

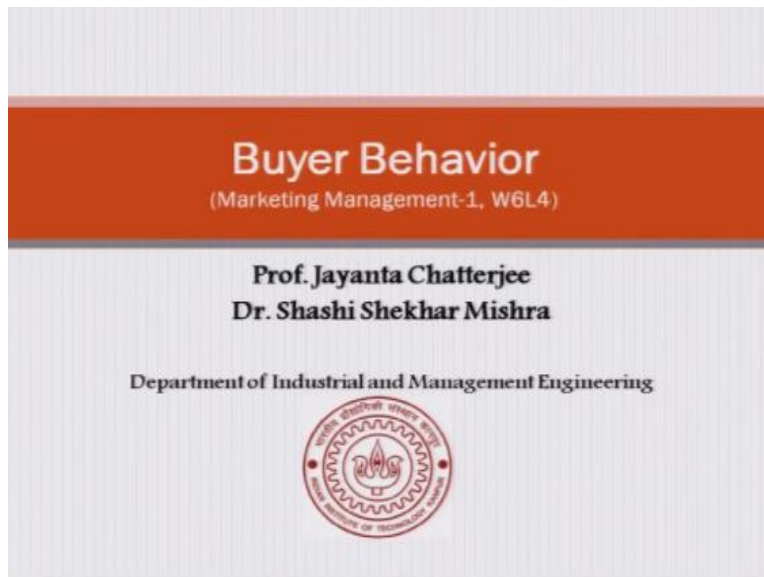
**Indian Institute of Technology Kanpur**  
**National Programme on Technology Enhanced Learning (NPTEL)**  
**Course Title**  
**Marketing Management – 1**

**Lecture: W6 –L4**  
**Analyzing the Buyer Behavior**

by  
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Dr. Shashi Shekhar Mishra: Hello and welcome to another session of marketing management part 1.

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Dr. Shashi Shekhar Mishra: We are discussing the fourth model of this course that is buyer behavior, and we started discussing about industrial buyer behavior where we started discussing the major differences between B2B markets vis-a-vis probably B2C market and this is after once we have discussed in detail about the consumer behavior from the B2C markets, so what we have discussed in the previous session was what is industrial marketing.

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## **What is Industrial Marketing**

Dr. Shashi Shekhar Mishra: Or how basically the products should be defined whether they are B2B products vis-a-vis B2C products so we have looked into the criteria.

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## What is Industrial Marketing

- Customers in industrial markets buy products such as .....?????
- Machinery, chemicals, polymers and raw material
- Also buy personal computers, furniture, and other products usually bought in consumer markets
- Classification based on customer served and product usage instead type of product (B2B *vs.* B2C)

Dr. Shashi Shekhar Mishra: That instead of product being itself labeled as a B2B products or B2C product we should look into the type of customers being served and its uses so that should be the criteria of judging whether the product is a B2B or B2C.

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### **Business Markets vs. Consumer Market?**

- A business market comprises all the organizations that buy goods and services for use in the production of other products and services that are sold, rented or supplied to end users/customers
- B2BM transactions size is many times of B2CM size
- By contrast, B2CM is the marketing of goods and services to individuals and family units for personal consumption and wholesalers and retailers in consumer goods distribution system

Dr. Shashi Shekhar Mishra: I discussed with you some of the examples that explained that this concept of customer being served and the kind of users. Then we have looked into the differences like who are the customers, in the sense in B2B market you will see that products are purchased for going into the production processes of the customers while in B2Cmarket it is the individual or the at max family as a unit which is required the product, the size of B2Bmarket is much larger than B2Cmarkets.

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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 we have looked into the different type of products or the different type of offerings which are being present in the B2Bmarkets so we discussed about heavy equipment, light equipment, integrated solutions or the system selling, then we looked into the raw materials, we have looked into the process materials, we have looked into the consumables.

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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

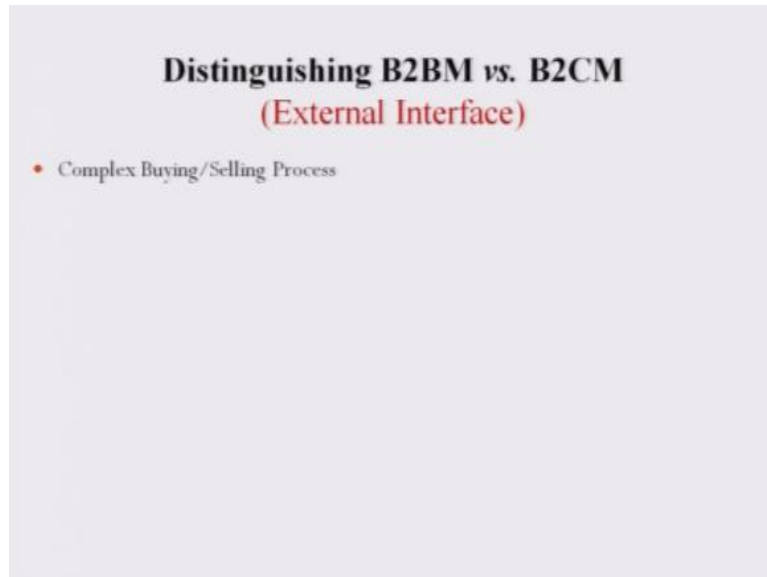
Dr. Shashi Shekhar Mishra: We have looked into the components and then we also discussed about the industrial services. Then we started discussing about the B2Bmarket difference versus B2C market difference in terms of these two linkages.

