

4.2: Types of B2B Buyers

Learning Objectives

1. Describe the major categories of business buyers.
2. Explain why finding decision makers in business markets is challenging for sellers.

Business buyers can be either nonprofit or for-profit businesses. To help you get a better idea of the different types of business customers in B2B markets, we've put them into four basic categories: producers, resellers, governments, and institutions.

Producers



Figure 4.1: Your local tattoo parlor is a producer.

romana klee – [apartment tattoo](#) – CC BY-SA 2.0.

Producers are companies that purchase goods and services that they transform into other products. They include both manufacturers and service providers. Procter & Gamble, General Motors, McDonald's, Dell, and Delta Airlines are examples. So are the restaurants around your campus, your dentist, your doctor, and the local tattoo parlor. All these businesses have to buy certain products to produce the goods and services they create. General Motors needs steel and hundreds of thousands of other products to produce cars. McDonald's needs beef and potatoes. Delta Airlines needs fuel and planes. Your dentist needs drugs such as Novocain, oral tools, and X-ray machines. Your local tattoo parlor needs special inks and needles and a bright neon sign that flashes "open" in the middle of the night.

Resellers

Resellers are companies that sell goods and services produced by other firms without materially changing them. They include wholesalers, brokers, and retailers. Walmart and Target are two big retailers you are familiar with. Large wholesalers, brokers, and retailers have a great deal of market power. If you can get them to buy your products, your sales can exponentially increase.

Every day, retailers flock to Walmart's corporate headquarters in Bentonville, Arkansas, to try to hawk their products. But would it surprise you that not everybody wants to do business with a powerhouse like Walmart? Jim Wier, one-time CEO of the company that produces Snapper-brand mowers and snowblowers, actually took a trip to Walmart's headquarters to *stop* doing business with the company. Why? Snapper products are high-end, heavy-duty products. Wier knew that Walmart had been selling his company's products for lower and lower prices and wanted deeper and deeper discounts from Snapper. He believed Snapper products were too expensive for Walmart's customers and always would be, unless the company started making cheaper-quality products or outsourced their manufacturing overseas, which is something he didn't want to do.

