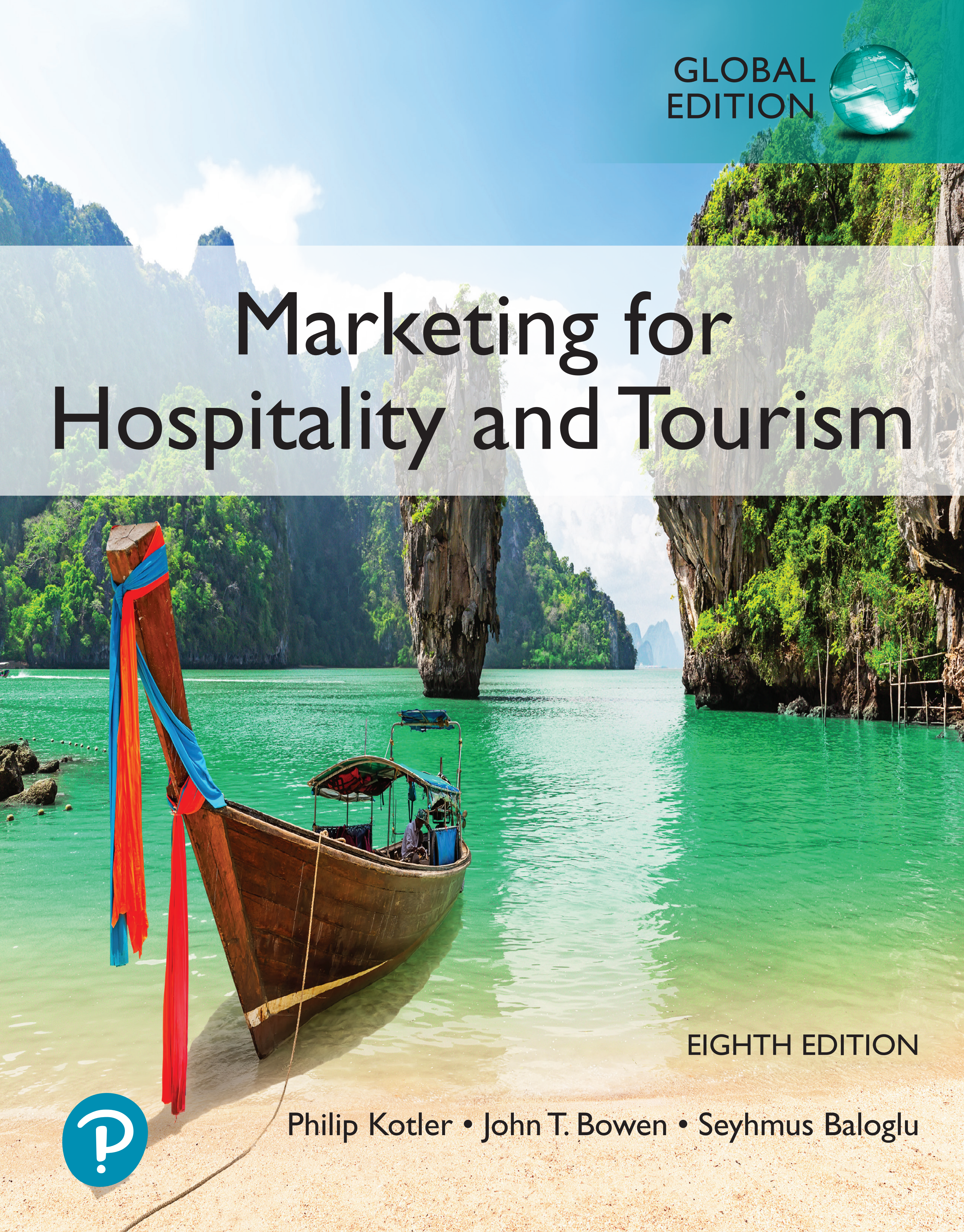

GLOBAL EDITION

Marketing for Hospitality and Tourism

EIGHTH EDITION

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and the decision process involved. This chapter will help you understand more efficiently your ability to sell to other businesses as well as your ability to make more effective purchases by understanding the process. We will also discuss group markets that generate business for the hospitality and travel industry.