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Dr. Shashi Shekhar Mishra: Between the customer and the marketing and sales and the marketing and sales in the operations so this is basically, these are some of the differences we have discussed we started discussing so which we will discuss today in depth is that complex buying process, fewer customers, derive demand, geographical concentration, this, this is coming from the interface between customer and the marketing and then you have differences coming from the technology sales, customized solution, and made to order from the internal interface.

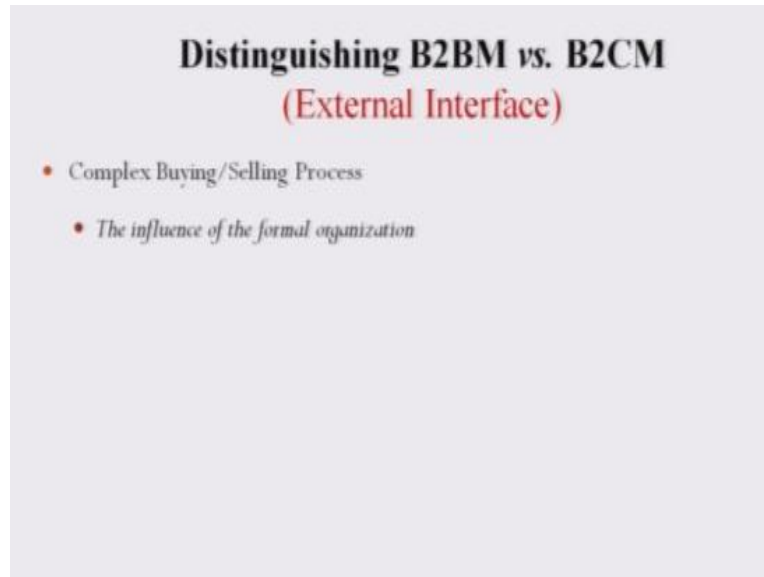
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Dr. Shashi Shekhar Mishra: So going into the in depth of this external face that distinguishes B2B market vis-a-vis B2C market is that one of the most important thing to understand is B2B buying is, B2B selling is far more complex than B2C selling, and why it is far more complex is that you have formal organization.



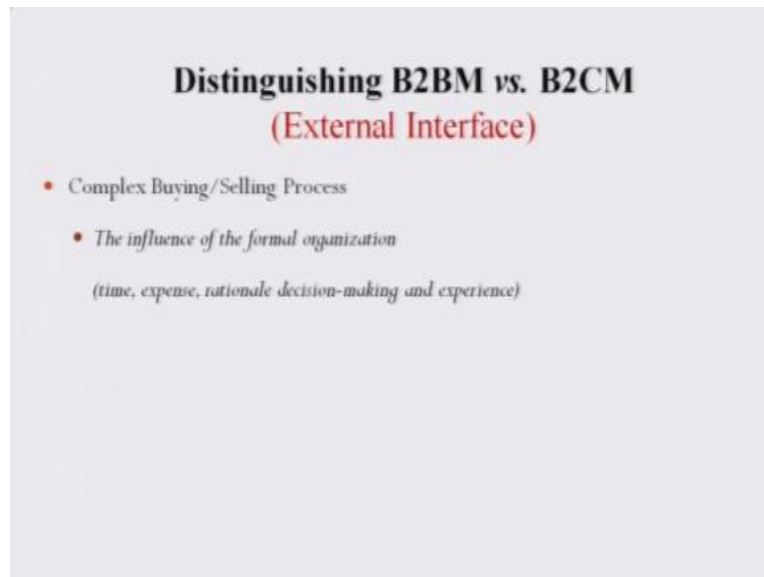
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Dr. Shashi Shekhar Mishra: In place which is your customer instead of individual consumer or the customer, so any organization which is purchasing a product or services you will see that they, all the organizations have their formal procurement policies and there are basically professionals who are involved in the - this formal procurement process, they are abided by the organizational procurement policy and they have to also confirm with the organizational or the corporate policies, so because of the different influences and because of the policy and also basically the nature of the purchase or the risk attached with the purchase makes it a bit complex process.

