

6.2: Buying 101

Learning Objectives

- Describe the different types of customers and why this information is important in determining customers' needs.
- Discuss the implications of Maslow's hierarchy of needs for selling.
- Learn the types of buyers and buying situations in the business-to-business (B2B) environment.

You walk into an Abercrombie & Fitch store at the mall, and without thinking about it, you turn to the right and make your way through the denim, past the belts, and to the sweaters. You are so engaged in the experience that you didn't even realize that the huge mural at the entrance to the store serves a purpose other than to make you look twice at the hot model in the larger-than-life photo. Before you know it, one of the oh-so-gorgeous salespeople dressed in Abercrombie from head to toe approaches you with a smile. "These hoodies are awesome," she says as you pick up the pale blue one.

Shopping. It's the national pastime for some but a detested necessity for others. Whether you love shopping ("Oh, that is soooooo cute!") or do everything to avoid it ("I'm not going to the mall, no matter what"), it is a major source of spending in the United States. In fact, the retail industry generated \$4.475 trillion in sales in 2008, including everything from products and services in retail stores and e-commerce to food service and automotive. Barbara Farfan, "Retail Industry Information: Overview of Facts, Research, Data, and Trivia," About.com, <http://retailindustry.about.com/od/statisticsresearch/p/retailindustry.htm> (accessed August 3, 2009). That's a lot of selling—and a lot of buying. But what makes you stop and pick up one sweater but not another? What makes you buy a pair of jeans you weren't even looking for? What makes you walk out of the store spending more than you had planned?

Inside Consumer Behavior

The science of consumer behavior describes and even defines how you shop and, more importantly, why you buy. Smart retailers study consumer behavior patterns and lay out their stores and merchandise accordingly. For example, did you know that 86 percent of women look at price tags when they shop, while only 72 percent of men do? Paco Underhill, *Why We Buy: The Science of Shopping* (New York: Touchstone, 1999), 99. And did you know that the average shopper doesn't actually notice anything that's in the entrance of a store? According to Paco Underhill, famous marketer, CEO and founder of EnviroSell, and author of the book *Why We Buy: The Science of Shopping*, consumers don't actually begin shopping until a certain point after they enter the store. That's why smart retailers include a "transition zone" at the entry to their store; it allows customers to get their bearings and choose their shopping paths. In other words, products, signs, and displays that are in the very front of the store might not be seen if there is not a transition for the customers when they enter. In the case of Abercrombie & Fitch, the transition is the space just inside the entrance that includes the humongous photo of the Abercrombie model du jour. When you go into Hollister, it's the outside porch that serves the same purpose; it's a transition that allows you to get your focus and plot your course in the store, even if you don't consciously realize it.

Think about the last time you went into a grocery store or drug store; you might not have noticed anything until you were well inside the store, which means that the merchandise and signs that were displayed in the area before you got your bearings were virtually invisible to you. Paco Underhill, *Why We Buy: The Science of Shopping* (New York: Touchstone, 1999), 46. Based on consumer research, there's a high likelihood that you turned right when you entered the store. Take note the next time you go shopping; chances are, you'll turn right after you walk in. Paco Underhill, *Why We Buy: The Science of Shopping* (New York: Touchstone, 1999), 46.

Understanding how and why customers buy can make a significant difference in how you sell. Is the product a considered purchase, like a computer or car, or an impulse buy, like a sweater or music download? Is the product bought frequently, like an energy drink, or only once every few years or even once in a lifetime, like a car or a college education? For each of these products, the customer goes through a buying process. Understanding the customer and the buying process can make your selling efforts successful. This video featuring Martin Lindstrom, the author of *Buyology: Truths and Lies about Why We Buy*, highlights the science of consumer behavior in selling and marketing.

Interesting Video on Identifying Customer Needs



Do You Need It or Want It?

Think of something you need, like an annual medical checkup, a new apartment because your lease is up, or even food to survive. There are some products and services you purchase solely because you can't exist without them. Now think about something you want: a new pair of jeans, an iPhone, tickets to a concert. There is a significant difference in what motivates you to buy products and services you need, compared to those you want.

Needs versus Wants

Needs are essentials, those products and services you literally cannot live without. Food, shelter, clothing, transportation, and health care are all examples of needs. **Wants**, on the other hand, are products, services, and activities that can improve your quality of life; you don't need them to exist, but rather you desire to have them because you think they will make you happy. Kristin Biekkola, "Needs versus Wants," slide show, Wisc-Online.com, http://www.wisc-online.com/objects/index_tj.asp?objID=ABM3302 (accessed August 2, 2009). Cell phones, vacations, sporting events, restaurants, amusement parks, cable television, and fashion are all examples of wants. People are motivated differently depending on if they are making a purchase for a need or a want.

