

4.2: The Business-to-Business (B2B) Market

Learning Objectives

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

- Define the business-to-business (B2B) market.
- Distinguish characteristics of the B2B market versus the business-to-consumer (B2C) market.

Business-to-business (B2B) is a marketing transaction or business conducted between businesses. It refers to businesses that sell products and/or services to other businesses, such as retailers or wholesalers, rather than consumers. These transactions can include everything from materials used in manufacturing to office supplies or furniture and everything in between. B2B's "counterpart" is what's known as B2C, or business-to-consumer. The focus in B2C transactions is selling products, goods, and services to consumers for personal use.

Many businesses have both B2B and B2C components. For example, consider Office Depot. You may have stopped into an Office Depot store before the semester to stock up on pens, a ream of paper for your printer, or notebooks. That's a B2C transaction. However, a large law firm or an accounting firm might order hundreds of reams of copy paper, folders, and print cartridges from Office Depot. That's a B2B transaction.

Characteristics of the B2B Market

B2B markets differ from B2C markets in several ways (see Table 4.1). Let's take a closer look at each of these differences.

Table of Business-to-Consumer Market (B2C) and Business-to-Business Market (B2B)

Business-to-Consumer Market (B2C)	Business-to-Business Market (B2B)
Buying decisions for individuals and/or households	Buying decisions for companies that serve consumers or other companies
Smaller purchases/many buyers	Larger purchases/fewer buyers
Direct demand	Derived demand
Shorter buying decision cycles	Longer, more complex buying decision cycles
More reliance on mass marketing	More reliance on personal selling
Many customers located throughout the world	Fewer customers, often geographically concentrated in areas based on cost, access, and availability of resources

Table 4.1 Differences between Consumer Markets/Buyers and Business-to-Business Markets/Buyers

- *Nature of the buying decision.* It may seem a little obvious, but it's important to remember that B2C buyers generally make buying decisions for themselves or their households, whereas B2B buyers make buying decisions for their companies, which serve either consumers or other companies. When you go grocery shopping, you're buying a loaf of bread, a gallon of milk, and a dozen eggs for yourself or your household. However, if you're buying food to be prepared and served at a large hospital or a university, the complexity and volume of that purchase will be far greater.
- *Fewer buyers, higher volume.* Another difference between the two markets is that B2B markets deal with fewer buyers, who purchase a much higher volume than the B2C market. For example, when Barnes & Noble sells textbooks to students, the potential market includes hundreds of thousands of students worldwide. These students purchase one or more textbooks for their semester's classes. However, Barnes & Noble is just one commercial buyer purchasing those hundreds of thousands of textbooks.
- *Direct demand versus derived demand.* Another difference between the two markets lies in the nature of product demand. B2C markets are driven by direct demand, the demand for goods and services for direct consumption purposes. By contrast, B2B markets are driven by what's known as derived demand, in that demand in the B2B market is dictated by the demand for consumer goods on the B2C market. For example, as more workers are working from home, the demand for computers has risen. As a result, you'll see derived demand in computer-related products, such as mice, monitors, and printers.

- *Longer buying cycles.* As a general rule, the higher the dollar volume of the sale and the more complex the product, the longer it takes for the sale to be made. As a consumer in the B2C market, you might buy a desktop computer within a relatively short time after deciding that you need a new computer. In the B2B market, a hospital purchasing a magnetic resonance imaging (MRI) machine may well be spending millions of dollars, and the sale can take months or even years to accomplish. Not only will more people be involved in the decision-making process, but the hospital needs to be concerned with many factors, such as safety, reliability, and post-purchase service. A lot of time and effort is typically required to “close the deal” with a big-ticket item like an MRI machine. We’ll be examining the stages in the B2B buying process in depth later in this chapter, but the B2B buying process is typically longer and more complex, not only because of the involvement of different decision-makers but also because these decision-makers must consider a wide range of factors when making high-volume or high-dollar purchases.
- *Reliance on personal selling.* Whereas B2C markets tend to rely more heavily on mass marketing, B2B markets typically are characterized by increased reliance on personal selling. Additionally, B2B purchasing is more likely to involve complex negotiations concerning price, delivery schedules, technical specifications, etc., so personal selling plays a vital role. Typically, because B2B buyers and sellers often need to work together to define problems and implement solutions, they focus on building long-term relationships rather than a one-and-done purchase. For example, it took nearly four years to negotiate the contract, but the Indian government and Airbus finally reached agreement on the purchase of 56 Airbus C295MW tactical transport aircraft from Airbus (Geyser, 2022).
- *Geographical concentration.* Finally, the scope of the market is different. In the B2C market, you have millions of potential customers dispersed throughout a region, a country, or perhaps the world. On the other hand, the B2B market is more concentrated. The B2B market has far fewer customers, and they are often geographically concentrated in areas based on cost, access, and availability of resources. Detroit (the heart of the US automotive industry) and Silicon Valley (home to many technology-based companies) are prime examples.

Careers In Marketing: B2B Jobs

If you’re considering marketing for your job, B2B marketing is a career choice. Why would you want to go this path? Read this [article from the author of B2B Marketing Strategy](#). If you’re unsure what a B2B marketer would do, read this [article on HubSpot](#) to gain insight into the job role.

If you’re still unclear on what B2B marketing is and how it differs from B2C, read this [article from Business News Daily](#) to gain more information. Get a sense for what the work looks like by [using LinkedIn for B2B marketing](#).

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 demand for smartphones and similar devices has created a demand for other needed components, such as touch-sensitive glass screens, microchips, and circuit boards. This is an example of _____ demand.

- direct
- irregular
- derived
- negative

2.

Jason, a purchasing agent for an electronics firm, places an order with a supplier for diodes to be used in the manufacturing process. This is an example of a transaction in the _____ market.

- B2B
- B2C
- B2G
- C2C

3.

Alejandro is a salesperson for a company that manufactures electrosurgical units. He calls on hospitals in his sales region to familiarize the buying centers in the hospitals with the benefits of his company's equipment. Which difference between B2B and B2C markets does this scenario illustrate?

- a. Longer, more complex buying decision cycles
- b. More rigid product standards
- c. More reliance on personal selling
- d. More reliance on mass marketing

4.

Many of the world's high-tech companies are located in Silicon Valley, California, including the headquarters of more than 30 businesses in the Fortune 1000. Which difference between B2B and B2C markets does this illustrate?

- a. More reliance on personal selling
- b. Derived demand versus direct demand
- c. Fewer customers, often geographically concentrated in areas
- d. Larger purchases/fewer buyers than the B2C market

5.

DaVonte has a home repair business. He goes to a home improvement store to purchase a large quantity of lumber for his next repair project. While there, he picks up batteries for the smoke detector in his house. In this scenario, the lumber is a _____ purchase, and the batteries are a _____ purchase.

- a. B2C; B2B
- b. B2B; B2G
- c. B2C; B2G
- d. B2B; B2C

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