

COURSE: FUNDAMENTALS OF MARKETING

LECTURE 6: MARKET SEGMENTATION

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Lecture learning outcomes:

At the end of the lecture, you will be able to:

- 1. Understand the concept of market segmentation**
- 2. Discuss the characteristics of market segmentation**
- 3. Examine importance of market segmentation**
- 4. Discuss the bases for market segmentation**
- 5. Examine types of organizational Market**
- 6. Discuss characteristics of organization market**

MARKET SEGMENTATION

Concept of Segmentation

Segmentation refers to a process of bifurcating or dividing a large unit into various small units which have more or less similar or related characteristics. So, Market segmentation is defined as the segmentation or division of markets into various homogenous groups of customers, each of them reacting differently to promotion, communication, pricing and other variables of the marketing mix. Market segments should be formed in such a way that difference between buyers within each segment is as small as possible.

According to Philip Kotler, “Market segmentation is sub-dividing a market into distinct and homogeneous subgroups of customers, where any group can conceivably be selected as a target market to be met with distinct marketing mix.

According to William J. Stanton, “Market segmentation consists of taking the total heterogeneous market for a product and dividing it into several sub-market or segments, each of which tends to be homogeneous in full significant aspects”.

According to R. S. Davar, “Grouping of buyers or segmenting the market is described as market Segmentation.”

The main aim of market segmentation is to prepare separate programmes or strategies to all segments so that maximum satisfaction to consumers of different

segments may be provided. In the words of Philip Kotler, “the purpose of market segmentation is to determine difference among them or marketing to them.”

Characteristics of Marketing Segmentation

Another aspect is the criteria for effective targeting of market segments. The marketers will have to select one or more segments to target with an appropriate marketing mix.

For a segment to be viable, it must have the following characteristics:

Identification:

To facilitate division of the market in various segments based on certain common characteristics relevant to a particular product or service, the marketers must be in a position to identify these characteristics. It is easy to identify certain segmentation variables because they are easily visible or observable. These are demographics such as age, sex, marital status, education and occupation. This information about demographic variables can be obtained either through observation or through research (by using questionnaires). Similarly, geographic segmentation (region, city size, density of area and climate) can easily be identified as they are observable or through mapping. But there are certain characteristics which are not easily identifiable.

These could be a part of the psychographics, like benefits sought or lifestyle. And it is such intangible consumer behaviour characteristics which will help the marketers, to use it as a base for market segmentation.

Measurability

Another important characteristic ascertains the degree of measurability of the size and purchasing power of the segments. The marketer must be able to determine the size of the market that is to find out how many people are there in the segment and where they are located.

The marketer must be able to measure the sales potential of the particular segment and also be able to determine the extent of influence of the marketing mix elements on the particular segment. The size of the customers will include regular customers as well as occasional customers.

Accessibility

The extent to which the market segments can be reached and served is another area of concern. The consumers must be accessible or available to the marketers. For instance, a company which sells ‘skin care products’, may find that heavy users of its brand are teenagers and young women, who are frequent visitors at fast-food centres and beauty parlours.

But unless the firm is able to get more information on places or store preferences and exposure to various media’s it will be difficult to reach this consumer segment.

Substantiality

Another matter of concern for the marketer is the extent to which the segments are large enough and worthy of investment. For a market segment to be worthwhile, it must have a large number of people with specific needs and interests. The size of the large segment must be big enough to be economically viable. The size of the market is not the only indicator of the economic worthiness of the segment.

It is also necessary to undertake consumer research methodology to determine whether the consumers are dissatisfied or only partly satisfied with the existing products and whether they are willing to pay for the firm's product. The target segment should be a large homogeneous group worth focusing with a tailored marketing programme.

Stability

Marketers would like to target consumers whose behaviours can be predicted. The marketers want to be sure of the stability of the consumers in terms of their demographic and psychological characteristics and wants and needs which are likely to grow faster over a period of time. Marketers would like to avoid 'fads' which may disappear one day because it is unpredictable in terms of durability.