Needs and wants have different motivations. Think about buying a car; you could focus on the functional attributes of the car such as miles per gallon, maintenance costs, and safety ratings. Those are considered **utilitarian needs**, or the objective, tangible aspects of a product or service. Michael R. Solomon, *Consumer Behavior: Buying, Having, and Being*, 8th ed. (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 133. So, if those were your only needs, you might choose a Smart Fortwo, Ford Focus, or Toyota Prius. But you might want to have something a bit sportier, maybe even hipper, to get around campus, and you might choose a Mini Cooper, a Scion, or even a Jeep. These cars would do more than simply provide transportation; they would meet your **hedonic needs**, which are subjective aspects of a product or service. Michael R. Solomon, *Consumer Behavior: Buying, Having, and Being*, 8th ed. (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 133. You might choose to buy a Mini Cooper because you can customize the design online. That would certainly meet a need other than providing basic transportation. Some people buy a BMW because they want the status that goes with owning that make of car, or perhaps they think that having a Mercedes-Benz means they have arrived.

When you understand the difference between needs and wants and between utility needs and hedonic needs, you are better able to tailor your selling communications. Listen to consumer behavior expert Dr. Michael R. Solomon discuss the difference between needs and wants and the impact it has on selling.



Interview with Dr. Michael Solomon. Needs versus wants.

Maslow's Hierarchy of Needs

When Hurricane Katrina hit the United States on August 28, 2005, the Gulf Coast was devastated. Thousands of people were stranded for days, some without food, water, or shelter due to overwhelming flooding. Almost two thousand people lost their lives in the natural disaster. United States Department of Health and Human Services, (accessed August 2, 2009). During those horrible days and in the aftermath, those who were affected by the catastrophe did not care what kind of car they drove, what anyone did for a living, or if they forgot to sign up for French or scuba lessons. They were focused on the basics: food, shelter, and clothing.

This tragedy is a demonstration of exactly how **Maslow's hierarchy of needs** works. Abraham Maslow is among the most renowned psychologists of the twentieth century. His theory explains human behavior in simple terms: A hierarchy of needs that begins with the most basic of **physiological needs** (e.g., food, water, shelter, and clothing) motivates people, and when the lowest-level needs are satisfied, they are no longer motivators.

During the days after Hurricane Katrina hit, people were rescued and provided with water, food, and shelter. Many were relocated to temporary housing or even to housing outside the affected areas. It was not until after the physiological needs were met that people became concerned about the next level of needs on Maslow's hierarchy: **safety needs**. Looting of shops in some of the cities began to occur, and there was even concern that the police force in some cities was not taking an active role in arresting those who were breaking the law. Associated Press, "Looters Take Advantage of New Orleans Mess," *msnbc.com*, August 30, 2005, (accessed August 2, 2009). The people of the Gulf Coast were no longer motivated by simply getting water, food, or shelter; they had moved up Maslow's hierarchy and were concerned about their personal security and well-being.



Figure

6.2.3: Maslow's hierarchy of needs demonstrates that humans fill higher needs only after lower needs are met.

As the days and weeks passed after Hurricane Katrina hit, its victims wanted to get back to their normal lives. They searched for options to put their children back in school, ways to get jobs, and options to rebuild their lives. By Christmas 2005, people stopped to celebrate the holiday together. According to a story reported by CBS Evening News on December 25, 2005, about the Christmas gatherings in New Orleans, “The will to be home for the holidays outweighed everything else.” Joel Roberts, “Christmas After Katrina,” *CBS Evening News*, December 25, 2005, (accessed August 2, 2009). By this time, they were motivated by **social needs**, or the need to belong and have an attachment or bond to others.

Slowly but surely, people began to rebuild their lives and their cities. People took on leadership roles and began to take recovery to the next level. Even people who were hundreds of miles away from the hurricane-ravaged area wanted to help. Volunteers from all over the country began to make the pilgrimage to the Gulf Coast to help in any way they could. In fact, volunteer vacations to help rebuild cities such as New Orleans became commonplace and are still going on today. Sheryl Kane, “Volunteer Vacations: Rebuilding New Orleans,” June 26, 2009, SingleMindedWomen. This is an example of **esteem needs**, or the need to feel respected and appreciated by one’s peers. Although volunteers were motivated by social needs and the need to help their fellow human beings, they found that they were also greatly appreciated for their efforts.