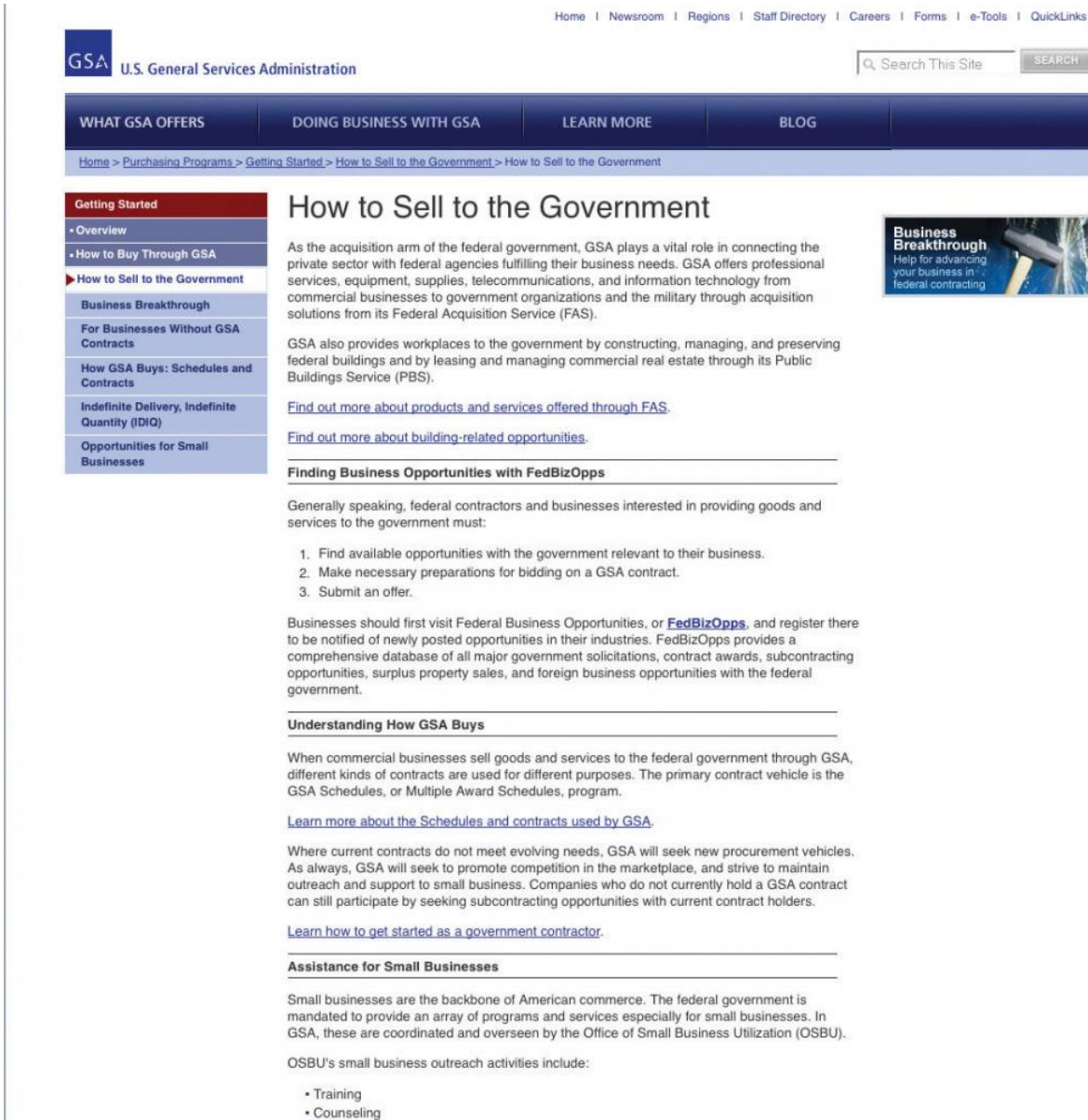
"The whole visit to Wal-Mart's headquarters is a great experience," said Wier about his trip. "It's so crowded, you have to drive around, waiting for a parking space. You have to follow someone who is leaving, walking back to their car, and get their spot. Then you go inside this building, you register for your appointment, they give you a badge, and then you wait in the pews with the rest of the peddlers, the guy with the bras draped over his shoulder." Eventually, would-be suppliers were taken into small cubicles where they had thirty minutes to make their case (Fishman, 2007). "It's a little like going to see the principal, really," he said.

Governments

Can you guess the biggest purchaser of goods and services in the world? It is the U.S. government. It purchases everything you can imagine, from paper and fax machines to tanks and weapons, buildings, toilets for NASA (the National Aeronautics and Space Administration), highway construction services, and medical and security services. State and local governments buy enormous amounts of products, too. They contract with companies that provide citizens with all kinds of services from transportation to garbage collection. (So do foreign governments, provinces, and localities, of course.) Business-to-government (B2G) markets, or

when companies sell to local, state, and federal governments, represent a major selling opportunity, even for smaller sellers. In fact, many government entities specify that their agencies must award a certain amount of business to small businesses, minority- and women-owned businesses, and businesses owned by disabled veterans.

There is no one central department or place in which all these products are bought and sold. Companies that want to sell to the U.S. government should first register with the Central Contractor Registry at www.CCR.gov. They should then consult the General Services Administration (GSA) Web site (<http://www.gsa.gov>). The GSA helps more than two hundred federal agencies buy a wide variety of products purchased routinely. The products can include office supplies, information technology services, repair services, vehicles, and many other products purchased by agencies on a regular basis. Consequently, it is a good starting point. However, the GSA won't negotiate a contract for the NASA toilet or a fighter jet. It sticks to routine types of purchases.



The screenshot shows the GSA website's navigation bar with links like Home, Newsroom, Regions, Staff Directory, Careers, Forms, e-Tools, and QuickLinks. Below the navigation bar is a search bar and a menu with categories: WHAT GSA OFFERS, DOING BUSINESS WITH GSA, LEARN MORE, and BLOG. The main content area is titled 'How to Sell to the Government' and includes a sidebar with a 'Getting Started' menu. The main text explains the GSA's role in connecting the private sector with federal agencies, lists various services offered, and provides links to find more about products and services. It also includes a section on 'Finding Business Opportunities with FedBizOpps' and 'Understanding How GSA Buys'.

