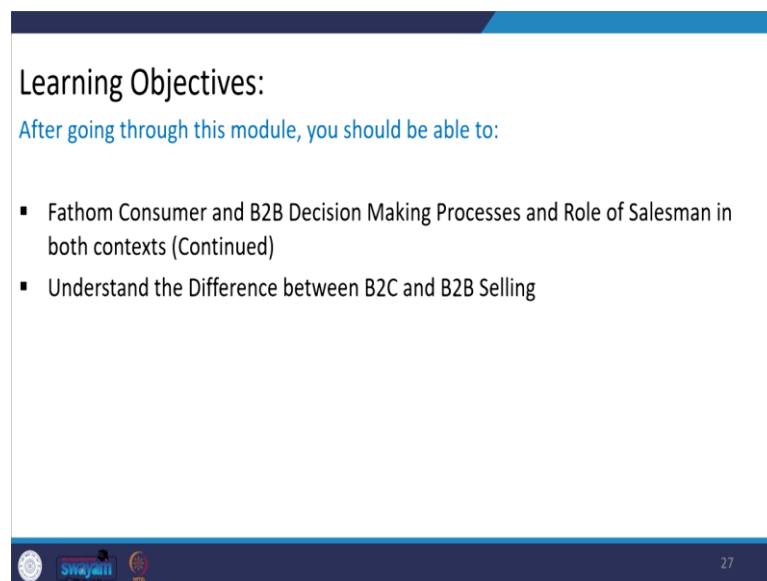


**Strategic Sales Management**  
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**Lecture - 19**  
**B2B Decision Making Process and Difference in B2B and B2C Selling and Consumer Behaviour**

Hello everyone, I welcome you all to the session 3 of the week 4 of the Strategic Sales Management course. So, as far as the last session was concerned, we basically discussed about the perspectives on consumer decision making processes where, we looked at the input part process part and finally, at the output part where we also discussed about the rule of or handling cognitive dissonance and specifically in all these stages. We also discussed what is the role, which is played by the salesman.

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**Learning Objectives:**

After going through this module, you should be able to:

- Fathom Consumer and B2B Decision Making Processes and Role of Salesman in both contexts (Continued)
- Understand the Difference between B2C and B2B Selling

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So, as far as today's session is concerned once we are done you will be able to understand the B2B decision making processes and definitely the role of salesman in this. Apart from that you will also understand the difference between B2C and B2B selling.

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**B2B Decision Making Process**

**Problem Recognition:** This happens when any kind of problem is recognized in the organization, which can be stimulated by both internal (company decides to develop a new product or the machinery has broken down or realization of production under capacity etc.) and external stimuli (new ideas at trade show or call from a sales-person).

The role of the salespersons here is to highlight the problems that might stimulate the sale. The job is to move the prospect or a consumer from the stage of internal/passive to internal/active.

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Now, when you talk about the B2B decision making processes, see if the fundamental things are going to be the same. Even a business organization is not going to buy the product for its own use until unless they recognize the problem. And even before buying they will also be having some you know evaluation criteria with which they will be definitely evaluating various options.

But the only differences or maybe one of the differences I would say usually B2B decision making is a long process. It takes a lot of time because you could have the whole buying center, people with different expectations from different departments, who could be evaluating the offer then it also might have a round of discussions or presentations before the final decision.

And definitely because even with respect to the resources involved or the resources which will be utilized with respect to what is being purchased that could be very high vis-a-vis a consumer decision making process. So, even in B2B decision making the first stage again is going to be problem recognition.

Now, particularly in business to business buying decisions there could be two kind of stimuli that might stimulate problem recognition. One is let us say, internal in which the company decides to develop a new product or maybe let us say the machinery which they are using is underperforming, or it has broken down or anything which is related to

internal factors. Let us say they might realize that the capacity with which we are operating now is very less.

Now, if we move to the new machinery or the new technology, then we could actually improve our performance. Otherwise, it might happen on account of external stimuli, which is they might you know get a new idea at a trade show. Or maybe they got a call from the sales person in which he successfully explained them what is so special about his offering then they decide to give it some time to evaluate it.

Now, in this case also it is very important with respect to the role of a sales person; first is that he might make the prospect realize their need. In the sense like if you put it technically his job is to move them from internal passive state to internal active state. Now, internal passive state simply means when they have realized that there is a problem, but still, they are not acting on it.

The engineer who is working in a plant might realize that we are operating under capacity or the machinery has kind of worn out and we need a new one. But still he might keep the things or he might maintain the status who might not put in a request for a new machinery; now, this is basically called as an internal passive stage. Now, the job of a salesman is to move them to internal active which means that they realize that there is a problem and they need to act on it.

