

4.3: Buyers and Buying Situations in a B2B Market

Learning Objectives

By the end of this section, you will be able to

- Identify the types of buyers involved in the B2B market.
- Describe the types of buying situations that exist in the B2B market.
- List and describe the parties who participate in the B2B buying process.

Types of Buyers in the B2B Market

The B2B marketplace is populated by many different types of buyers, each with their own requirements, policies, and procedures. Some B2B buyers (known as *producers*) purchase goods in the B2B market so they can produce other goods to be sold to other businesses or consumers. Other B2B buyers (known as resellers) purchase goods in the B2B market so they can resell, rent, or lease those goods or services. Still other B2B customers, such as the government and nonprofit institutions such as the Wounded Warrior Project, the Salvation Army, churches, and charities, purchase goods to serve the public in some way (Infographic World, 2022). These types of buyers are shown in Figure 4.2.

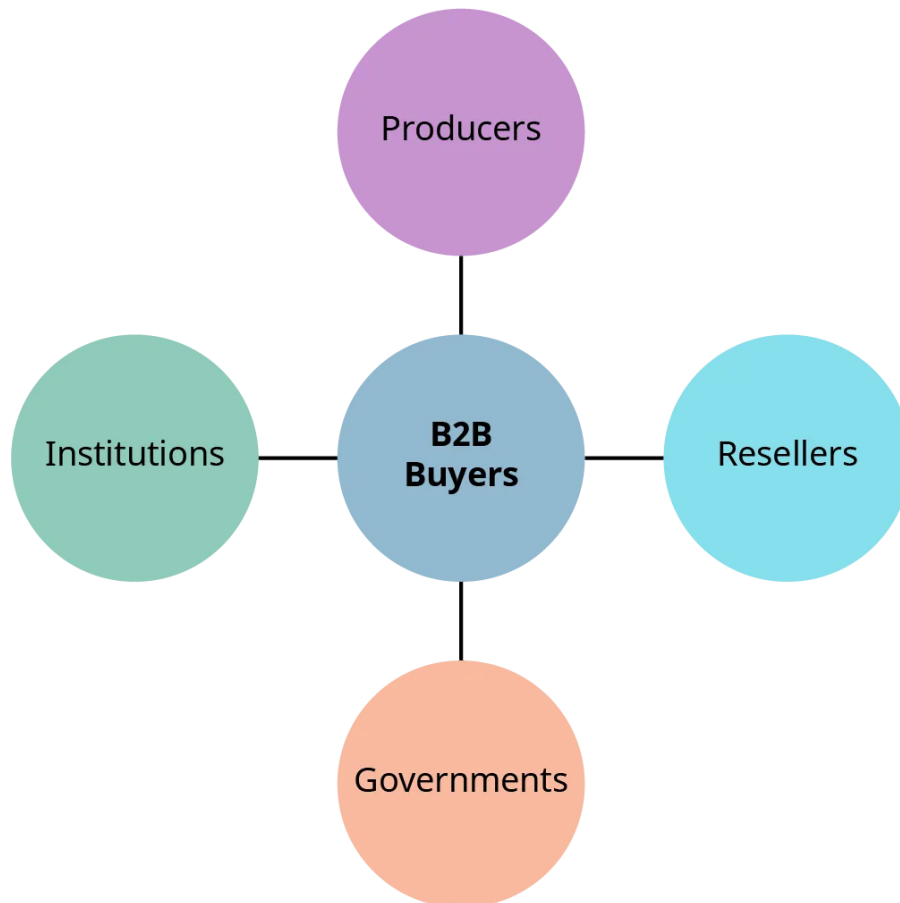


Figure 4.2 Types of Buyers (CC BY 4.0; Rice University & OpenStax)

Producers are companies that purchase goods and services that are transformed into other products, and they include both manufacturers and service providers. For example, in one of its divisions, Emerson Electric produces electronic controls for the heating, ventilating, and air conditioning (HVAC) industry. Its buyers need to purchase capacitors, printed circuit boards, resistors, diodes, and dozens of other components to build those controls. To make its sandwiches, Burger King needs beef patties, buns, lettuce, pickles, and other ingredients. Your local tattoo shop needs tattoo ink and needles. You've likely bought a smartphone. Imagine the dozens of components in the product's manufacturing—circuit boards, LCDs, speakers, microphones, batteries, etc. The producer needs to purchase these components from various vendors. This is a large market for B2B sellers because producers

don't typically buy in small quantities. For example, OSI supplies 45 million pounds of steak, salsa, beans, and other food products for Chipotle and has been supplying meat to McDonald's for over 50 years. From a marketing perspective, that's the kind of B2B relationship you want to pursue (Lamare, 2020)!