The Organizational Buying Process

In the previous chapter, you studied final consumer buying behavior and factors that influence it. In this chapter, we'll do the same for business customers—those that buy goods and services for use in producing their own products and services or for resale to others. When selling to final buyers, firms marketing to businesses must engage business customers and build profitable relationships with them by creating superior customer value.

Most large companies sell to other organizations. For example, Marriott sells rooms and meeting space to corporations, associations, and nonprofit organizations. Restaurants sell meetings in private dining rooms to businesses, foodservice supply companies sell food products, equipment and supplies to hotels and restaurants and technology companies sell software and hardware to the hospitality industry. Business-to-business (B-to-B) sales positions provide career opportunities for hospitality students.

Business buyer behavior refers to the buying behavior of organizations that buy goods and services for use in the production of other products and services that are sold, rented, or supplied to others. It also includes the behavior of retailing and wholesaling firms that acquire goods to resell or rent to others at a profit. In the business buying process, business buyers determine which products and services their organizations need to purchase and then find, evaluate, and choose among alternative suppliers and brands. B-to-B marketers must do their best to understand business markets and business buyer behavior. Then they must engage business customers and build profitable relationships with them by creating superior customer value.

Business Markets

The business market is huge. In fact, business markets involve far more dollars and items than do consumer markets. In some ways, business markets are similar to consumer markets. Both involve people who assume buying roles and make purchase decisions to satisfy needs. However, business markets differ in many ways from consumer markets. The main differences are in market structure and demand, the nature of the buying unit, and the types of decisions and the decision process involved.

Market Structure and Demand

Derived demand Organizational demand that ultimately comes from (derives from) the demand for consumer goods.

Organizational demand is **derived demand**; it comes ultimately from the demand for consumer goods or services. It is derived or a function of the businesses that supply the hospitality and travel industry with meetings, special events, and other functions. In many cities one sector provides a disproportionate amount of their economic activity. For example, Boston is a major center for the biotechnology industry, while the energy industry accounts for a large portion of Houston's economy. A downturn in an industry that accounts for high percentage of an area's economy can have an adverse effect on the business spending in those markets.

Through good environmental scanning, hotel managers can identify emerging industries, companies, and associations. They screen these organizations to find good business partners. When they see an industry-specific downturn coming, they can look for industries in the region that are healthy to replace the lost business. Destination marketers also need to understand the importance of derived demand and keep up with environmental changes as they seek to fill a city's convention center.

Nature of the Buying Unit

Compared with consumer purchases, a business purchase usually involves more decision makers and a more professional purchasing effort. Corporations that frequently use hotels for meetings may hire their own meeting planners. Professional meeting planners receive training in negotiating skills. They belong to associations such as Meeting Planners International (MPI), which educates its members in the latest negotiating techniques. A corporate travel agent's job is to find the best airfares, rental car rates, and hotel rates. Therefore, hotels must have well-trained salespeople to deal with well-trained buyers, creating thousands of jobs for salespeople. Additionally, once the meeting is sold, the account is turned over to a convention service manager who works with the meeting planner to make sure the event is produced according to the meeting planner's expectations. Outside the hotel, jobs relating to meetings include corporate meeting planners, association meeting planners, independent meeting planners, and convention and visitor bureau salespersons.

Types of Decisions and the Decision Process

Organizational buying process The decision-making process by which formal organizations establish the need for purchased products and services and identify, evaluate, and choose among alternative brands and suppliers.

Organizational buyers usually face more complex buying decisions than consumer buyers. The **organizational buying process** tends to be more formalized than the consumer process and a more professional purchasing effort. The more complex the purchase, the more likely it is that several people will participate in the decision-making process. The total bill for a one-day sales meeting for 75 people can be tens of thousands of dollars. If a company is having a series of sales meetings around the country, it will be worthwhile to get quotes from several hotel chains and spend time analyzing the bids.