Then you will see that some of the criteria's that differentiate this B2Bbuying.

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Dr. Shashi Shekhar Mishra: Versus B2C buying is that time, expense, rational design making and experience in the sense B2B - take the example of in fact it is better to understand it by an example that when you want to purchase a laptop, supposedly you want to purchase a laptop from Dell what will you do? You will probably go to a Dell's online website or any other website which is offering or probably you will go to an informatory. You will first find out the information about the product and then you once you have basically fixed your choice.

That you are going to purchase any particular brand of laptop, supposedly in this case if I want to purchase a Dell Latitude a particular model I will go on the website of Dell and Dell allows me to customize a product so I will customize a product as per my requirement and I can order it online and maybe couple of days I will get the delivery.

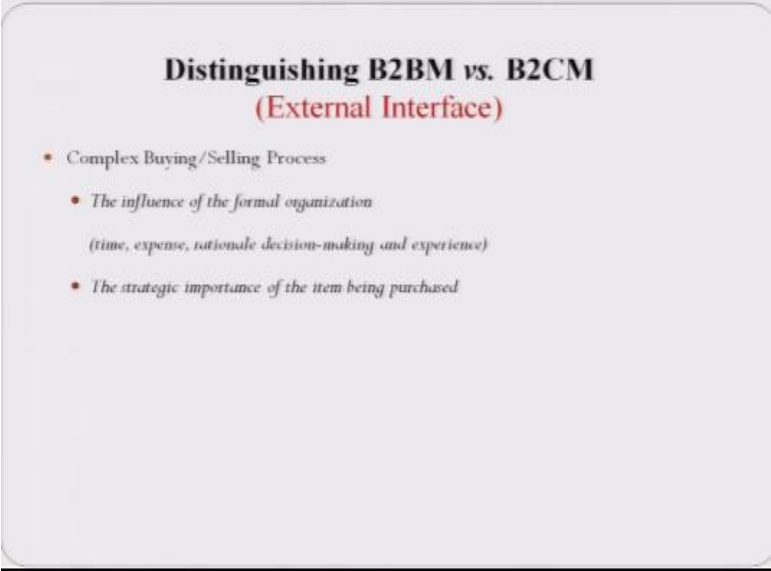
On the other side if you take the case of in our organization where I am working, or you are working, or someone else is working and if they want to have a laptop for their employees what will be the purchasing process? So first you will see that there will be a proper needs, need assessment and then the product attribute or product specification will be created, technical

people will give their inputs to find out basically what is the exact requirements and then they will also talk about the plus and minuses about the different offerings or the different brands.

And then you will see that after that is being done organizational procedures will be followed for quotation from the, the different suppliers or the different distributors and then those different quotations will be analyzed, and while this analysis is going on you will see that many people will be involved so there will be people on the technical side, there will be people from the commercial side, all of them will get involved in this finalization of the basically the purchase, so you will see that how complex it is compared to when you have to purchase individually.

You can make your decision all alone and you can get the delivery possibly in few days, on the other side here you will see that it might take months to get the product finalized and being ordered and then delivery will happen. Obviously the deal, the same laptop if you purchase online for yourself and when you purchase it through a basically an organization will have a different after sales service policies and all the different kind of features will be attached with that product.

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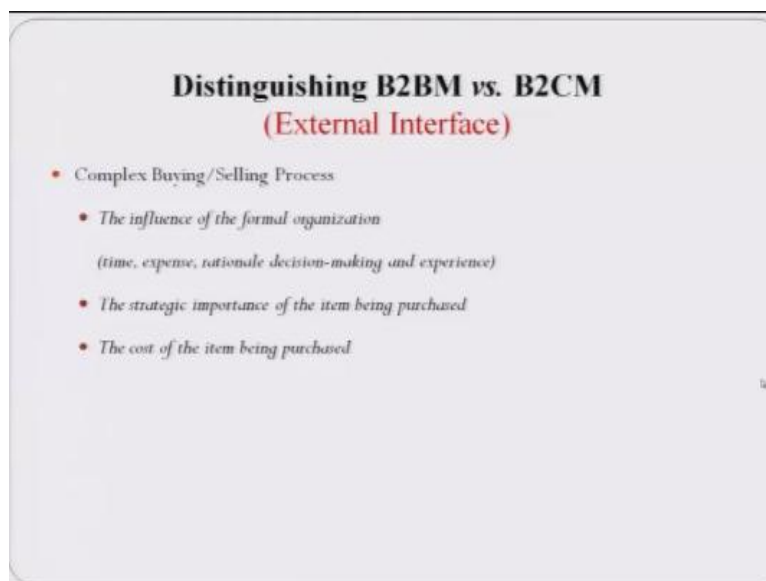
**Distinguishing B2BM vs. B2CM**  
**(External Interface)**