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Even in internal/active situations, the role of the salesperson is to pin down differential cost advantage of their offering to the prospect and the customers.

**Need Description and Product Specification:** This stage is about defining needed items characteristics and quantity precisely by the decision making unit of the buying organization.

**Supplier Search:** Identifying most appropriate suppliers through trade directories, online search, referrals, trade advertisements and trade shows etc.

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Now, even in internal active situations it becomes very critical for the salesman to pin down or to make the prospect. Or customer realize that how his product or offering is going to help them solve problems or bring in a lot of benefits with respect to improving their existing performance. So, the whole idea is to make them act and this is only going to happen when the sales person makes them realize that there is a problem. And if you do not act on it is definitely going to be fatal for you in the times to come or even in the present times.

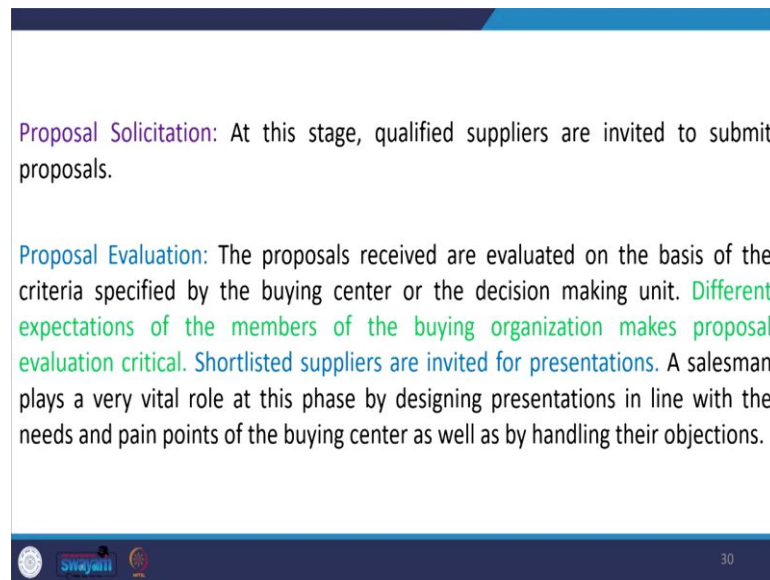
Now, once that is done when you talk about B2B buying there has to be very precise or critical need description and product specification. Let us say if they need a raw material or they need a sub part for a machinery or they need to buy something which will be utilized as an ingredient or a part for the product. They need to specifically pinpoint its specifications with respect to the size or various other parameters which need to fit in the required criteria.

Let us say if there is a car manufacturing company and they need to decide to buy the tires. So, they have to clearly pinpoint what is going to be the size, what is going to be the quality and a lot more other factors which might impact the performance of the final product. Now, this should be done by the decision-making unit or by the buying center or the technical team which is involved.

Now, once the need description in product specification is done they start reaching out to the suppliers to submit proposals, or this is more about soliciting various proposals with respect to the requirement.

Now, the other way could be you might go for an extensive search for suppliers through trade directives, when it is a technical product, or is only sold by a few. People you might go for online search, you might go with referrals, trade advertisements in which you might invite people. And also, you might also check if there is a particular person at a trade show or a seller at a trade show who can fulfil your requirement.

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**Proposal Solicitation:** At this stage, qualified suppliers are invited to submit proposals.

**Proposal Evaluation:** The proposals received are evaluated on the basis of the criteria specified by the buying center or the decision making unit. Different expectations of the members of the buying organization makes proposal evaluation critical. Shortlisted suppliers are invited for presentations. A salesman plays a very vital role at this phase by designing presentations in line with the needs and pain points of the buying center as well as by handling their objections.

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Once that is done as I said you will ask them to submit proposals or you will call for if we say technically this stage is about proposal solicitation. After the proposal solicitation part, it becomes important that they are evaluated properly. Now, this phase is all about you know the buying center or the decision-making unit we will check whether all the technical criteria specified are being met by the seller submitting the proposal or not.

Once they are satisfied then they can call a few short-listed suppliers for presentations. Now, in this case the role of salesman again becomes very crucial or very critical, one is before giving the presentations he or she should be very well prepared or should do an extensive needs analysis.