Although recovery will be going on for years to come, many of the people affected by the destruction of Hurricane Katrina are striving for **self-actualization**, which focuses on learning new skills, taking on new challenges, and “being all you can be.” John and Starr Chapman are perfect examples of this; their restaurant, Chappy’s Seafood Restaurant, was lost in the hurricane. The couple relocated to Nashville, Tennessee, and in 2006, opened Chappy’s on Church Street. Although it was challenging and overwhelming at times, the husband-and-wife team is not only surviving but also thriving after this life-changing experience. Joy Messer, “Survivors of Hurricane Katrina Overcome Adversity and Open ‘Chappy’s on Church Street,’” July 23, 2008, Associated Content.

✓ Power Point: Lessons in Selling from the Customer’s Point of View

Self-Actualization Means Help for Others

Nikki Olyai, president and CEO of Innovision Technologies, recently made a significant investment for her company and purchased new software and hardware. Her buying philosophy? Nikki looks for a strong value system, trust, commitment, a proactive approach to helping her solve her business problems, and cost-effectiveness. But she expects more from a vendor and business partner; she gives extra consideration to vendors who have demonstrated a commitment to community service and development. Nikki believes that businesses and their vendors need to give back to the communities they serve.

This all comes together at the point of sale, whether you are selling in business-to-consumer (B2C) or business-to-business (B2B) environments. When you understand the motivation of your customer, you can customize your solution and your message to meet their needs, emotions, and motivations. Consider the Hurricane Katrina example; would you attempt to sell fine jewelry, pitch the benefits of a landscaping service, or suggest a home theater system to someone in New Orleans on August 29, 2005? Probably not. People were focused on their most basic needs at that time, and none of these products or services would have been appropriate to sell. Although this may seem like an extreme example, it’s a good way to remember to look at the world through your customer’s eyes, as you’ll see a completely different view. Now that you can see what motivates people to buy, it’s time to learn who is buying. Although the buying process is similar for B2C and B2B, there are some distinct differences that can make a difference in the way you sell.

Business-to-Consumer (B2C) Buying

Think back to your visit to the Abercrombie & Fitch store. It’s pretty obvious that you are the customer, or in marketing parlance, you are the **consumer**, the end user of the product or service. You might be shopping for yourself or buying a gift for a family member or a friend. Either way, you (or the person to whom you are giving the product) are the ultimate consumer, which is what defines B2C buying. So, whether you are buying a cell phone and service at a Verizon store, a music download from iTunes, or a burger and fries at Burger King, you are buying in the B2C arena. Even though you may behave differently than your brother or roommate in terms of your purchasing decisions, you are all described as B2C customers because you are the ultimate consumer of the products or services you buy.

✓ Why People Buy: Virtual Purchases

Clothes for your avatar, “bling” for your online profile, or a virtual birthday cupcake are all reasons to make digital purchases virtually: paying real money for something that exists only online. Facebook, SecondLife.com, and Stardolls.com are just a few Web sites that give users the option to buy virtual goods. Why do people buy things that aren’t even real? For some of the same reasons people buy the real thing: to be able to do more (i.e., increase functionality), build relationships, and establish identity. Jeremy Liew, “Why Do People Buy Virtual Goods?” *Wall Street Journal*, February 9, 2009, <http://online.wsj.com/article/SB123395867963658435.html> (accessed August 1, 2009).

Business-to-Business (B2B) Buying

With B2B customers, sometimes referred to as **organizational (or institutional) markets**, there are several different types of situations that define needs and purchasing behavior. Some companies buy products to sell directly to consumers, whereas others purchase products as ingredients or components to produce their product. Still other companies lease products or services, while others serve the public, such as government or nonprofit organizations. Each of these different types of companies and organizations has different needs and requirements that impact the buying process. Michael R. Solomon, Greg W. Marshall, and Elnora W. Stuart, *Marketing: Real People, Real Choices*, 5th ed. (Upper Saddle River, NJ: Pearson Prentice Hall, 2008), 179.

Producers

Companies that buy products to make or build a product or service to sell for a profit are called **producers**. For example, in the case of Reebok, the company purchases components for its athletic shoes from a variety of vendors around the world. Reebok uses the components to manufacture the shoes and sell them to retailers such as Foot Locker, which in turn, sell the shoes to consumers like you. In this example, Reebok is engaged in B2B buying as a producer because the company purchases parts or materials to make shoes and then sells them to other companies. Barton A. Weitz, Stephen B. Castleberry, and John F. Tanner, Jr., *Selling: Building Partnerships*, 7th ed. (New York: McGraw-Hill Irwin, 2009), 86. Reebok is a B2B purchaser but not a B2C seller; the company markets its brand directly to B2C consumers to gain recognition and drive consumers to participate in B2C buying at retailers that carry its brand.

