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| **MR1100 Unit 6: Organizational Marketing** | |
|  | **Learning Objectives:** |
|  | *Upon completion of this unit the learner should be able to:*   1. Review characteristics of organizational buying 2. Identify types of organizational buying situations |
|  | **Overview of this Unit** |
|  | This unit looks at selling to organizations including the government.  This market makes different kinds of purchases and for different reasons. |

MR1100 Marketing I - PT (CL) - Unit 6.  Organizational Marketing -    Learning Activities

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| **Learning Activities for Unit 6** | |
| This unit will require you to complete the following: | |
| https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/Page_Templates/images/checkbox.gif | Readings from Text - Chapter 6 - Organizational Markets and Buyer Behaviour |
| https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/Page_Templates/images/checkbox.gif | Online Readings Unit 6: Organizational Marketing |
| https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/Page_Templates/images/checkbox.gif | Extra Study Questions |
| https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/Page_Templates/images/checkbox.gif | Online Self-Test |
| *Please print this page to use as a guide as you work your way through this unit.* | |

MR1100 Marketing I - PT (CL) - Unit 6.  Organizational Marketing -    Unit/Chapter 6 Summary Video \*New\* (please view this video)

R1100 Marketing I - PT (CL) - Unit 6.  Organizational Marketing -    Organizational Markets Defined

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| **Organizational Markets Defined** |
| ***Organizational markets*** are:  Organizations that buy products and services   * for either their own use or to use in a product they make * or to resell to individuals or other organizations * or to provide a public good.   **Business Marketing** is the marketing of goods and service to commercial enterprises, government and other profit and non-profit organizations.  **Organizational Buyers** are those manufacturers, retailers, and government agencies that buy goods and services for their own use or for resale. |

MR1100 Marketing I - PT (CL) - Unit 6.  Organizational Marketing -    Three Organizational Markets

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| **Three Organizational Markets** |
| |  |  | | --- | --- | | ***Industrial Markets***  https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/images/manufacture.jpg | These organizations buy the product and in some way reprocess it before reselling it to the next buyer.   * e.g. Stelco sells rolled steel to GM, GM stamps it into a body part for the Venture mini-van, which is, in turn, sold to you through your GM dealer. | | ***Reseller Markets***  https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/images/market.jpg | The organization buys the product and then resells it relatively unchanged (no reprocessing)   * e.g. Sobey's will buy milk from Central Dairies and then resell it to customers | | ***Government Markets***  https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/images/cityhall.jpg | Federal, Provincial and Municipal governments purchase products and services and then use them for their constituents.   * e.g. the town of Buchans buys a new Cat 930 loader.  (the town taxpayers will be paying for this unit.) That machine is fitted with a snowblade and used to plough the town's roads (a public service). | |

MR1100 Marketing I - PT (CL) - Unit 6.  Organizational Marketing -    Getting Industrial Buyers and Sellers Together

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| **Getting Industrial Buyers and Sellers Together** |
| ***The North American Industry Classification System or NAICS***  The ***Standard Industrial Classification (SIC)*** system, now updated and called NAICS, is designed to connect buyers and sellers.  It used a coding system so that a particular type of business gets a particular code.  It can be used to get a list of firms in that industry as well as to determine the growth in particular sectors.  It facilitates buyer-seller recognition and communication.   |  |  | | --- | --- | | https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/images/link.gif | NAICS website:  <http://www.census.gov/epcd/www/naics.html>  Statistics Canada Website with classifications:  <http://www.statcan.ca/english/Subjects/Standard/naics/2002/naics02-index.htm> |   ***Limitations of the Industrial Code***  There are two key limitations to the code:   |  |  | | --- | --- | | https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/images/1.gif | The code is not issued to a business if they are the only one of that type of business in a given region. This company is then not coded and will not reap the intended benefits of the system. | | https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/images/2.gif | Only one code is issued per business.  If your business is in more than one business only one of the businesses types is reflected in the code. | |

MR1100 Marketing I - PT (CL) - Unit 6.  Organizational Marketing -    Characteristics of Organizational Buyers

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| **Characteristics of Organizational Buyers** |
| |  |  | | --- | --- | | ***Demand Characteristics*** | Demand for their products by other organizations is derived from consumer demand for end products.   * e.g. Stelco will not sell much sell to GM if consumer demand for cars drops | | ***Size of Order or Purchase*** | The size of the order that organizational buyers make is usually large   * Wal-mart buys 5000 pairs of shoes from Terra Shoes where as a typical consumer will only purchase 1 pair. | | ***Number of Potential Buyers*** | There are fewer organizational buyers than there are end consumer buyers   * e.g. There are 30 million people in Canada - all are potential buyers.  However there are fewer organizations in the marketplace - fewer organizational buyers | | ***Organizational Buying Objectives*** | The buying objectives of organizations are very rational and specific.  The normal objective is to reduce cost while maximizing profit. | | ***Organizational Buying Criteria*** | The buying criteria is very well known and adhered to buy organizations.   * Operates within the minimum cost/maximum revenue framework.  Common criteria include:   + price   + quality   + delivery time   + technical capability   + warranties   + past performance   + production facilities and capacity | | ***Buyer-Seller Relationships*** | The Buyer and the Seller are usually involved in extensive negotiations before doing a deal  There must be a good relationship between the two parties.  Often there is a reciprocal relationship where a buyer buys from a supplier and in return sells to the supplier.  This is known as ***Reciprocity***. | | ***Buying Center*** | Often times in large organizations, there is a specific department responsible for all of the organization's purchases. This is the ***Buying Center***.  The Roles in the Buying Center include:   * *Users* - use the product being purchased * *Influencers* - affect the buying decision in some way * *Buyers* - have the formal authority to buy products on behalf of the organization * *Deciders* - formal and informal authority to approve purchases * *Gatekeepers* - may have no formal authority but control the flow of information | |