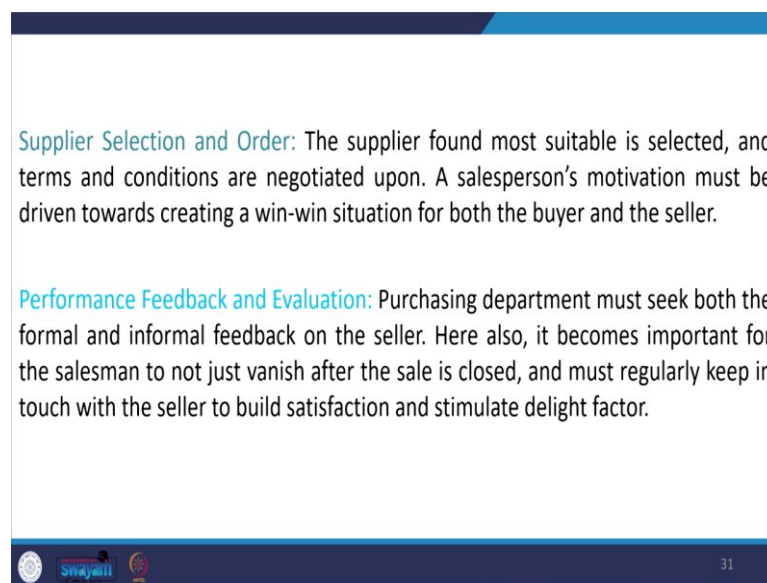
Apart from that they should also focus on handling, all kinds of objections, in one of the most efficient ways. Because, see if the objections or as we had discussed in one of our sessions if the objections are not handled well then definitely there is going to be a gap. With respect to here as well as the buyers understanding or maybe you might not be on the same page with respect to closing the deal.

Now, once you know the proposals have been evaluated, you are definitely going to select one of them and place an order. Now, in this case also you might have different rounds of negotiations to arrive at the best deal, but one thing which is very important is that the sales person should definitely strive to arrive at a win-win situation. Because if

you remember even when we are talking about the millers Heiman approach to strategic selling this was a very important facet.

Because if you arrive at a deal which is not beneficial for you, but is beneficial for the buyer, anyway you are at a loss and this is going to be bad business Now, if you arrive at a deal which is kind of beneficial for you, but not for the buyer. Then again it is not going to work in long term and with time he might realize that he and he or she might not even prefer to do business with you again.

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Now, once the order has been placed, then it is only going to be with time that you should go ahead and take both the informal and formal feedback on the seller. And as far as the sales person is concerned his job is all about not vanishing and making sure that he or she keeps in regular touch with the buyer and work towards building the satisfaction and delight factor.

Because see the whole idea is we are not looking at the short-term orientation of sales management in which once the deal is done. The rule of the sales person is order over that is not the case what we are looking at is the long term commitment with respect to even going ahead with cross selling and upselling by nurturing that relationship and stimulating the delight factor.

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The slide is titled "Concept of The Buy Class in B2B Decision Making" in green text. It lists three types of buy classes:

- Straight re-buy:** Same orders are placed to the same seller in the same quantity
- Modified Re-buy:** Terms are negotiated upon with the existing seller and a few new competitors could also be invited, requires alteration of existing supply procedures concerning prices, quality and delivery
- New Task:** Realization of a new need out of either internal or external stimuli. Whole process of B2B purchase process is followed. Time consuming process

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Now, there are three important concepts which again we need to understand with respect to B2B decision making or there is a one concept of a buy class but it has three sub dimensions. One is straight-re-buy, straight re buy simply means the same orders are placed to the same seller in the same quantity to what we just discussed.

Now, these are the people who have invested a lot in nurturing that relationship and co creating value with respect to their buyers. In the sense like they went ahead and they made sure that they were satisfied and delight element was brought in. And they kind of had discussions how they both can arrive at win-win situations or they mutually kept creating value for each other. But modified re buy in a situation where the terms could be negotiated upon with the existing seller and a new some new competitors could also be invited.

So, this might require an alteration of existing supply procedures concerning prices, quality and delivery. Now, in this case with respect to salesman what becomes important is that he should still strive to be on the preference list. Whereas, if you look at competitors they would get into the market and they will definitely try to offer something better to keep you out of the line now. Whereas the new task with respect to B2B buying or buying class is a situation where it is a new need may be arising out of any of the internal or external stimuli.

Then whole purchase process of B2B will be followed and this again is going to be a very time-consuming process. Now, I just gave you perspectives about the B2B decision making processes right. So, apart from that again there is one more concept that we need to understand which is called as the buy class. Now, it has basically three facets; one is the straight re buy, see in this case same orders are placed to the same seller in the same quantity which means there is no change right.

But still the role of the sales person even in straight rebuy is to reassure the buyer that they have made the right choice they have made the right decision. It is more like fostering their confidence and also working on the relationship; so, that they always give you that extra edge. Whereas the next facet is modified re buy, this is more like a situation where the terms of the contract or buying could be negotiated upon.