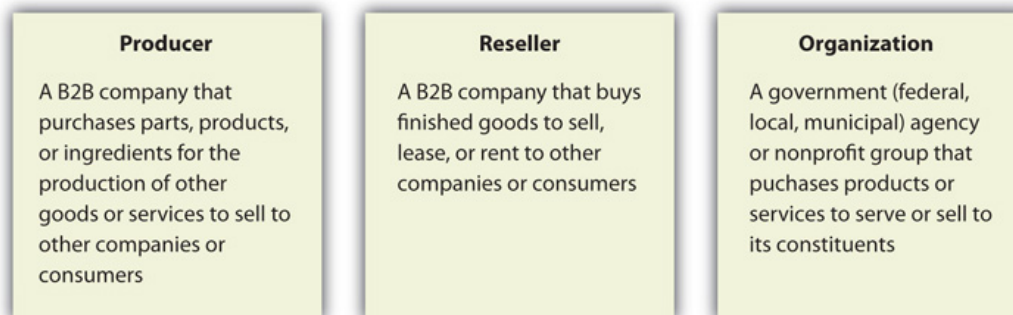


Figure 6.2.4: Types of B2B Buyers

Resellers

Resellers purchase finished goods to sell, lease, or rent to B2B or B2C purchasers. In the example above, Foot Locker is a reseller because the company buys finished products from manufacturers such as Reebok, Nike, New Balance, Ryka, and others. In other words, Foot Locker doesn’t manufacture products but rather buys them from other companies to sell them. It’s important to note that although Foot Locker buys in the B2B arena as a reseller, the company sells in the B2C arena because it sells its products to the ultimate consumer. Michael R. Solomon, Greg W. Marshall, and Elnora W. Stuart, *Marketing: Real People, Real Choices*, 5th ed. (Upper Saddle River, NJ: Pearson Prentice Hall, 2008), 180. Besides retailers, other types of resellers are wholesalers, brokers, and agents.

Organizations

organizations include government bodies (federal, local, and municipal, as well as the District of Columbia) and nonprofit groups (churches, hospitals, colleges, and cause-related groups like the American Red Cross). The government is a huge consumer, using over \$1 trillion in goods and services annually. Barton A. Weitz, Stephen B. Castleberry, and John F. Tanner, Jr., *Selling: Building*

Partnerships, 7th ed. (New York: McGraw-Hill Irwin, 2009), 88. In fact, according to the U.S. government budget in 2010, the government outlays are projected to be 24.4 percent of the U.S. gross national product. Office of Management and Budget, “Updated Summary Tables, May 2009: Budget of the U.S. Government, Fiscal Year 2010,” http://www.usgovernmentspending.com/us_20th_century_chart.html (accessed August 2, 2009). This makes the U.S. government the single largest customer in the world. In fact, government purchases are so large that when the Obama administration decided to replace its fleet of government vehicles in 2009, it purchased 17,205 cars for a total of \$287 million—that’s just one government purchase! Jeremy Korzeniewski, “U.S. Government Buys 17,205 Cars for \$287 Million, Ford Represents,” Autoblog Green, (accessed August 2, 2009). As a result of the government being such a huge customer, there are processes for prospective vendors to apply to provide products or services to the government. The Web site <https://www.fbo.gov> provides information about federal business opportunities. Michael R. Solomon, Greg W. Marshall, and Elnora W. Stuart, *Marketing: Real People, Real Choices*, 5th ed. (Upper Saddle River, NJ: Pearson Prentice Hall, 2008), 181.

Nonprofit organizations such as the Salvation Army, the Susan G. Komen Foundation, the American Cancer Society, churches, schools, shelters, and others are also B2B purchasers of goods and services. Some may be producers, such as a soup kitchen that buys ingredients for soup and other meals, and some may be resellers, such as the yellow bands for LIVESTRONG, the Lance Armstrong Foundation. Lance Armstrong Foundation, (accessed August 2, 2009).



Figure 6.2.5: Nonprofit organizations such as the Lance Armstrong Foundation are purchasers of products and services. Lance Armstrong Foundation, (accessed August 2, 2009).