- Complex Buying/Selling Process
  - *The influence of the formal organization*  
*(time, expense, rationale decision-making and experience)*
  - *The strategic importance of the item being purchased*

Dr. Shashi Shekhar Mishra: Another thing is that influences the B2B buying is that the strategic importance of the item being purchased because a product a small component might be going in a plant and it might be a critical component that can influence significantly the operations of an organization and in turn probably have adverse effect on the, the - in the profitability of the organization you will understand that because of these concern the products, the customers are involved much more and the information processing is much more intense as compared to probably B2C markets.

That does not mean that people do not analyze or process the information in B2C market that seriously, however you will see that because of the expertise about the different products from the different functions of the organization probably the information processing is much, much more in depth.

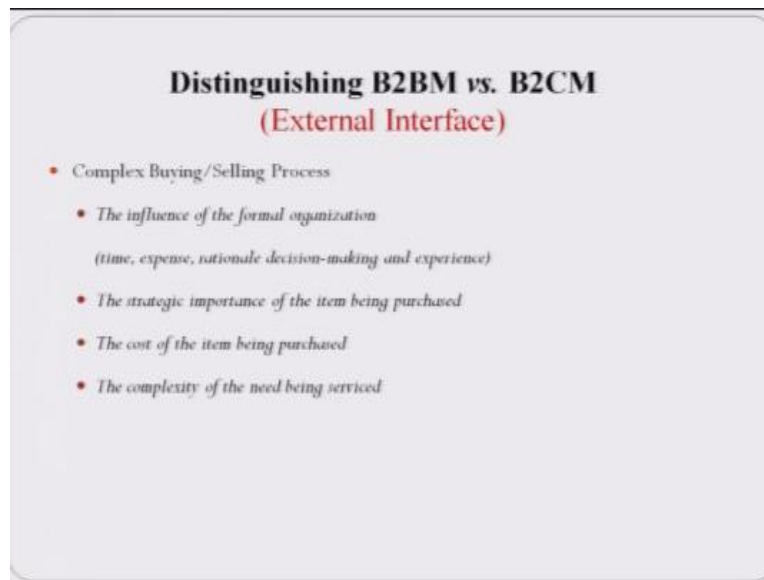
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Dr. Shashi Shekhar Mishra: The cost of the item being purchased so another thing that influences this purchase process is that if you are purchasing a plant or probably a big machinery because for next couple of you, year you will remain invested in that plant or the machinery you will see

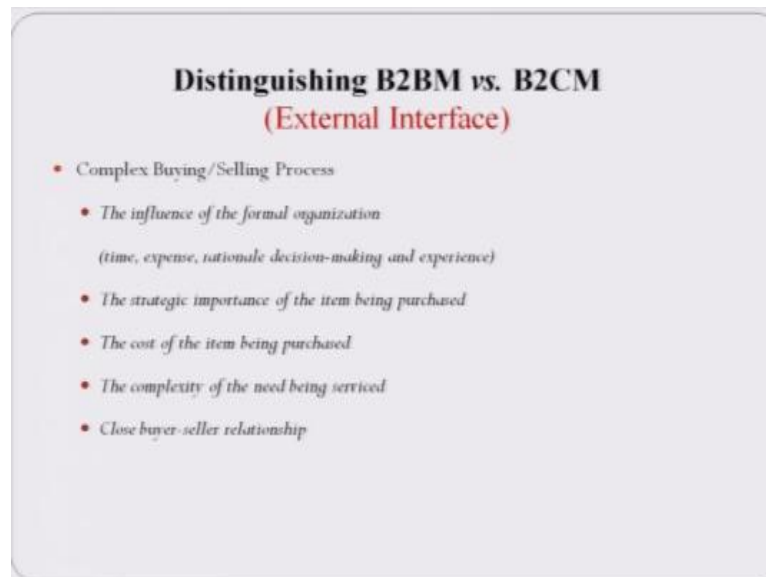
that, and the kind of investment in terms of the money you will make you will find out that options will be evaluated or scrutinized in a much more critical way.

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Dr. Shashi Shekhar Mishra: The complexity of need being service, that is another thing that products being purchased with a different kind of, or probably the need will have a different set of requirements, it will have a technical requirements, it will have after sales service requirement, it will have commercial requirements, so some of these things you will see that what we are discussing.