Finally, in the organizational buying process, buyer and seller are often very dependent on each other. Sales is a consultative process. The hospitality organization's staff develops interesting and creative menus, theme parties, and coffee breaks. The staff works with meeting planners to solve problems and works. They also have a close working relationship with their corporate and association customers to find customized solutions to satisfy their needs. Hotels and catering firms retain customers by meeting their current needs and thinking ahead to meet their future needs. For example, consider agricultural and food giant Cargill's Cocoa & Chocolate division.[3] Cargill's Cocoa & Chocolate division sells cocoa and chocolate products to business customers around the world, including giants such as Mars and Mondelez. But its success lies in doing much more than just selling its products. Cargill consults with its customers, drawing on its expertise in the use of cocoa including the production of chocolate. It shows its customers how to use its products to better serve their customers and how to reduce their production costs. For example, Cargill's researchers keep customers up to date on the latest global consumer food trends. Its research and development teams give customers personalized product development support. And its technical services specialists provide help in resolving customer ingredient and applications challenges. Cargill provides its chefs and food scientists to help its customers develop new products that will have value for their client's customers. Thus, more than just selling cocoa and chocolate, Cargill sells customer success in using those products. Cargill realizes their business is derived from the success of the client's businesses.[4]

Participants in the Organizational Buying Process

Buying center All those individuals and groups who participate in the purchasing and decision-making process and who share common goals and the risks arising from the decisions.

The decision-making unit of a buying organization, sometimes called the **buying center**, is defined as "all those individuals and groups who participate in the purchasing decision-making process, who share common goals and the risks arising from the decisions."[2]

The buying center includes all members of the organization who play any of the six roles in the purchase–decision process:[3]

1. **Users.** Users are those who use the product or service. A user could be a chef, a front-desk clerk, or the client's customer. Although the user does not make the purchase decision they can have a great deal of influence on the buying decision. Smart B-to-B marketers will test their products with the end user before taking them to market. They will also make sure they have good support to train the end user on how to use their product.
2. **Influencers.** Influencers directly influence the buying decision but do not make the final decision themselves. They often help define specifications and provide information for evaluating alternatives. Past presidents of trade associations may exert influence in the choice of a meeting location. Executive secretaries, a spouse, regional managers, and many others can and do exert considerable influence in the selection of sites for meetings, seminars, conferences, and other group gatherings. A good salesperson will do some investigation to find out who the influencers are in the decision-making process.
3. **Deciders.** Deciders select product requirements and suppliers. For example, a company's sales manager for the Denver area selects the hotel and negotiates the arrangements when the regional sales meeting is held in Denver.
4. **Approvers.** Approvers authorize the proposed actions of deciders or buyers. Although the Denver sales manager arranges the meeting, the contracts may need to be submitted to the organization's procurement department for formal approval.
5. **Buyers.** Buyers have formal authority for selecting suppliers and arranging the terms of purchase. Buyers may help shape product specifications and play a major role in selecting vendors and negotiating. The event planner may then take over the process and plan the meeting. In some cases the final agreement would then be turned over to the company's procurement department, who would approve the contract.
6. **Gatekeepers.** Gatekeepers have the power to prevent sellers of information from reaching members of the buying center. For example, a hotel salesperson calling on a meeting planner may have to go through an administrative assistant. This administrative assistant can easily block the salesperson from seeing the meeting planner. This can be accomplished by failing to forward messages, telling the salesperson the meeting planner is not available, or simply telling the meeting planner not to deal with the salesperson. Good salespeople treat all people in their client's organization well and seek to gain the trust of gatekeepers.

The buying center is not a fixed and formally identified unit within the buying organization. It is a set of buying roles assumed by different people for different purchases. Within the organization, the size and makeup of the buying center will vary for different products and for different buying situations. For some routine purchases, one person—say, an administrative assistant—may make the arrangements for a small meeting. It is then approved by his boss. For more complex purchases, the buying center may include people from different levels and departments in the organization.[4]

The buying center concept presents a major marketing challenge. The business marketer must learn who participates in the decision, each participant's relative influence, and what evaluation criteria each decision participant uses. This can be difficult especially since the buying center can be dynamic as members are promoted or leave the company. When a buying center includes multiple

It is important to have good relationships with administrative assistants; they can help you gain an appointment and may influence the purchase decision. ESB Professional/ Shutterstock.

participants, the seller may not have the time or resources to reach all. Smaller sellers concentrate on reaching the key buying influencers and deciders. It is important not to go over the decider's head. Most deciders like to feel in control of the purchasing decision; going over a decider's head and working with the boss will be resented. In most cases, the boss will leave the decision up to the decider and the ill will created by not dealing with the decider directly will result in the selection of another company. Larger sellers use multilevel, in-depth selling to reach as many buying participants as possible. Their salespeople virtually "live" with their high-volume customers.