With the existing seller again and you know you might also see a few competitors getting into the picture. So, in this case what becomes important is that you go ahead and offer something extra I am talking about with respect to the salesman and you retain that particular customer or client of yours.

So, in this case also it becomes very important that you keep yourself updated with respect to who are the new players, what is it extra that they might be offering, or what it is so special about their product. Or maybe the unique selling proposition which might make it difficult for you to kind of retain those particular customers.

So, in this case also the role of the sales persons become critical, now the last is new task. Now, this is more like a situation where the even the business buyer is kind of facing the situation or a problem for the first time where they need to execute the B2B decision making process.

It is definitely going to be time consuming and it will kind of cover all the important, elements with respect to the role of a sales person with respect to making them feel that they need this product. Or how it is going to help them solve their problem, satisfy their needs or improve their business processes or efficiency.

Then with respect to presentations also all these things are going to come in picture with respect to handling objections, providing them all kind of right information and things like that. But new task simply indicates that this is the purchases being made for the first



time they have no past experience with respect to the product. Or even the sellers and it is definitely going to be a lot more time consuming with respect to the straight re buy and modified re buy. Now, once we are done with this, I think in the last leg what we will be discussing is the contrast between consumer and industrial buying.

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**Contrast between Consumer and Industrial Buying**

**Fewer Larger Buyers:** Organizational buyers usually cater to a small number of larger buyers. 80% of their produce could be sold to a few large customers. Alternatively, in consumer markets, customers are spread across the country.

**Professional Purchasing:** In organizational buying, it is the decision making unit or the buying center that makes the purchases in line with the organizational policies, constraints and requirements. However, in consumer buying, individuals makes choices on their own and the process may not be that complex, and time taking as it is in case of industrial buying.

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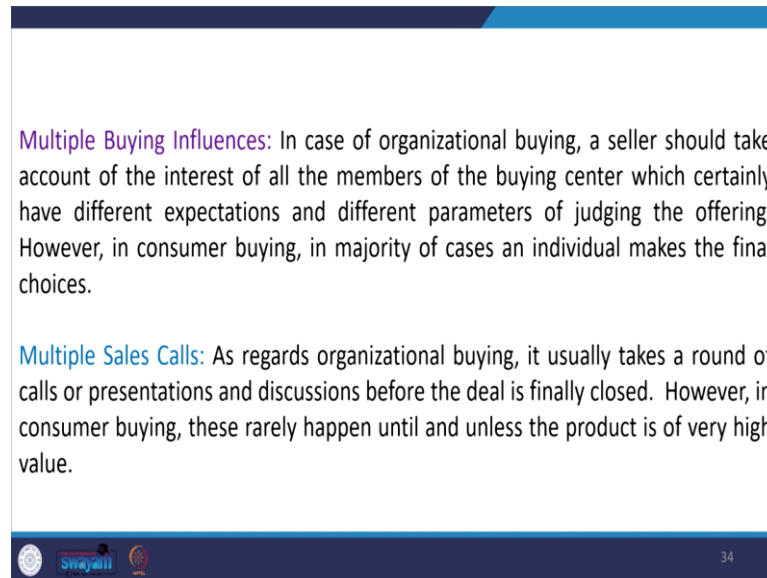
So, the first difference is fewer larger buyers; see if you talk about organizational buyers, they usually cater to a small number of large buyers. Large buyer's means who are buying in large quantity from you, but their count could be small right. So, this is one thing which kind of differentiates organizational buying from the consumer buying; whereas, as far as consumers are concerned you might have them in millions.

Just imagine for a particular brand of noodles you might have consumers spread across the country ranging from even Jammu and Kashmir to Kerala. So, these could be in millions, but this is not going to be the case with organizational buyers. Apart from that organizational buying or industrial buying is far more professional, see it is the decision-making unit or the buying center as we have been discussing.

They will be making all the purchases in line with the organization, policies, constraints and requirements. And they have to specify each and everything very clearly with respect to terms and conditions, very concrete you know specifications about what they exactly need, and all these facets are going to matter much more in the professional purchasing.

Whereas with respect to consumer buying you might have simply one individual making all the purchase and it is not very professional right. Professional in the sense like you might not have a committee in you know consumer buying with respect to the different products that you might need in your day-to-day life and things like that; whereas, in professional in industrial buying these things are going to be very different.

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**Multiple Buying Influences:** In case of organizational buying, a seller should take account of the interest of all the members of the buying center which certainly have different expectations and different parameters of judging the offering. However, in consumer buying, in majority of cases an individual makes the final choices.