Big Differences

B2C and B2B purchasers are different for several reasons. The most important differentiator is that consumers purchase for their own consumption (or the consumption of their household or friends), whereas B2B customers purchase to produce or resell the product to a company or the ultimate consumer. There are also several other key differences between B2C and B2B buyers. Generally, B2C buying is based—for the most part—on impulse, low-risk decisions for products and services that are readily accessible. Whether you shop online, in a store, or at a direct selling party, your buying decisions impact only yourself and your family and do not put you at risk. Although you may make some significant buying decisions such as a house or a car, your options are easily accessible (go online, go to the mall or store), and your decisions don’t put you in danger of losing anything—except, of course, if you spend money you don’t have.

Table 6.2.1: Comparison of B2C and B2B Buying Decisions

B2C Buying Decision	B2B Buying Decision
Impulsive	Methodical
Simple	Complex
May or may not be budgeted	Budgeted
Low risk	High risk
Individual decision	Coordinated decision with buy-in and approval from many people
May or may not include some research	Analytical including cost-benefit analysis

Source: Data from Randy Shattuck, “Understand the B2B Buying Cycle,” (accessed August 1, 2009).

However, in a B2B buying decision, the buying decision is complex, and there is significant risk because a single decision can affect the quality of a product or service offered by a company to its customers, safety of consumers, or even profitability of the company. If a B2B buying decision is the wrong decision, the person or people who made the decision might suffer the consequences, including the loss of his job. Randy Shattuck, “Understand the B2B Buying Cycle,” (accessed August 1, 2009).

Size of Purchases

Because B2C buyers are purchasing only for their consumption or for the consumption of a limited number of people, the size of the purchases is relatively small. By contrast, B2B purchases are significant because the companies are purchasing to sell to other

companies or to many consumers. Consider this difference: you might buy ten pairs of jeans in a year, but Nordstrom buys hundreds of thousands of pairs of jeans to stock in their inventory. Michael R. Solomon, Greg W. Marshall, and Elnora W. Stuart, *Marketing: Real People, Real Choices*, 5th ed. (Upper Saddle River, NJ: Pearson Prentice Hall, 2008), 177. The size of B2B purchases is always significantly larger than B2C purchases simply because a company is buying for more than one consumer.

Multiple Buyers

If you think it's difficult to keep everyone in your apartment happy with the food purchases you make at the supermarket, that's easy compared to the number of people involved in a B2B purchasing decision. In most B2B transactions, there are multiple decision makers involved in each purchase. Think about your trip to the supermarket from the B2B buyer's perspective. The decision about which products to stock on the shelves was ultimately made by someone who holds the title of "buyer" in the company. However, she could not decide unilaterally what to carry in the bottled water section. She has to understand which bottled water her customers want, consult with the general merchandise manager, who is responsible for the shelf space, and the vice president of merchandising, who oversees all product choices. She may even need to make a presentation to a buying committee before she makes the decision to carry another flavor of Vitaminwater. She will need to get approval for the money to invest in the inventory and shelf space. Depending on the organization and the size and impact of the decision, several people from several different departments may be involved in a B2B buying decision.

Number of Customers

There are over three hundred million people who live in the United States and approximately a hundred million households. However, there are less than half a million businesses and other organizations. Michael R. Solomon, Greg W. Marshall, and Elnora W. Stuart, *Marketing: Real People, Real Choices*, 5th ed. (Upper Saddle River, NJ: Pearson Prentice Hall, 2008), 177. Because B2B buyers are making decisions that may ultimately impact the sale of a product or service to millions of consumers, there are naturally fewer businesses. Consider the fact that according to the United States Census Bureau, there are only 7,569 hospitals in the country, yet there are over 110 million visits to emergency rooms annually. United States Census Bureau, (accessed August 2, 2009).

Geographic Concentration

Since there are many fewer businesses and organizations compared to the number of ultimate consumers, it makes sense that there is a geographic concentration of B2B customers. For example, the fashion industry is primarily located in New York, filmmaking in Los Angeles, and technology in Silicon Valley. B2B buyers can determine where they want to be located based on resource or on access and can even choose where to build warehouses or call centers based on costs, transportation, and availability of labor. Michael R. Solomon, Greg W. Marshall, and Elnora W. Stuart, *Marketing: Real People, Real Choices*, 5th ed. (Upper Saddle River, NJ: Pearson Prentice Hall, 2008), 178.