Resellers sell goods and services produced by other companies without any material change. These resellers include retailers, wholesalers, and brokers. This is a very important segment in the B2B market because these resellers typically buy in large volumes, so if marketers can convince these resellers to stock their organization's products, it can mean a significant uptick in sales. We'll learn more about retailers, wholesalers, and brokers in *Distribution: Delivering Customer Value*, when we talk about distribution, but some quick definitions may help here. Retailers are businesses that sell goods to consumers in relatively small quantities for personal consumption. Walmart and Target are two big retailers you're likely familiar with, but even the convenience store across from campus buys a variety of products, like candy, snacks, and soft drinks, from wholesalers to make them available for purchase—unaltered—by you. Wholesalers, on the other hand, typically purchase larger quantities from producers and then resell them to retailers. Brokers bring buyers and sellers together (for a commission, of course), and they may represent many producers of non-competing products.

Marketing in Practice: Alibaba



Figure 4.3 Alibaba.com, a leading platform for global wholesale trade, utilizes shipping containers to extend its reach to its millions of consumers and suppliers around the world. (credit: "Shotley Suffolk" by Martin Pettitt/flickr, CC BY 2.0)

Founded in 1999 by Jack Ma, Alibaba.com is an online B2B marketplace (see Figure 4.3). In this virtual marketplace, buyers and sellers have the ability to connect with one another and carry out purchase/sale transactions. Alibaba is sort of like a giant variety store for B2B buyers. The company has hundreds of millions of products in over 40 different categories, including machinery, consumer electronics, and apparel (Alibaba.com, 2020).

Alibaba's B2B marketplace has millions of sellers, similar to eBay in the B2C market. The sheer number of sellers translates to millions of products to choose from, so B2B buyers can easily select the sellers and products that best suit their needs.

Many of Alibaba's suppliers are businesses that sell raw materials or manufactured goods, and the B2B buyers of these goods are typically retailers, wholesalers, sourcing agents, or manufacturers who source products for reselling for their own businesses (see Figure 4.3). Alibaba.com even has "Pay Later" options (backed by Kabbage Funding) so that buyers can purchase inventory even if they don't have immediate funds available. This "Pay Later" option helps B2B buyers avoid more complicated financing options (Alibaba.com, 2020).

For more information about Alibaba.com, watch this CNBC video.



Trivia question for you: Who is the largest purchaser of goods and services in the world? If you answered the U.S. government, you'd be correct (United States Environmental Protection Agency, 2024). Government markets make up the largest single business and organizational market in the United States. The U.S. government buys everything you can imagine, from paper clips and staples to tanks, weapons, and jets. But it's not only products that governments purchase. They also enter into contracts with companies that provide services to citizens—everything from transportation to garbage collection and construction services.

You might be interested to know that there isn't one central department within the government that purchases all these products. Organizations that want to sell to the U.S. government must first register with the System for Award Management and then consult with the General Services Administration (GSA), the agency charged with assisting hundreds of federal agencies that procure a vast array of routinely purchased products such as office supplies, vehicles, and information technology services. However, the savvy marketer knows that agencies don't buy products; people do. The agencies the GSA works with still influence what is purchased, so the marketer knows to contact each agency the organization wants to do business with and market its products to them (University of Minnesota Libraries, 2022).

Institutions is a rather broad term for nonprofit organizations such as the Wounded Warrior Project and Ronald McDonald House Charities, charities, and churches, as well as educational institutions, hospitals, museums, nursing homes, and civic clubs. Like the government, these institutions often purchase large quantities of products and services. For example, a large nursing home buys food, beverages, linens, janitorial supplies, medications, and a host of other products and services to serve its residents. Similarly, a church may purchase candles, vestments, furniture, and much more.

A smart B2B marketer will carefully examine all of the markets mentioned above to determine if they represent significant potential opportunities, as well as look at pursuing B2B opportunities abroad and online B2B markets.

Major Types of Buying Situations in the B2B Market

As a consumer, you face different types of buying situations every day. Some purchases you make are almost automatic and require little forethought, such as when you stop for a cup of coffee on your way to work or class. Other buying decisions you make take more time and effort. The same is true in the B2B market. Buy classes refer to buying situations that are differentiated in terms of four characteristics: newness (i.e., how familiar or unfamiliar the product is to the B2B buyer), how many alternatives can/should be evaluated, how much uncertainty is involved in the buying situation, and how much information is required to make the buying decision (Universal Marketing Dictionary, 2024).