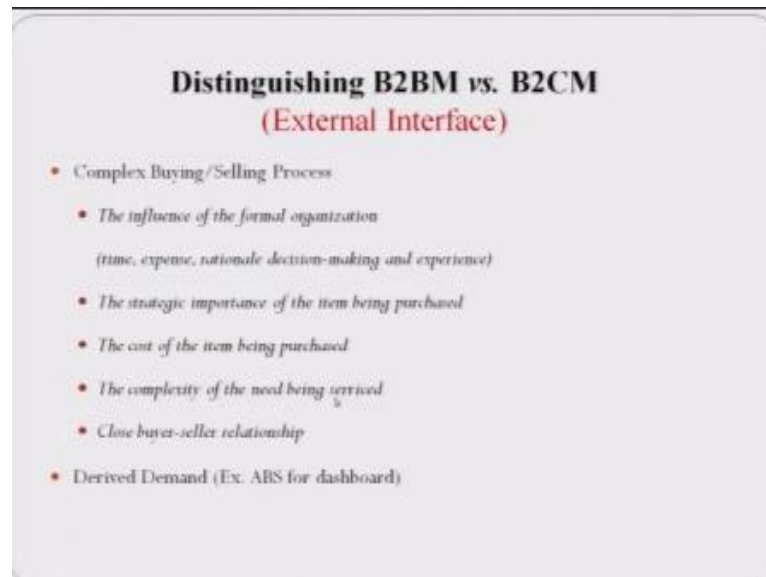
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Dr. Shashi Shekhar Mishra: Have an very far more profane, profound influence on this the buying process and that makes the B2B buying much more complex. Because of all these things you will also see that in B2B the buyer and the seller relationship is much more close, you see when you purchase a shampoo from P&G or HUL or probably any other offering for sale you will see that no marketing manager in P&G or HUL will know who, who are its customers. But it is quite common in B2B market that the marketing manager or the sales manager of a seller will know their buyers on their fingertips. If you talk about the supposedly the offering from this commercial planes, so probably the managers in Boeing or Airbus are probably there are very few supplier to that kind of offering.

You will find out they understand their customers pretty well and then they, they know their customers pretty well. And this relationship is quite one to one as compared to B2C where you have millions or billions of customers for your product, so you cannot know them. On the other side the, the customers are very few in B2B markets and also because the items being purchased are of strategic importance and the cost of the products could also be pretty high, so the perceived risk is also very high. So you will see that this process is very complex, then we have.

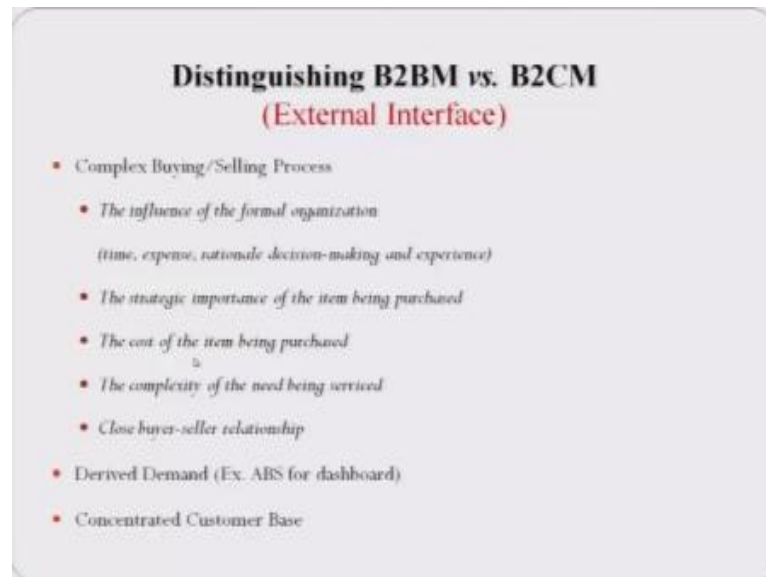
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Dr. Shashi Shekhar Mishra: Another aspect of differentiation between B2C versus B2B is that in B2B market the demand is basically derived, so I have given you an example of this, on the slide that ABS as for dash board, if you see all these automotive components the flashy painted components on the automotive or for say on many of these plastic body parts which are painted and they have a very good shiny finish, they are made from these plastics called acrylonitrile, butadiene, styrene, you will see that, that company that makes ABS will probably or probably that company which makes the raw material for ABS their demand is dependent on the, the demand of the automobiles product, the demand of the cabinets of some of the other electrical appliances or electronic products where the ABS is getting consumed, so the company which is making acrylonitrile or butadiene or probably styrene or even on the backside of that production process a company which is making the, the raw material for styrene or butadiene or acrylonitrile.