Getting Started

- Overview
- How to Buy Through GSA
- ▶ **How to Sell to the Government**
 - Business Breakthrough
 - For Businesses Without GSA Contracts
 - How GSA Buys: Schedules and Contracts
 - Indefinite Delivery, Indefinite Quantity (IDIQ)
 - Opportunities for Small Businesses

How to Sell to the Government

As the acquisition arm of the federal government, GSA plays a vital role in connecting the private sector with federal agencies fulfilling their business needs. GSA offers professional services, equipment, supplies, telecommunications, and information technology from commercial businesses to government organizations and the military through acquisition solutions from its Federal Acquisition Service (FAS).

GSA also provides workplaces to the government by constructing, managing, and preserving federal buildings and by leasing and managing commercial real estate through its Public Buildings Service (PBS).

[Find out more about products and services offered through FAS.](#)

[Find out more about building-related opportunities.](#)

Finding Business Opportunities with FedBizOpps

Generally speaking, federal contractors and businesses interested in providing goods and services to the government must:

1. Find available opportunities with the government relevant to their business.
2. Make necessary preparations for bidding on a GSA contract.
3. Submit an offer.

Businesses should first visit Federal Business Opportunities, or [FedBizOpps](#), and register there to be notified of newly posted opportunities in their industries. FedBizOpps provides a comprehensive database of all major government solicitations, contract awards, subcontracting opportunities, surplus property sales, and foreign business opportunities with the federal government.

Understanding How GSA Buys

When commercial businesses sell goods and services to the federal government through GSA, different kinds of contracts are used for different purposes. The primary contract vehicle is the GSA Schedules, or Multiple Award Schedules, program.

[Learn more about the Schedules and contracts used by GSA.](#)

Where current contracts do not meet evolving needs, GSA will seek new procurement vehicles. As always, GSA will seek to promote competition in the marketplace, and strive to maintain outreach and support to small business. Companies who do not currently hold a GSA contract can still participate by seeking subcontracting opportunities with current contract holders.

[Learn how to get started as a government contractor.](#)

Assistance for Small Businesses

Small businesses are the backbone of American commerce. The federal government is mandated to provide an array of programs and services especially for small businesses. In GSA, these are coordinated and overseen by the Office of Small Business Utilization (OSBU).

OSBU's small business outreach activities include:

- Training
- Counseling

Figure 4.2: The General Services Administration (GSA) is a good starting point for companies that want to do business with the federal government. The U.S. Small Business Administration (SBA) also offers sellers a great deal of information on marketing to the government, including online courses that explain how to do it.

Source: <http://www.gsa.gov/portal/content/105344>.

The existence of the GSA doesn't mean the agencies it works with don't have any say over what is purchased for them. The agencies themselves have a big say, so B2B sellers need to contact them and aggressively market their products to them. After all, agencies don't buy products, people do. Fortunately, every agency posts on the Internet a forecast of its budget, that is, what it is

planning on spending money on in the coming months. The agencies even list the names, addresses, and e-mails of contact persons responsible for purchasing decisions. Many federal agencies are able to purchase as much as \$25,000 of products at a time by simply using a government credit card. This fact makes them a good target for small businesses.

It's not unusual for each agency or department to have its own procurement policies that must be followed. Would-be sellers are often asked to submit sealed bids that contain the details of what they are willing to provide the government and at what price. But contrary to popular belief, it's not always the lowest bid that's accepted. Would the United States want to send its soldiers to war in the cheapest planes and tanks, bearing the lowest-cost armor? Probably not. Like other buyers, government buyers look for the best value.

Yet selling to the government is not always easy. The GSA has its own red tape, as does each government division, and many purchases come with additional regulations or specifications written into the legislation that funded them. Because many purchases can be rather large, decision cycles can be very long and involve large buying centers. Some businesses avoid selling to the government because the perceived hassle is too great to warrant the effort. Other businesses, though, realize that learning the ins and outs of government purchases can become a sustainable competitive advantage.



Figure 4.3: Politics can come into play when it comes to large government purchases: Although the F-22 is the most sophisticated fighter jet in the world, it has never been used in battle. But when the Pentagon wanted to stop production on seven of the jets so it could spend the money on other conventional weapons being used in the wars the United States is currently fighting, it had a fight on its hands from the members of Congress. They didn't want the companies in their states that helped produce the plane to lose business.