In the B2B market, there are four different types of buy classes (Figure 4.4).

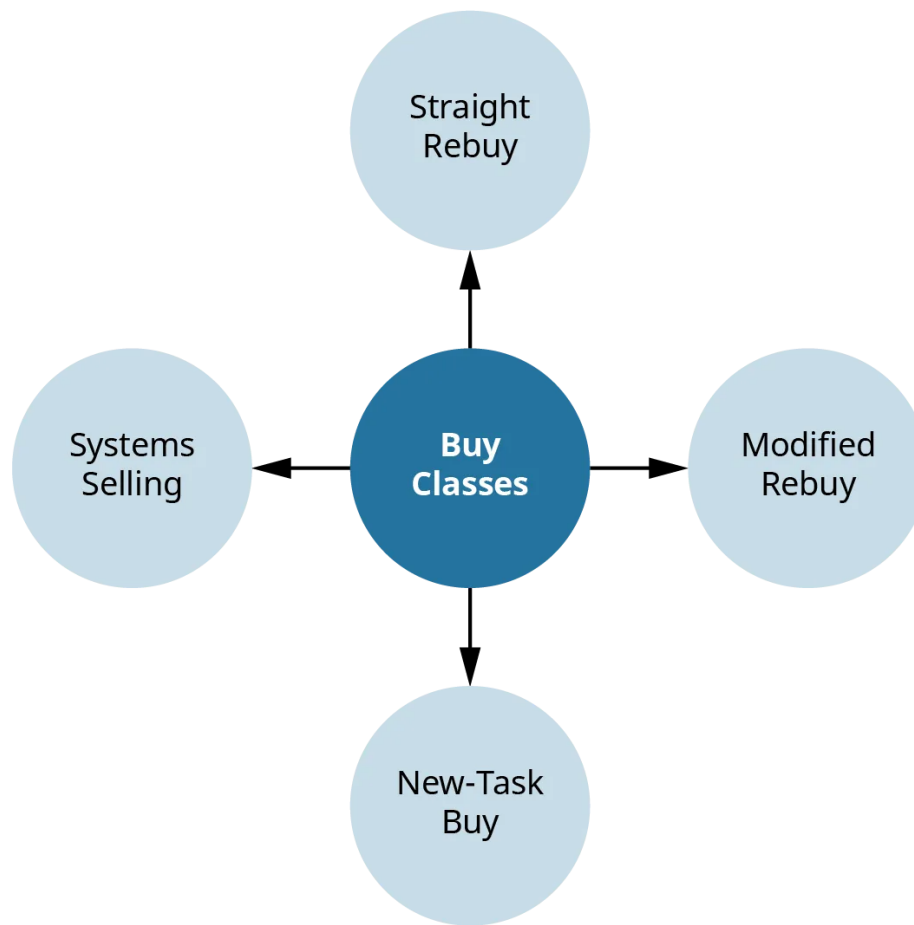


Figure 4.4 Types of Buy Classes in the B2B Market (CC BY 4.0; Rice University & OpenStax)

Straight rebuys are the simplest buying situation for a B2B buyer. With a straight rebuy, the B2B buyer is making a routine purchase of a standard product or products with no modifications from a familiar supplier. An example of a straight rebuy would be a B2B buyer who orders copier paper, pens, and pencils from Office Depot or another local office supplier. That buyer has likely purchased these (or similar) products before, so the effort involved in a straight rebuy is minimal beyond confirming that the order has been fulfilled.

In a modified rebuy situation, the B2B buyer is looking to purchase a similar product, but there are one or more significant differences from the previous purchase, such as new product specifications or a new supplier. Modified rebuy situations typically involve more effort from the B2B buyer than straight rebuys because they must consider product specifications, evaluate vendors, and negotiate new contracts. For example, let's consider a restaurateur who has changed the logo of the restaurant, necessitating buying new menus, coffee cups, and paper napkins. In essence, the same products are being purchased as before—menus, coffee cups, and napkins—but the logo has changed. This might be the time for the restaurateur to look at different suppliers who may offer better pricing or cups in different sizes and shapes to better display the new logo. A modified rebuy situation involves more effort than a straight rebuy situation because the restaurateur will likely need to research product specifications, evaluate vendors, and possibly negotiate new contracts.

