MODULE-I
Consumer Goods Vs Industrial Goods

Consumer Goods
The goods which are bought for household use, personal use, or family use from retail stores are called "consumer goods." These are not meant for any further business transaction.

Industrial Goods
Goods which are bought by companies to produce other products which are sold later are called "industrial goods." These goods can be directly or indirectly used in the production of goods which are sold at retail.

B2B Vs B2C Marketing

1.B2B Marketing: Business Marketing refers to the sale of either products or services or both by one organization to other organizations that further resell the same or utilize to support their own system **where as B2C Marketing:** on the other hand refers to the transaction of goods and services between organizations and potential customers.

The above definitions of business marketing and consumer marketing highlight the difference between the two commonly used terms in marketing (B2B and B2C).Business marketers do not entertain consumers who purchase products and services for their end-use. They deal only with other businesses/firms to sell their products.

In consumer markets, products are sold to consumers either for their own use or use by their family members.

2. In business marketing, marketers deal with lesser number of individuals as compared to consumer marketing where one has to deal with the mass market.
3. Business marketers need to be extremely careful about their mode of communication.
4. Technical specification is more important than that of emotion and sentiments in b2b marketing.

Factors affecting industrial buying behaviour

Industrial buying behavior is the pattern of actions by a company involved in manufacturing, processing and other heavy industry. Many of these companies are required to make regular purchases as a means of supplying their businesses. Although each company and each industry will have buying behavior affected by its own set of factors, there are several main variables that can affect industrial buying as a whole.

Demand

Perhaps the main driver of industrial buying is demand. The amount of buying that an industrial concern will do is directly depended on the amount of business that the company can expect in the near future. Generally, if a company expects higher demand, then it will stock up on raw materials as a means of ensuring that it will be able to meet consumer demand and maximize revenue.

Price

Buying patterns are also affected by the price of the materials the companies are purchasing. When prices are higher or the company expects a decrease in the near future, the company may choose to hold off making purchases, so as to save money.

Economy
In addition to current demand and the current prices for a product, industrial companies may look to the economy as an indication of the future availability of materials relative to the consumer demand for them. If the economy is trending upward, the company may purchase more based on the expectation of a future rise in sales, while a downward trending economy may push it to the opposite course of action.

Technological Changes
In addition, industrial companies are heavily influenced by changes in technology that affect both the provision of goods and their own requirements. For example, if purchasing a piece of technology means that a raw material becomes cheaper to use, then the company may choose to invest in the new technology. Similarly, the acquisition of new technology will often change the company's buying habits, as the technology will have different raw material requirements to run.
The business buying decision process involves five distinct stages. At each stage, different decision makers may be involved, depending on the cost and strategic importance of the purchase. To navigate the buying decision process successfully, you need to provide the right type of information and ensure that your sales representatives are contacting the right decision makers. You can also strengthen your position by offering customers advice and guidance at each stage – a process known as consultative selling.

Organization buying behaviour and decision making process

Awareness and Recognition

The process begins when a company **identifies a need for a purchase**. It may want to replace an existing item, replenish stocks or buy a new product that is just available on the market. You can also stimulate a need that the company may not be aware of by advising them of issues and challenges that other companies in their industry face.

The buying team next works with the requesting department to firm up on the requirement. Your sales team can provide advice and guidance at this stage by offering discussion papers or inviting decision makers to workshops or seminars on the topic.

Specification and Research
When the buying team has agreed requirements, it prepares a **detailed specification that sets out quantities, performance and technical requirements** for a product. Your sales team can support this stage by advising the buying team on best practice or collaborating with the buying team to develop the specification. Buying teams then use the specification to search for potential suppliers. They may search the internet to find products or companies that provide a match to their specification, so it is important that your website features keywords that match your customers' product or service needs.

Request for Proposals
When the buying team has identified potential suppliers, it asks for **detailed proposals from the suppliers**. The team may issue a formal document known as a request for proposal, or it may outline requirements and invite potential suppliers to make a presentation or submit a quotation. If the product or service has a precise specification, the buying team may simply ask for price quotations. If the product is more complex, it may ask for proposals on how a supplier would meet the need.

Evaluation of Proposals
The buying team evaluates **suppliers' proposals** against criteria such as price, performance and value for money. As well as evaluating the product, they assess the supplier on factors such as corporate reputation,

financial stability, technical reputation and reliability. You can influence decisions at this stage by providing company information, case studies and independent reports that review your company and products.

Order and Review Process
Before the buying team places an order with the chosen supplier, they negotiate price, discount, finance arrangements and payment terms, as well as confirming delivery dates and any other contractual matters. When the order is complete and delivered, the buying team may add a further stage by reviewing the performance of the product and the supplier. This stage may include imposition of penalty charges if the product fails to meet the agreed specification.

Buying Grid
Buying grid framework is a conceptual model for buying processes of organisations. The industrial buying is not a single event, but an organisational decision-making processes where multiple individuals decide on a purchase. Their framework consists of a matrix of buyclasses and buyphases.