Airwolfhound – F22 Raptor – RIAT 2010 – CC BY-SA 2.0.

Institutions

Institutional markets include nonprofit organizations such as the American Red Cross, churches, hospitals, charitable organizations, private colleges, civic clubs, and so on. Like government and for-profit organizations, they buy a huge quantity of products and services. Holding costs down is especially important to them. The lower their costs are, the more people they can provide their services to.

The businesses and products we have mentioned so far are broad generalizations to help you think about the various markets in which products can be sold. In addition, not all products a company buys are high dollar or complex. Businesses buy huge quantities of inexpensive products, too. McDonald's, for example, buys a lot of toilet paper, napkins, bags, employee uniforms, and so forth. Pretty much any product you and I use is probably used for one or more business purposes (cell phones and cell-phone services, various types of food products, office supplies, and so on). Some of us own real estate, and so do many businesses. But very few of us own many of the other products businesses sell to one another: cranes, raw materials such as steel, fiber-optic cables, and so forth.

That said, a smart B2B marketer will look at all the markets we have mentioned to see if they represent potential opportunities. The Red Cross will have no use for a fighter jet, of course. However, a company that manufactures toilet paper might be able to market it to both the Red Cross and the U.S. government. B2B opportunities abroad and online B2B markets can also be successfully pursued. We will discuss these topics later in the chapter.

Who Makes the Purchasing Decisions in Business Markets?

Figuring out who exactly in B2B markets is responsible for what gets purchased and when often requires some detective work for marketing professionals and the salespeople they work with. Think about the college textbooks you buy. Who decides which ones ultimately are purchased by the students at your school? Do publishers send you e-mails about certain books they want you to buy? Do you see ads for different types of chemistry or marketing books in your school newspaper or on TV? Generally, you do not. The reason is that even though you buy the books, the publishers know that professors ultimately decide which textbooks are going to be used in the classroom. Consequently, B2B sellers largely concentrate their efforts on those people.



Figure 4.4: Who ya gonna call? Click [here](#) to play an online game that will help you understand why finding the right decision makers in a company is so tricky. Are you up to the challenge?

Doug – [Old phone](#) – CC BY-NC 2.0.

That's not to say that to some extent the publishers don't target you. They may offer you a good deal by packaging a study guide with your textbook or some sort of learning supplement online you can purchase. They might also offer your bookstore manager a discount for buying a certain number of textbooks. However, a publishing company that focused on selling its textbooks directly to you or to a bookstore manager would go out of business. They know the true revenue generators are professors.

The question is, which professors? Some professors choose their own books. Adjunct professors often don't have a choice—their books are chosen by a course coordinator or the dean or chair of the department. Still other decisions are made by groups of professors, some of whom have more say over the final decision than others. Are you getting the picture? Figuring out where to start in B2B sales can be a little bit like a scavenger hunt.

Key Takeaway

Business buyers can be either nonprofit or for-profit businesses. There are four basic categories of business buyers: producers, resellers, governments, and institutions. Producers are companies that purchase goods and services that they transform into other products. They include both manufacturers and service providers. Resellers are companies that sell goods and services produced by other firms without materially changing them. They include wholesalers, brokers, and retailers. Local, state, and national governments purchase large quantities of goods and services. Institutional markets include nonprofit organizations such as the American Red Cross, churches, hospitals, charitable organizations, private colleges, civic clubs, and so on. Holding costs down is especially important to them because it enables them to provide their services to more people. Figuring out who exactly in B2B markets is responsible for what gets purchased and when often requires some detective work by marketing professionals and the salespeople they work with.

Review Questions

1. What sorts of products do producers buy?
2. What role do resellers play in B2B markets, and why are they important to sellers?
3. How do sellers find government buyers? Institutional buyers?
4. Why is it difficult to figure out whom to call on in business markets?

References

Fishman, C., "The Man Who Said No to Wal-Mart," *Fast Company*, December 19, 2007, http://www.fastcompany.com/magazine/102/open_snapper.html?page=0%2C2 (accessed December 13, 2009).

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