Their demand is dependent on the demand of the automobile industry and likewise many other industries where this ABS is getting consumed. So the demand is not direct.

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Dr. Shashi Shekhar Mishra: Rather it is a derived demand and because it is a derived demand you will also see that, so the demands are basically inelastic in the nature in B2B markets like tomorrow if the prices of leather increases that will not make a shoe making company to stop its production process or probably there will be much of the change in its number of product being produced. Because in the short run anyway because of their investment in the plant and all that they cannot make the changes so fast.

It may happen that in the long run they will look for the substitute and will try to have an alternate which is less in terms of the cost, but that might not always be possible. Another aspect which differentiate the B2B market versus B2C market is that concentrated customer base, that geographical concentration or something which is talked a lot about B2B market when we look at with respect to B2C market. I will again take you to the example of a shampoo being offered from a P&G or HUL, who are its customer and how they are distributed.

You see a shampoo offering by any of these company, they will the marketing manager will, will take proud in saying that across India we have pan India presence and from Lucknow to probably Kanyakumari people are using the shampoo from us. So that is a basically the kind of dispersion

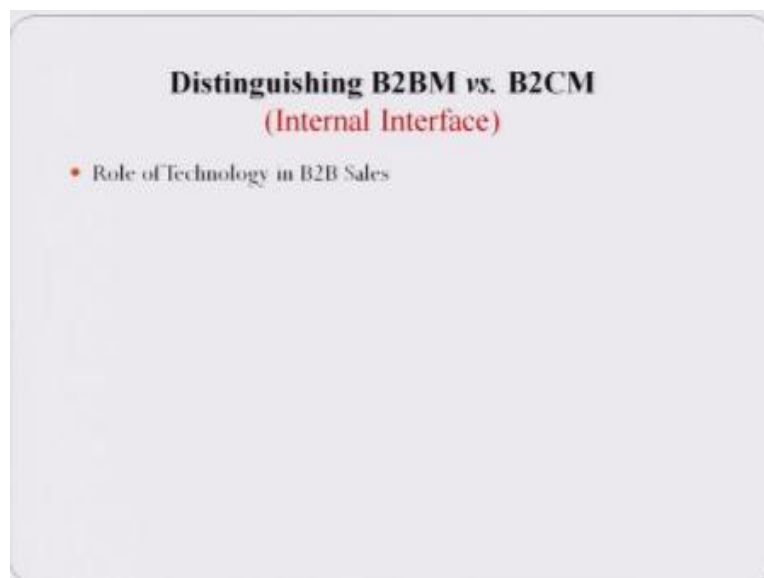


of the customers across the geography of the country. On the other side, if we look at the concentration of the automobile manufacturers or probably the textile industries, or probably any other type of industry we will see that the customers or the manufacturers are situated only in a certain part of the country.

So for the sake of automobile industry might be just be placed only around Pune, Nasik and nearby this Gurgaon belt and then probably on the South you have around that Chennai and nearby side and maybe some other places like Uttarakhand also. So you will have only 4, 5 places where the entire automotive industry of the country is situated and is probably concentrated and you will also see because of this kind of customer concentration lot of suppliers are also basically putting their plants or they have their manufacturing capacities nearby to this plants.

So that they can serve their customers in probably in a very short time and the cost of transportation is also very less and this because of the physical proximity they remain in close contact with their customers, that help them in serving their customer needs better.

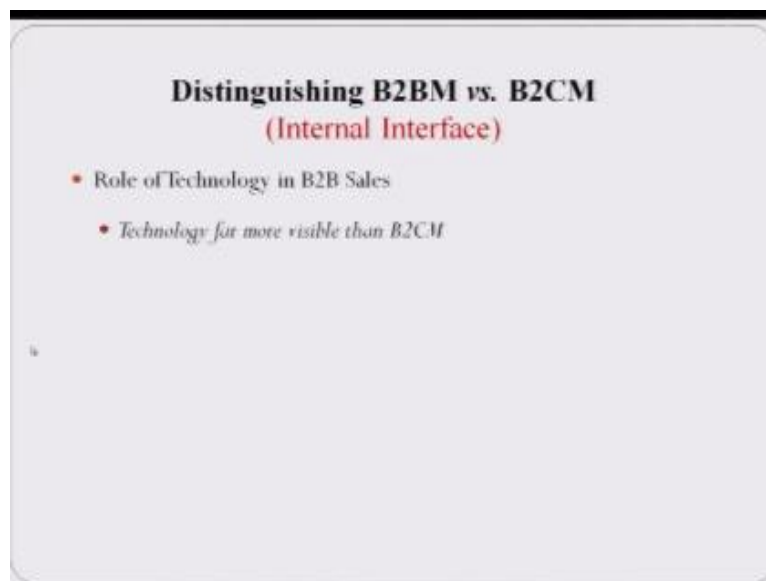
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Dr. Shashi Shekhar Mishra: Then we talk about the internal interface, the differentiation in B2B market with respect to B2C market in terms of the internal interface. The first and the foremost important thing that comes into the picture is that role of technology in B2B sales. You will see that in B2B buying which is also believed to be a rational buying because the people are buying it for the organization and the stakes are generally high and their performance is also evaluated being on their purchases.

