

QUESTION 9: PROPOSED SOLUTION

Business Markets

- Professional (but fewer) buyers and sellers
- Transactions much larger, but fewer of them
- Price often subordinate to other factors (e.g. professional relationships between the companies, service level agreements, etc.)
- Buying process is more complex and longer in timeframe than consumer markets
- Backbone is relationship marketing
- High switching costs
- Electronic settlement very common
- Many B2B industries operate on the basis of derived demand

Consumer Markets

- Many more buyers than business markets, but the buyers (ordinary consumers) typically have relatively little purchasing 'expertise'
- Many transactions, but each transaction is typically low in value (e.g. consumers doing daily grocery shopping)
- Switching costs are low – price sensitivity is rife, and brand switching is considerably more prevalent than in B2B markets
- Impulse and unplanned purchases are part and parcel of this market
- Cash is the primary form of payment for good/service, although credit and debit card purchases are becoming more frequent.
- Transaction marketing more prevalent than relationship market (e.g. is it really worthwhile for Cadburys to have an in-depth relationship with consumers of their chocolate?)