Major Influences on Organizational Buyers

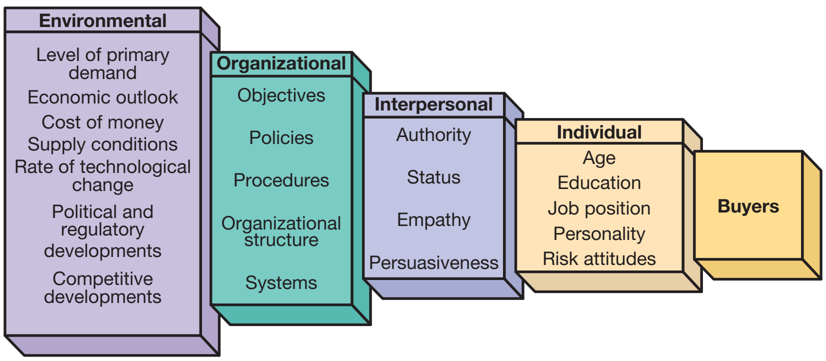
Business buyers are subject to many influences when they make their buying decisions. Some marketers assume that the major influences are economic. They think buyers will favor the supplier who offers the lowest price or the best product or the most service. They concentrate on offering strong economic benefits to buyers. Such economic factors are very important to most buyers, especially in a tough economy. However, business buyers actually respond to both economic and personal factors. Far from being cold, calculating, and impersonal, business buyers are human and social as well. They react to both reason and emotion.

Figure 7–1 lists various groups of influences on business buyers—environmental, organizational, interpersonal, and individual.[5] Business buyers are heavily influenced by factors in the current and expected economic environment, such as the level of primary demand, the economic outlook, and the cost of money. Business buyers also are affected by technological, political, and competitive developments in the environment. Finally, culture and customs can strongly influence business buyer reactions to the marketer's behavior and strategies, especially in the international marketing environment (as we saw in the opening vignette). The business buyer must watch these factors, determine how they will affect the buyer, and try to turn these challenges into opportunities.

Organizational factors are also important. Each buying organization has its own objectives, strategies, structure, systems, and procedures, and the business marketer must understand these factors well. Questions such as these arise: How many people are involved in the buying decision? Who are they? What are their evaluative criteria? What are the company's policies and limits on its buyers?

The buying center usually includes many participants who influence each other, so interpersonal factors also influence the business buying process. However, it is often difficult to assess such interpersonal factors and group dynamics. Buying center participants do not wear tags that label them as "key decision maker" or "not influential." Others believe that buyers respond to personal factors such as favors, attention, or risk avoidance. A study of buyers in 10 large companies concluded that emotions and feelings play a part in the decision process of corporate decision makers. They respond to "image," buy from known companies, and favor suppliers who show them respect and personal consideration. They "overreact" to real or imagined slights, tending to reject companies that fail to respond or delay in submitting bids.[6]

Figure 7–1
Major influences on business buying behavior.



Participants may influence the buying decision because they control rewards and punishments, are well liked, have special expertise, or have a special relationship with other important participants. Interpersonal factors are often very subtle. Whenever possible, business marketers must try to understand these factors and design strategies that take them into account.

Each participant in the business buying decision process brings in personal motives, perceptions, and preferences. These individual factors are affected by personal characteristics such as age, income, education, professional identification, personality, and attitudes toward risk. Also, buyers have different buying styles. Some may be technical types who make in-depth analyses of competitive proposals before choosing a supplier. Other buyers may be intuitive negotiators who are adept at pitting the sellers against one another for the best deal.

Organizational Buying Decisions

Organizational buyers do not buy goods and services for personal consumption. They buy hospitality products to provide training, to reward employees and distributors, and to provide lodging for their employees. Eight stages of the organizational buying process have been identified and are called *buyphases*.[7] This model is called *buygrid framework*. The eight steps for the typical new-task buying situation are as follows.

1. Problem Recognition

Problem recognition The stage of the industrial buying process in which someone in a company recognizes a problem or need that can be met by acquiring a good or a service.

The buying process begins when someone in the company recognizes a problem or need that can be met by acquiring a good or a service. **Problem recognition** can occur because of internal or external stimuli. Internally, a new product may create the need for a series of meetings to explain the product to the sales force. A human resource manager may notice a need for employee training and set up a training meeting. A CEO may feel that the executive team would benefit from a weekend retreat to reformulate the firm's strategy. Externally, the buyer sees an ad or receives a call from a hotel sales representative who offers a favorable corporate program. Marketers can stimulate problem recognition by developing effective ads and calling on prospects.