So generally these, these are believed to be at least radically they are believed to be rational buying process. Now you will see that role of technology in B2B sales is very high because technical criteria's will be given a lot of importance in the purchasing requirement and the supplier in fact does better on those technical factors will be

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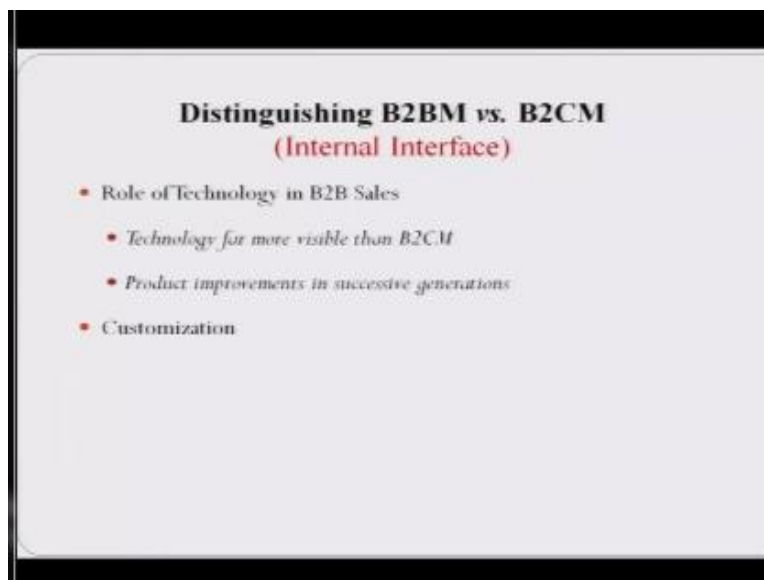


Dr. Shashi Shekhar Mishra: Will be given probably more preference than who do not do well on those criteria's. So technology, technology is far more visible than B2C market, customers in business customer market generally do not care about what is a technology inside, but in business market you will understand and the purchasing managers and the production people.

They will ask you as a basically a seller what is the technology which is, which is there inside the product, what is the product technology, what is the production technology and how they are different from the competitors technology so what is the advantage of those technologies, so that makes basically the role of the technology is far more important in B2B market. One thing which you will observe in B2B market is, is that companies keep on improving their previous generation of product and they keep on launching the improved product so it should not be a surprise to you that you see continuously coming, the sellers offering you basically improved version of their product because they get competitive advantage and the price premium for offering this kind of thing.

On the other side you will also notice that sometimes in B2C market this, this continuous improvement in the product or the change in product may work against the consumer requirement or the consumer hedonic needs where probably consumer like to have the same thing over the period of time if you get a basically a different type of Coke you may not prefer that, so in that aspect basically B2B market is different from B2C market.

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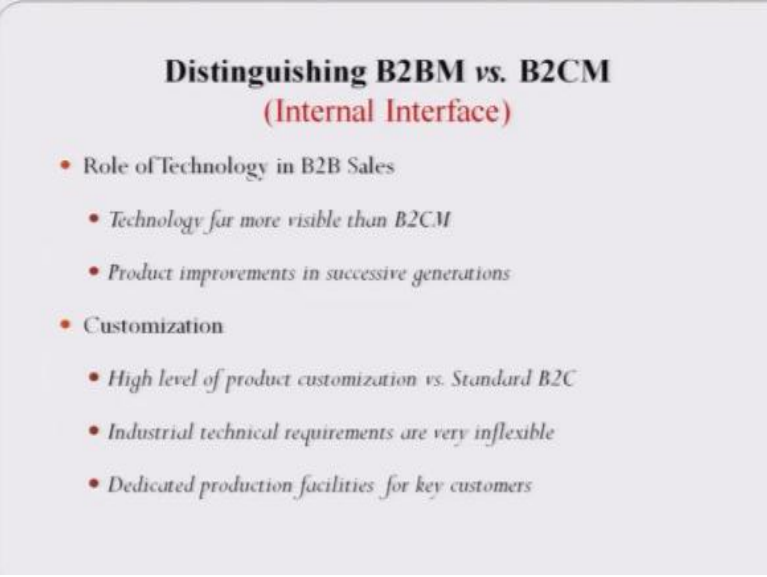


Then you see also that the customization of the product is very prominent in B2B offering as compared to B2C offering, B2B requirements are very fixed, B2C requirements are not that rigid. Take the example supposedly if you are planning to have a car and you go to a dealers place and when you were discussing with your spouse about which car you want to purchase, you have fixed the brand and you have also fixed the color of the car but when you went to a dealers place its a festive season and you may not get that colour so, and but you are very sure that you want or you want only that make of the car on or only probably a particular basically type of offering from a seller.