B2C Buyers	B2B Buyers
Make buying decisions for individuals or households	Make buying decisions for companies that serve other companies or many consumers
Purchase size is small	Purchase can be in the millions or billions of dollars
One buyer, may include some influencers or other users	Many people, even departments involved in buying decision
300 million people in the United States; 100 million households	500,000 businesses and organizations in the United States
Located throughout the United States	Concentrated in areas based on cost, access, and availability of resources to produce products or services

Figure 6.2.7: Comparison of B2C and B2B Buyers

Business-to-Business Means Person-to-Person

Although B2C buying behavior is very complicated, B2B buying behavior is even more complex. The fact is, although it's called business-to-business buying, the term actually describes *people* doing business with *people*. A *business* never makes a buying decision; the decision is made by *people* who work for the company. So B2B buying decisions are subject to the same behaviors as B2C buying decisions, but on a more challenging level because B2B buying decisions usually include multiple decision makers, an extensive evaluation process, extended analysis, and they represent a high risk on the part of the decision makers.

While many B2B buying decisions are made by an individual decision maker, many are made by a group of people working together, usually from different departments. When this is the case, the group is called a **buying center**, all the people in a group who are involved in the buying decision. Michael R. Solomon, Greg W. Marshall, and Elnora W. Stuart, *Marketing: Real People, Real Choices*, 5th ed. (Upper Saddle River, NJ: Pearson Prentice Hall, 2008), 184. For example, hospitals use buying centers to make decisions on new equipment, a retail company might use a buying center to determine which point-of-sale register system to purchase. The buying center usually includes people from the organization who have expertise in different areas, and each may play a different role in the buying decision. Following are some roles that may be included in the buying center.

Users

The people in the B2B buying process may include some or all of the following roles. **Users** are the people who are actually using the product or service. In the case of a company purchasing a telecommunications system, the users are all employees of the company because each uses the telephone, Internet, and other communications technologies. But in the case of a company purchasing a security system, only the employees in the security department would be users of the product; other employees would simply enjoy the benefits of the product without actually using it. Because the users' satisfaction is so important, many companies involve users at various points throughout the buying process, including gathering input, participating in product demonstrations, or even using the product as a test.

Initiators and Influencers

Initiators are those people in the company who start the purchasing process for a particular product or service. Barton A. Weitz, Stephen B. Castleberry, and John F. Tanner, Jr., *Selling: Building Partnerships*, 7th ed. (New York: McGraw-Hill Irwin, 2009), 97. For example, the e-commerce manager in the marketing department may begin the process of seeking a new technology provider for e-mail and social networking services on the company's Web site. However, he may not be the final decision maker. There may be several departments involved in the purchasing decision including marketing, IT, and customer service, just to name a few. The e-commerce manager will most likely be a user and will take part in the buying process. In fact, he may even be an **influencer** in the final buying decision because he can lend his expertise to the team of people who will be making the final decision. He may compare the offerings from competitive companies, do a competitive cost analysis, and even conduct a cost-benefit analysis to determine which product will provide the most benefit for the least amount of cost. He might have a preference of which vendor to choose as a result of this information and his knowledge of the different companies in the industry. His influence may be quite significant as to what choice the company makes for the purchase. There may be other people in the organization who are also influencers, such as the IT manager, customer service manager, and others.

Decision Makers

At the end of the day, it is the **decision maker** or decision makers who will make the final purchasing decision. Decision makers could be anyone who holds the responsibility or accountability for making buying decisions for the company. In the case of the e-mail and social networking technology purchase, depending on the company, the decision maker might be the CEO, the head of the marketing department, or even a committee of people from marketing, IT, and customer service. A smart decision maker involves the users and influencers in her decision-making process to make the best choice. An investment in technology will not only be expensive, but will last for years; once a company makes a commitment to integrate their systems with a technology company, it is not practical to make frequent changes. The decision making process in B2B can take days, weeks, months, or even years to make, depending on the company and the product or service being purchased.

Finding the "Power Level"

When you are selling in a B2B environment, you may not always have access to the ultimate decision maker. But building a relationship with the initiator, influencers, and users can be just as important and effective as meeting with the decision maker. However, you should always be aware of the "**power level**," or exactly the level in the organization that is making the buying

decision. Sometimes, salespeople don't get to the power level, but instead stop at one or two levels below that critical level where the purchasing decision is being made. If the vice president of human resources is making the decision as to which vendor to choose for the company's training programs, it's important to build a relationship with her. Having a relationship with the director of training is critical, but a successful salesperson wouldn't stop there; he would work to secure a relationship at the power level, which is the vice president. This video discusses the power level and its importance to success in selling.

Types of B2B Buying Situations

There's still more you can learn about the B2B buying environment. Although companies are so different from each other (some are large multinational corporations while others are one-person operations) and the types of products and services being purchased are so different (everything from business cards to office buildings), it might seem difficult to know how to apply the concepts covered to every buying situation. One way is to understand the different types of buying situations that face a B2B buyer.