**Multiple Sales Calls:** As regards organizational buying, it usually takes a round of calls or presentations and discussions before the deal is finally closed. However, in consumer buying, these rarely happen until and unless the product is of very high value.

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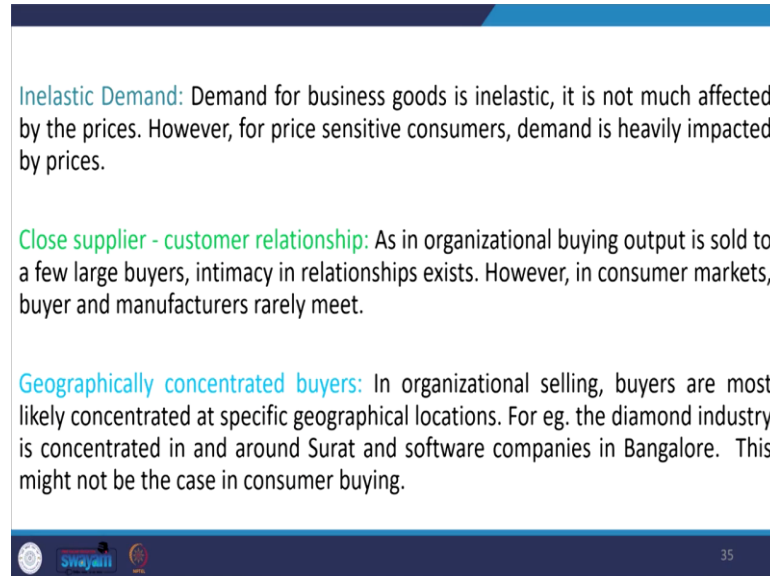
Third could be multiple buying influences, as we have already been discussing. When you talk about organizational buying you have a buying center in which you have people coming from different departments, with different mindsets with different expectations which makes it a lot more critical than consumer buying. Whereas, as already said in consumer buying you might have in majority of cases the single individual making all the choices.

Other difference could be as far as the organizational buying is concerned; you might have a round for presentations. You know different rounds where you could be discussing different things, but that is not going to be the case with consumer buying. See if you remember we also spoke about the concept of team selling right.

When you have different members you know who could; one could specialize in negotiation, one could specialize in let us say if the product is technical with respect to the nature of the product, one could specialization one could specialize in giving

presentations. So, all these people could be giving different presentations to the buying organization.

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**Inelastic Demand:** Demand for business goods is inelastic, it is not much affected by the prices. However, for price sensitive consumers, demand is heavily impacted by prices.

**Close supplier - customer relationship:** As in organizational buying output is sold to a few large buyers, intimacy in relationships exists. However, in consumer markets, buyer and manufacturers rarely meet.

**Geographically concentrated buyers:** In organizational selling, buyers are most likely concentrated at specific geographical locations. For eg. the diamond industry is concentrated in and around Surat and software companies in Bangalore. This might not be the case in consumer buying.

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So, when you talk about industrial buying, it is usually you know they have this element of inelastic demand which means, that when the prices fall the case is not going to be like you know the car companies will buy more of rubber or more of tires these things are not going to work like that. Whereas, as far as the consumer markets are concerned when the price falls, you will see a lot of consumers buying more of products.

Another thing which we can definitely consider in organizational buying is as the output is sold to a few large buyers there is intimacy in relationships. And we have also talked about the concept of the sellers going ahead and even making investments with respect to creating a mutual win-win relationship right. And maybe if it is a key account in which a major chunk of revenue is coming from them, they will definitely go ahead and make that investment, this might not exist in the case of consumer buying

Apart from that the other difference is you might see a lot of business buyers or organizational buyers concentrated at the specific geographical locations. This again is not going to be the case with consumer buying; you might see consumers spread across the country in different locations, in different territories, different cities, and even different villages.

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Difference between B2C and B2B Selling	
B2C	B2B
Ultimate market of millions of people, Salesman could be dealing with intermediaries too.	Fewer organizational buyers, 80% of the output could be sold to a few organizations/buyers
Consumers and manufacturers rarely meet	Close long-term relationships, Smaller customer base and importance of large accounts
Buying decisions could be both rational and emotional	Buying decisions depend more on rationality
Reciprocal buying hardly exists in consumer markets	Reciprocal buying
Individual purchases may not be that complex	More Complex because of the role of the buying center

So, these are a few things which actually differentiate B2C and B2B selling in the form of a table also it has been presented for you. So, even at this snapshot you will be able to kind of make out the difference that exists between B2C and B2B selling. So, as far as today's session was concerned, I hope you definitely gained some insights from B2B decision making processes.

So, thanking you for now we will be definitely meeting again in the next session.