Generally it is seen that the people will not leave the product or will not change the brand just because a certain feature or a colour is not available. You may probably say that okay this colour is not available I will go with this one, so you have a basically fallback plan in place in fact I would say in case you do not get what you desire. However take the example of a company which is into, a chemical company or petrochemical company which is into the manufacturing of polymers or probably elastomers or different kind of chemicals and they want to basically certain type of valve for their processes.

Procurement manager cannot go to the place or probably cannot go to a seller and he can ask a different type of wall because your plan by design of the plan your requirements are fixed and if a seller cannot offer you exactly the same type of design or the same type of offering as per your plan design needs you cannot take that product. So because of the technical requirements you will see that your requirements are very inflexible in B2B market and that is where a lot of customization is also required as per the customers need.

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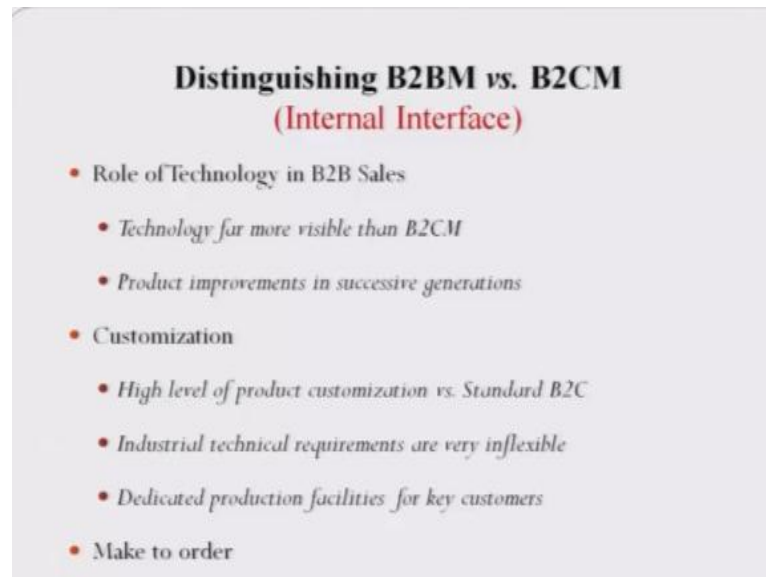
**Distinguishing B2BM vs. B2CM**  
**(Internal Interface)**

- Role of Technology in B2B Sales
  - *Technology far more visible than B2CM*
  - *Product improvements in successive generations*
- Customization
  - *High level of product customization vs. Standard B2C*
  - *Industrial technical requirements are very inflexible*
  - *Dedicated production facilities for key customers*

Dr. Shashi Shekhar Mishra: Another aspect which is very important in B2B market is that because the amount of or the quantity of the product being purchased by certain customers, the seller's generally have a dedicated facilities for certain customers or the key customers, so when you go and see some of this and slurries of the component manufacturer of these automobile companies you will find out something which you will observe is that the manufacturers have dedicated facility for some of the automobile companies.

And those facilities inside their entire manufacturing unit will only serve the requirements of those customers because the requirements are huge and because of continuous orders that you get and in turn basically that is a quite profitable business for you, you will like to share, dedicate your facilities for such kind of customers so that is a basically something which differentiated from B2C market. The last thing that

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Dr. Shashi Shekhar Mishra: I will talk about which differentiate B2B market versus B2C market is that since you have seen the kind of products which are being required by the customers they are heavy in terms of the investment, they require a time in the sense to produce, so you will see that this is a sort of make to order kind of thing. When you want a shampoo you go to a basically retail shop, just tell him that what brand you want and the seller will offer. However if you go to a manufacturer, seller of a plant or probably a big type of a processor or server or probably a generator the basically compressor, it may have it may happen that the seller will first take your requirements, he will take the orders, once you confirm the order he will go back, manufacture the product as per your requirement and deliver it.

So you will see that you may not have the instantaneous supply available like probably which is available in the B2C market. So these are some of the key differences in B2B market vis-a-vis probably with respect to business, to consumer market, and I will end this session here, when we will meet into the next session we will discuss further about B2B buying process, thank you very much.

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