The new-task buy occurs when a B2B buyer buys a product or service for the first time. These buying situations are among the most difficult and time-consuming ones because, typically, the B2B buyer has no previous experience with the product, the service, or perhaps the vendors. This means that, instead of relying on past purchase orders or product specifications, the B2B buyer has to start from scratch and do considerable research in terms of product specifications, find out which firms supply the product, and

obtain information on the quality, pricing, delivery, and customer service of each of these vendors. For example, if Whirlpool designs a new microwave oven, the B2B buyer must source new vendors to design an electronic control panel for this microwave.

Systems selling (sometimes called a solution sale) involves buying a complete solution to a problem or need rather than purchasing separate components from different vendors. For example, a B2B buyer may choose to purchase an entire human resource management system from one supplier rather than purchasing applicant and/or employee management software from one vendor, payroll software from another vendor, compensation and benefits management software from still another vendor, etc. and putting them together (Monash University, 2024).

Participants in the B2B Purchase Process

Think about how you make buying decisions in your household. You're likely the only decision-maker involved in minor purchases, such as groceries or personal clothing. If you're buying a bigger-ticket item, such as a new car or a flat-screen TV, you may involve other members of your household in the decision. That's typically not the case in B2B buying. A buying organization's decision-making unit is called the buying center, sometimes called a decision-making unit. Buying centers comprise all the different people in the organization who have a stake in the B2B buying decision and have some degree of influence in the purchasing decision. The buying center can have one or more of the following roles, as shown in Figure 4.5.

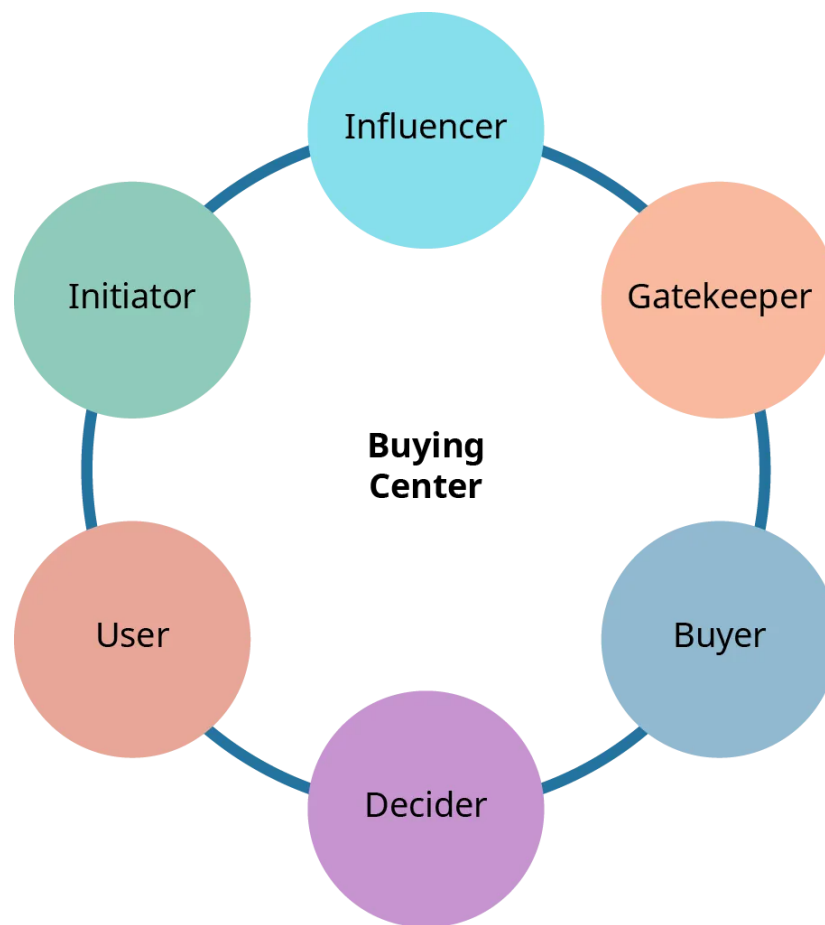


Figure 4.5 Individuals in the Buying Center (CC BY 4.0; Rice University & OpenStax)

The initiator is typically the individual who first identifies a purchasing need within the organization. Initiators are the people within the buying center who start (or initiate) the buying process. For example, a machine operator might initiate a request for a particular tool or piece of equipment, or the payroll department may initiate a request for new payroll software. At other times, the need may be identified by senior management or the engineering department.