New-Task Buy

If a company is moving its headquarters to a new building that does not come equipped with office furniture, the company will need to acquire furniture for all of its employees. This is a new purchase for the company, which would classify it as a **new-task buy**. Gerald L. Manning, Barry L. Reece, and Michael Ahearne, *Selling Today: Creating Customer Value*, 11th ed. (Upper Saddle River, NJ: Pearson Prentice Hall, 2010), 163. When a customer is contemplating a new-task buy, it is an excellent opportunity to use your consultative selling skills to bring information to your customer to help her make the best possible decision.

Straight Rebuy

What if your customer is already purchasing the product or service regularly? Although he may currently be purchasing the product from you, he already knows about the product or service, how to use it, and how much he is currently paying for it. This is called a **straight rebuy**. Gerald L. Manning, Barry L. Reece, and Michael Ahearne, *Selling Today: Creating Customer Value*, 11th ed. (Upper Saddle River, NJ: Pearson Prentice Hall, 2010), 163. a routine repurchase of a product or service. Usually, straight rebuys are consumable products or supplies such as office supplies, maintenance supplies, or parts. This is an opportunity for you to shine, whether the customer is currently purchasing from you or not. When purchases are on "auto pilot," sometimes the salesperson gets lazy, takes the business for granted, and doesn't go the extra mile to suggest something new or better. If a prospective customer is already buying from someone else, you have the opportunity to win her over by suggesting a better or more efficient product, a different pack size or method of replenishment, or other ideas that will help the customer save time or money or increase quality. For straight rebuys, it is often price that gets the customer's attention, but it is service (or lack of it) that makes the customer switch providers.

Three Buying Situations

2. Straight Rebuy

- **Straight rebuy** – a problem or need that is recurring or a continuing requirement.
 - Buyers have experience in the area
 - Require little or no new information
 - Buyers operate in routine problem-solving stage

Femøvej 3 | 4700 Næstved | +45 5076 2640



Modified Rebuy

Sometimes, your customer may already be purchasing the product but wants to change the specifications; this is called a **modified rebuy**. Gerald L. Manning, Barry L. Reece, and Michael Ahearne, *Selling Today: Creating Customer Value*, 11th ed. (Upper Saddle River, NJ: Pearson Prentice Hall, 2010), 163. For example, when the magazine *Vanity Fair* did a split run of their magazine cover for their September 2009 issue, they printed half of the copies with Michael Jackson on the cover and half with Farrah Fawcett. Lorena Bias, “Fawcett, Jackson Get ‘Fair’ Magazine Play,” *USA Today*, August 3, 2009, life 1. Although they print the magazine monthly, they modified the printing specifications for that issue. Therefore, the sales rep from the printer sold the September 2009 print run as a modified rebuy. Selling to a customer who is purchasing a modified rebuy is an excellent opportunity to demonstrate your flexibility and creativity. Many times, customers have an idea in mind for a modification, but if you can bring them ideas and insights that will help them increase their business profitably, you will have the upper hand in securing the buy.

Isolating the Buying Situation

- **Since buying is a process and not an event, one needs to understand who affects the potential sale and how they affect it.**
- **One method is to isolate the sale. That means to define the buying situation and to understand what stage it is in. Effective salespeople create a need, whereas less effective salespeople become involved later in the buying process.**

Strategic Alliance

Although most B2B selling depends on relationships, some selling situations go above and beyond the traditional relationship between a salesperson and the customer. Some relationships go to the next level and actually create a partnership that puts both parties at risk and provides opportunities for all parties to gain; this is called a **strategic alliance**. The relationship between Yahoo! and Microsoft is an example of a strategic alliance. The two companies finally decided to join forces in July 2009 in an effort to leverage resources as a stronger competitor to industry leader Google. As part of the relationship, Microsoft will power Yahoo!'s search with its new engine called Bing; Yahoo! will receive 88 percent of the search-generated advertising revenues from Bing. "Yahoo-Microsoft Deal," *New York Times*, July 30, 2009, (accessed August 3, 2009). Both Microsoft and Yahoo! have "skin in the game," which means that each party has something at risk and much to gain. The strategic alliance represents a way for both companies to prosper in the Internet search business. Separately, each represents less than one-fifth of the searches done in the United States. Together, their market share is 28 percent, still a far cry from industry-leading Google at 65 percent. Patricia Resende, "Microsoft Keeps Watchful Eye on Yahoo's Earnings," *Yahoo! Tech*, July 20, 2009, tech.yahoo.com/news/nf/20090720/tc_nf/67859 (accessed August 3, 2009). Despite spending billions, neither company has been successful overtaking Google alone; the strategic alliance gives these companies a chance to compete. "Yahoo-Microsoft Deal," *New York Times*, July 30, 2009, (accessed August 3, 2009).