MR1100 Marketing I - PT (CL) - Unit 6.  Organizational Marketing -    Stages in the Organizational Buying Decision

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| **Stages in the Organizational Buying Decision** |
| Note that the stages in the organizational buying decision are the same as the consumer purchase decision.  The only difference is in the type and degree of analysis of information in the decision making process.  https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/images/purchase_decision_organizat.gif |

MR1100 Marketing I - PT (CL) - Unit 6.  Organizational Marketing -    Basic Types of Buying Situations

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| **Basic Types of Buying Situations** |
| |  |  | | --- | --- | | ***Straight Rebuy*** | Same product repurchased from an existing supplier   * little effort in decision making * often an automatic decision * very limited risk * e.g. office supplies | | ***Modified Rebuy*** | A slight modification is made to what otherwise would be a standard rebuy.   * more analysis involved in decision * medium risk * e.g. could be changes in price, delivery, specifications or supplier | | ***New Buy*** | A first time buy of a product or service   * a great deal of analysis involved in the decision * a great deal of risk |   https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/images/buying.gif |

MR1100 Marketing I - PT (CL) - Unit 6.  Organizational Marketing -    Keys to Marketing More Effectively to Organizational Buyers

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| **Keys to Marketing More Effectively to Organizational Buyers** |
| |  |  | | --- | --- | | https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/images/1.gif | ***Understand the buyers/sellers' needs*** and meet them | | https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/images/2.gif | ***Get on the bidder's list*** so that you are eligible to sell to an organization | | https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/images/3.gif | ***Contact the right person in the buying center*** who have the authority to buy from you or the power to influence the decision to buy from you. | | https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/images/4.gif | ***Maximize value*** to the customer - provide a quality product and service - keep your promises | |

MR1100 Marketing I - PT (CL) - Unit 6.  Organizational Marketing -    Online Buying in Organizational Markets

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| **Online Buying in Organizational Markets** |
| ***Why buy on-line?***  Just as consumer buying behaviour has changed so has organizational buying behaviour.  Why would organizational buyer use the Internet to purchase products?   1. Information on specifications, prices, delivery etc. can be conveyed quickly 2. Reduces buyer order processing 3. Can reduce marketing costs and 4. Broaden customer base   ***On-line Buying Forms***   |  |  | | --- | --- | | ***E-Marketplace*** | * **B2B exchanges and e-hubs** bring buyers and sellers together.  They can market a specific product or service or they can facilitate the exchange between buyers and sellers.  They are run by neutral third parties. * **Private Exchanges** provide a means one organization will facilitate the buying and selling of its own goods and services for a group of buyers | | ***Online Auctions*** | * **Traditional auctions** - works like e-bay.  Sellers list items for sale and there's bidding for the item.  It drives the price upwards. e.g. Dell sells refurbished computers, surplus, etc at Dellauction.com * **Reverse auctions** - a buy lists a need for a particular product and suppliers bid on providing the goods or services.  In this case, the prices often go down as suppliers want to win the contract. |      |  |  | | --- | --- | | https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/images/link.gif | Check out Dell's online Auction site.  <http://www.dellauction.com/> | |

MR1100 Marketing I - PT (CL) - Unit 6.  Organizational Marketing -    Unit 6 Study Questions

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| **Unit 6 Study Questions** |
| MARKETING CONCEPTS AND PERSPECTIVES   1. Describe the major differences between industrial firms, resellers, and government  units in Canada.  [***Answer***](https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/unit6/unit6_answers/unit6_ch6q1_answer.html) 2. Explain how the North American Industry Classification System (NAICS) might be helpful in understanding industrial, reseller, and government markets and the limitations inherent in the this  system.  [***Answer***](https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/unit6/unit6_answers/unit6_ch6q2_answer.html) 3. List and discuss the key characteristics of organizational buying that make it different from consumer buying.   [***Answer***](https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/unit6/unit6_answers/unit6_ch6q3_answer.html)   1. What is a buying centre?  Describe the roles assumed by people in a buying centre and what useful questions should be raised to guide any analysis of the structure    and behaviour of a buying centre.  [***Answer***](https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/unit6/unit6_answers/unit6_ch6q4_answer.html) 2. Effective marketing is of increasing importance in today's competitive environment.  How can firms more effectively market to organizations?  [***Answer***](https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/unit6/unit6_answers/unit6_ch6q5_answer.html) 3. A firm that is trying to market multimillion‑dollar wastewater treatment systems to cities has been unable to sell a new type of system. To date the firm's marketing efforts have been directed to city purchasing departments to get on approved bidders lists.  Talks with city‑employed personnel indicated that the new system was very different from current systems and therefore city sanitary and sewer department engineers, directors of these two departments, and city council members were unfamiliar with the workings of the system.  Consulting engineers, hired by cities to work on the engineering and design features of these systems and paid on a percentage of system cost, were also reluctant to favour the new system.  (a) What role do the various individuals play in the purchase process for a wastewater treatment system?  (b) How could the firm improve the marketing effort behind the new system?   [***Answer***](https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/unit6/unit6_answers/unit6_ch6q6_answer.html) |