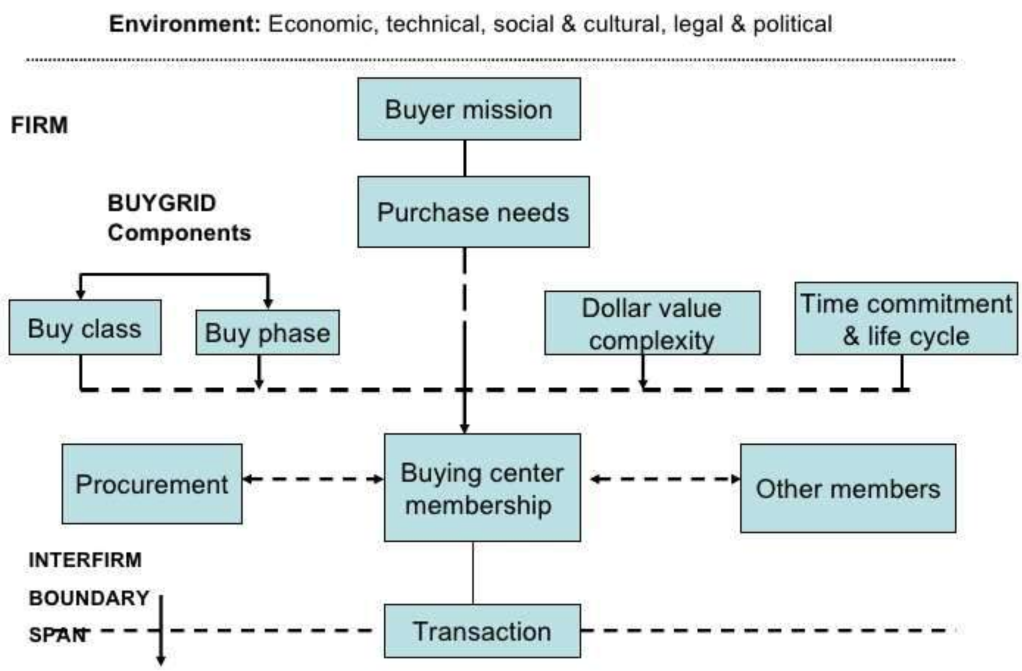
The BUYCLASSES are:

1. New Tasks
The first-time buyer seeks a wide variety of information to explore alternative purchasing solutions to his organisational problem. The greater the cost or perceived risks related to the purchase, the greater the need for information and the larger the number of participants in the buying centre.

2. Modified Rebuy
The buyer wants to replace a product the organisation uses. The decision making may involve plans to modify the product specifications, prices, terms or suppliers as when managers of the company believe that such a change will enhance quality or reduce cost. In such circumstances, the buying centre proved to require fewer participants and allow for a quicker decision process than in a new task buyclass.

3. Straight Rebuy
The buyer routinely reorders a product with no modifications. The buyer retains the supplier as long as the level of satisfaction with the delivery, quality and price is maintained. New suppliers are considered only when these conditions change. The challenge for the new supplier is to offer better conditions or draw the buyer's attention to greater benefits than in the current offering.

A model for determining composition of organizational buying center



Based on field research, Robinson, Faris and Wind divided the buyer purchase process into eight sequential, distinct but interrelated BUYPHASES:

1. recognition of the organisational problem or need;
2. determination of the characteristics of the item and the quantity needed;
3. description of the characteristics of the item and the quantity needed;
4. search for and qualification of potential sources;
5. acquisition and analysis of proposals;
6. evaluation of the proposals and selection of suppliers;
7. selection of an order routine;
8. performance feedback and evaluation.

Buying Center

A buying centre is comprised of all those individuals and groups who participate in the buying decision-making process, who share some common goals and the risks arising from these decisions. Before identifying the individuals and groups involved in the buying decision process, a marketer must understand the roles of buying centre members. Understanding the buying centre roles helps industrial marketers to develop an effective promotion strategy.

But on an average a buying center of an organisation has the following seven members or a group of members who play these roles:

1. Initiators:

Usually the need for a product/item and in turn a supplier arises from the users. But there can be occasions when the top management, maintenance or the engineering department or any such recognise or feel the need. These people who "initiate" or start the buying process are called initiators.

2. Users:

Under this category come users of various products. If they are technically sound like the R&D, engineering who can also communicate well. They play a vital role in the buying process. They also act as initiators.

3. Buyers:

They are people who have formal authority to select the supplier and arrange the purchase terms. They play a very important role in selecting vendors and negotiating and sometimes help to shape the product specifications.

The major roles or responsibilities of buyers are obtaining proposals or quotes, evaluating them and selecting the supplier, negotiating the terms and conditions, issuing of purchase orders, follow up and keeping track of deliveries. Many of these processes are automated now with the use of computers to save time and money.

4. Influencers:

Technical personnel, experts and consultants and qualified engineers play the role of influencers by drawing specifications of products. They are, simply put, people in the organisation who influence the buying decision. It can also be the top management when the cost involved is high and benefits long term. Influencers provide information for strategically evaluating alternatives.

5. Deciders:

Among the members, the marketing person must be aware of the deciders in the organisation and try to reach them and maintain contacts with them. The organisational formal structure might be deceptive and the decision might not even be taken in the purchasing department.

Generally, for routine purchases, the purchase executive may be the decider. But for high value and technically complex products, senior executives are the deciders. People who decide on product requirements/specifications and the suppliers are deciders.

6. Approvers:

People who authorise the proposed actions of deciders or buyers are approvers. They could also be personnel from top management or finance department or the users.

7. Gate Keepers:

A gatekeeper is like a filter of information. He is the one the marketer has to pass through before he reaches the decision makers.

Understanding the role of the gatekeeper is critical in the development of industrial marketing strategies and the salesperson's approach. They allow only that information favourable to their opinion to flow to the decision makers.

By being closest to the action, purchasing managers or those persons involved in a buying centre may act as gatekeepers. They are the people whom our industrial marketer would first get in touch with. Hence, it so happens that information is usually routed through them.

B2B Marketing Environmental Factors