Types of Strategic Alliances

Contractual Alliance

Cooperation between firms is managed directly through contracts

Preferred when:

- Interdependence between partners is low (e.g., pooled)
- It is easy to measure the contributions of each partner and write it in a contract.

Equity Alliance

Cooperative contracts are supplemented by equity investments by one or both partners into the other partner.

- Interdependence between firms is moderate (e.g., sequential).
- Firms bring knowledge or difficult to measure contributions but each can perform their roles separately.

Joint Venture

Cooperating firms combine resources to form an independent firm in which they invest.

- Interdependence between firms is very high (e.g., reciprocal).
- Firms bring knowledge or difficult-to-measure contributions that must be combined into a single organization to coordinate effectively.

Copyright ©2015 John Wiley & Sons, Inc.

WILEY

Who Makes the Buying Decision?

In many companies, there is a function called buyer, purchasing manager, materials manager, or procurement manager. These are the people who are responsible for making buying products, services, and supplies for the company or for the company's customers. In most cases, they are the decision makers for purchasing decisions.

Because most purchasing decisions in a company have a significant impact on the users and on the profitability of the company, some companies create cross-functional teams called a buying center. These people work together to make important buying decisions for the company or organization. For example, many colleges and universities have a buying center that makes decisions that impact all users in the school such as a new e-mail system, classroom, or dormitory supplies. Michael R. Solomon, *Consumer Behavior: Buying, Having, and Being*, 8th ed. (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 184.

Key Takeaways

- Customer behavior is a science, not an art, driven by specific needs that drive motivation.
- A **consumer** who purchases in a B2C environment is the end user of the product or service.
- A B2B purchaser, also called an **organizational** or **institutional** purchaser, buys a product or service to sell to another company or to the ultimate consumer.
- B2B purchasers may be **producers**, **resellers**, or **organizations**.
- B2B buys are characterized by being methodical, complex, budgeted, high risk, analytical, and coordinated across different parts of the company.
- B2B purchases are larger than B2C purchases, include multiple buyers, involve a smaller number of customers, and are geographically concentrated.
- **Maslow's hierarchy of needs** describes how people are motivated based on the level of needs that are being satisfied. Understanding a customer's motivation based on the hierarchy can provide valuable insights for selling.

- There can be several types of people involved in a B2B purchasing decision, including **users**, **initiators**, **influencers**, and **decision makers**.
- An individual such as a buyer, purchasing manager, or materials manager might make buying decisions. Some companies use a **buying center**, a cross-functional team that makes buying decisions on behalf of the company.

? Exercise 6.2.1

1. Visit at least two different retailers. Determine whether each has a transition zone at the front of the store. Discuss the differences between the shopping experiences. Which one is more conducive to buying?
2. Identify one B2C seller and one B2B seller. Describe at least three differences between their buyers.
3. Identify one B2B company or organization that fits each of the following descriptions and describe why each belongs in the category:
 - Producer
 - Reseller
 - Government
 - Nonprofit organization
4. Consider each of the following products and services. Evaluate each one based on utilitarian need and hedonic need:
 - Trip to Las Vegas
 - Subscription to *Rolling Stone* magazine
 - Internet service
 - College education
 - iPod Touch
5. Jessica wants to celebrate her twenty-first birthday in style. She bought a new outfit, had her nails done, and went to the tanning salon. She is not only having a party for one hundred of her closest friends, but she is going to broadcast it live on Facebook and Twitter while the party is going on. Which need on Maslow's hierarchy is Jessica striving to satisfy?
6. Assume you are a salesperson for Chevrolet and you are among the first to sell the new electric-powered car called Volt. Which need on Maslow's hierarchy is the car designed to meet?
7. Imagine you work in the communications department of your school. Homecoming is just a few weeks away, and you are in charge of getting the banner for the parking lot, which will direct alumni where to park. This year, the directions to the parking are different than they were on the banner last year. Identify the type of purchase a new banner for the parking lot is and explain.
8. Assume you are selling printers and copiers to a group of clinics. The buying center includes people from purchasing, information technology, administrative assistants, doctors, and nurses. Discuss the role that each might take on as part of the buying center and the impact they may have on the final buying decision. How might you interact with each one?

This page titled [6.2: Buying 101](#) is shared under a [CC BY-NC-SA](#) license and was authored, remixed, and/or curated by [Anonymous](#).