyar
Sharwan
Hari Ram
Bhadra Rao
Puneet Kumar Bajpai
Lalty Dutta
Ajay Kanaujia
Shivendra Kumar Tiwari

an IIT Kanpur Production

©copyright reserved