Influencers are those within the organization who help define specifications and/or provide information to be used in the evaluation process. Simply put, these are the people in the organization who influence the buying situation and provide information for strategically evaluating alternatives (Chand, 2021). Influencers may not have a direct role in the purchasing decision, but they wield influence over the purchase. There are two categories of influencers. Business influencers typically focus on how the

purchase impacts revenue, whereas technical influencers will generally focus on how the purchase will impact business processes and operations.

Gatekeepers filter information. The gatekeeper is the person the marketer has to negotiate their way through to reach the decision-makers. Gatekeepers play a strategic role in the buying process because they have the ability to allow only information that is favorable to their opinion to flow to the decision-makers. For example, an executive assistant might have control of the decision-maker's appointment calendar and tell the marketer, "There are no openings on the calendar at this time."

Buyers have authority within the organization to select suppliers and negotiate and arrange the purchase terms. Buyers may also assist others within the organization to help shape product specifications, but their primary role is selecting vendors and negotiating the contract terms. They are also responsible for issuing purchase orders, following up, and keeping track of deliveries.

Careers In Marketing: Being a Buyer

Interested in learning more about what a buyer does on the job? Read this [Indeed.com](#) article about the roles, responsibilities, salary, and education of a buyer. The article also includes steps to become a buyer. Also, read this article from [The Princeton Review](#) on the life of a buyer.

Deciders are the critical link for a marketer in getting the order, particularly in major purchases. Within the organization, these people are authorized to select or approve the final suppliers. B2B buyers may be the deciders for routine purchases (i.e., straight rebuys), but decisions are often made higher up in the organization in more complex purchases.

Users are those people within the organization who will actually use the product or service. These users may or may not be the initiators of the purchase proposal. However, depending on how complex the purchase is, they may help define product specifications.

It's important to note that not all of these parties may be involved in every buying decision, depending on the nature of the purchase, and sometimes people in the buying center play more than one role. For example, consider a medium-sized law firm that needs a new copier. The initiator may be an administrative assistant (also a user) who complains to their boss, the managing partner, that the copier is too slow and lacks features like auto-duplexing and the capacity to enlarge and reduce the size of documents. As such, the administrative assistant also acts as a technical influencer because they know firsthand how a new copier with improved features would impact business processes. The managing partner in a law firm, who oversees the day-to-day operations, has the authority to direct the buyer to evaluate new copiers that would meet the specifications described by the administrative assistant and present an analysis of copiers. After evaluating the list the buyer has provided, the managing partner can make the final selection and thus act as the decider.

According to Tony Rutigliano and Brian Brim in their book *Strengths-Based Selling*, "The days of a single economic decision maker are over in most companies and industries. Even some small businesses make decisions in groups" (as quoted in Nink & Fleming, 2014).

For example, a study in Germany found that 86% of procurement decisions at large- and medium-sized companies are made by groups of 2 to 20 people. In companies of less than 100 employees, there were typically three people involved, whereas in companies of 1,000 or more, there were as many as 34 people involved (Nink & Fleming, 2014). This illustrates the importance of the marketer (or salesperson) understanding the set of roles in the buying center, identifying the role(s) each individual plays, and developing an execution strategy to make the sale.

Marketing in Practice: The Buyer Center

Watch this quick video of the buying center applied to a real-world example. It's a great way to gain insight into this process.



Knowledge Check

It's time to check your knowledge on the concepts presented in this section. Refer to the Answer Key at the end of the book for feedback.

1.

The largest business and organizational market in the United States is _____.

- a. producers
- b. institutions
- c. governments
- d. resellers

2.

Jenae, a purchasing agent for an electronics firm, places an order with a local office supply company for several dozen reams of copy paper. He has ordered the same brand of paper from the company several times. This is an example of _____.

- a. a straight rebuy
- b. a modified rebuy
- c. a new-task buy
- d. systems selling

3.

Alejandro, the owner of a Mexican restaurant, decides to revise the restaurant's menu. He intends to use the same printing company but has to make several changes in the menu. What type of buying situation does this best illustrate?

- a. Systems selling
- b. Straight rebuy
- c. Modified rebuy
- d. New-task buy

4.

The human resources manager submits a request to upper management for a new software package to manage payroll, benefits, compliance, and information technology. Within the buying center, what role is illustrated by this scenario?

- a. Influencer
- b. Buyer
- c. Initiator

d. Decider

5.

Metro Corp. wants to acquire a new IT system, and Aliyah has been charged with selecting potential new vendors. Within the buying center, what is Aliyah's role?

- a. Gatekeeper
- b. Influencer
- c. Initiator
- d. Buyer

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