2. General Need Description

Having recognized a need, the buyer goes on to determine the requirements of the product and to formulate a general need description. For a training meeting, this would include food and beverages, meeting spaces, AV equipment coffee breaks, and sleeping room requirements. The corporate meeting planner works with others—the director of human resources, the training manager, and potential participants—to gain insight into the requirements of the meeting. Together, they determine the importance of the price, meeting space, sleeping rooms, food and beverages, and other factors.

The hotel marketer can render assistance to the buyer in this phase. Often, the buyer is unaware of the benefits of various product features. Alert marketers can help buyers define their companies' needs and show how their hotel can satisfy them.

3. Product Specification

Once the general requirements have been determined, the specific requirements for the meeting can be developed. For example, a meeting might require 20 sleeping rooms, a meeting room for 25 set up classroom style with a whiteboard and overhead projector, and a separate room for lunch. For larger meetings with an exhibit area, the information need becomes more complex. Information often required includes availability of water, ceiling heights, door widths, security, and

Product specification The stage of an industrial buying process in which the buying organization decides on and specifies the best technical product characteristics for a needed item.

procedures for receiving and storing materials prior to the event. Salespersons must be prepared to answer their prospective client's questions about their hotel's capabilities to fulfill the **product specification**. Today, these needs are certain to include technology, including portals for computers, the latest AV equipment, and others.

4. Supplier Search

Supplier search The stage of the industrial buying process in which a buyer tries to find the best vendor.

The buyer now conducts a **supplier search** to identify the most appropriate hotels. The buyer can examine trade directories, do a computer search, or phone familiar hotels. Hotels that qualify may receive a site visit from the meeting planner, who eventually develops a short list of qualified suppliers. Personal recommendations from individuals such as members of management, consultants, lawyers, and others often are seriously considered in the search process.

5. Proposal Solicitations

Once the meeting planner has drawn up a short list of suppliers, qualified hotels are invited to submit proposals. Thus hotel marketers must be skilled in researching, writing, and presenting proposals. These should be marketing-oriented, not simply technical, documents. They should position their company's capabilities and resources so that they stand out from the competition. To do this effectively, one must know the strengths and weaknesses of the competition as well as their own strengths and weaknesses. The salesperson must also understand which of the hotel's features will be perceived as benefits to the meeting planner.

6. Supplier Selection

Supplier selection The stage of the industrial buying process in which a buyer receives proposals and selects a supplier or suppliers.

In this stage, members of the buying center review the proposals and move toward **supplier selection**. They conduct an analysis of the hotel, considering physical facilities, the hotel's ability to deliver service, and the professionalism of its employees. Frequently, the buying center specifies desired supplier attributes and suggests their relative importance.

Technology has made it possible for meeting planners to take a visual tour of the meeting space. Companies such as eMarketing 360 specialize in capturing video images of meeting space and making it accessible to buyers on the Web. Meeting Matrix provides a Web site with meeting information, including room diagrams, and videos of meeting space. This helps meeting planners narrow their selection or even make their selection without visiting the site. The later would likely be made up of buyers who have a lot of faith in the brand. Regardless of the sophistication of communication devices, nothing can substitute for on-site visits. These should be an integral part of the selection process.

Buyers may attempt to negotiate with preferred suppliers for better prices and terms before making the final selections. In the end, they may select a single supplier or a few suppliers. Large restaurants may give most of their business to a preferred food supplier to gain the best prices, but they continue to buy products from a second supplier so they have a backup and are not dependent on one supplier. This also allows comparisons of prices and performance of several suppliers.

7. Order-Routine Specification

Order-routine specification The stage of the industry buying process in which a buyer writes the final order with the chosen supplier(s), listing the technical specifications, quantity needed, expected time of delivery, return policies, warranties, and so on.

The buyer now writes the final order with the chosen hotels, listing the technical **order-routine specifications** of the meeting. The hotel responds by offering the buyer a formal contract. The contract specifies cutoff dates for room blocks, the date when the hotel will release the room block for sale to other guests, and minimum guarantees for food and beverage functions. Many hotels and restaurants have turned what should have been a profitable banquet into a loss by not having or enforcing minimum guarantees.