According to Rashmi, today companies that sell their products and services to various consumer and industrial markets are aware that they cannot serve to all buyers in the entire market for a specific product or service category. The reason is that buyers in a specific product market are too numerous, too widely spread, and have different needs and buying motives. This is known as heterogeneity or diversity of buyers. For examples, not all consumers who wear pants want to wear jeans. Even those wear jeans some will go for designer's jeans and some go for cheaper jeans. In the same way businesses who use computer may not want the same amount of memory or speed in computers. Thus rather than to compete in an entire market each company must identify the parts of the market that it can serve in a more meaningful way.

It is good to note within the same general market there are groups of consumers with different needs, buying preferences, or product-use behavior. In some product markets these differences are relatively minor, and the primary belief it sought by consumers can be satisfied with a single marketing mix. In other product markets these differences are pronounced and consumers are not likely to compromise on single product and other elements of marketing mix. As a result, alternative or multiple marketing mixes are required to reach the entire product market.

Mass Marketing: In this marketing practice companies use to produce a single product on a mass scale, distributed and promoted on a mass level. The main advantage that has been advocated for mass marketing is that this will lead to economies of scale to the manufacturers and lower price to the consumers. This practice is also known as "shotgun approach" or market aggregation. In the present market scenario this practice used by the marketers as consumers in most of the markets exhibit differences in terms of buying preferences, needs and product use behaviour. This has made mass marketing difficult in the present times.

Target Marketing: The total market consists of several smaller segments with differences significant enough that one marketing mix will not satisfy everyone or even a majority in a given product or services, in market. Therefore, a firm identifies different submarkets or market segments, selects one or more of them, and develops products and marketing mixes to each. This strategy develops a "rifle" approach instead of "shotgun approach".

Selection of a target market (or target markets) is part of the overall process known as S-T-P (Segmentation→ Targeting→ Positioning). Before a business can develop a positioning strategy, it must first segment the market and identify the target (or targets) for the positioning strategy. This allows to the business to tailor its marketing activities with the needs, wants, aspirations and expectations of target customers in mind. This enables the business to use its marketing resources more efficiently, resulting in more cost and time efficient marketing efforts. It allows for a richer understanding of customers and therefore enables the creation of marketing strategies and tactics, such as product design, pricing and promotion, that will connect with customers' hearts and minds. Also, targeting makes it possible to collect more precise data about customer needs and behaviors and then analyze that information over time in order to refine market strategies effectively.

The first step in the S-T-P process is market segmentation. In this phase of the planning process, the business identifies the market potential or the total available market (TAM). This is the total number of existing customers plus potential customers, and may also include important influencers. For example, the potential market or TAM for feminine sanitary products might be defined as all women aged 14-50 years. Given that this is a very broad market in terms of both its demographic composition and its needs, this market can be segmented to ascertain whether internal groups with different product needs can be identified. In other words, the market is looking for market-based opportunities that are a good match its current

product offering or whether new product/service offerings need to be devised for specific segments within the overall market

Importance of Segmentation:

Market segmentation being customer-oriented is resemblance with the marketing concept philosophy. In market segmentation, a company first identifies the needs of consumers within a segment and then decides if it is practical to develop a product and marketing mix to satisfy those needs. By practicing market segmentation and a company may obtain the following advantages and benefits.

- By tailoring marketing programs to each market segment, a company can do a better marketing job and can make more efficient use of its marketing resources.
- A small company with limited resources may be in a better position to compete more effectively in one or two small market segments, whereas the same company would be overwhelmed by the competition from bigger companies if it aimed for a major segment.
- A company with effective market segmentation strategy can create a more finetuned product or service offering and price it appropriately for the target segment.
- The company can more easily select the most appropriate distribution network and communication strategy, and it will be able to understand its competitors in a better way, which are serving the same segment.
- By developing strong position in a specialized market segments, a medium sized company can grow rapidly.
- Even very large companies with the vast resources at their disposal are abandoning mass marketing strategies and embracing market segmentation as more effective strategy to reach various market segments in broad product market. Because of these factors and the benefits from the market segmentation most of the companies both in consumer and industrial markets are practicing this strategy. Because of obvious benefits, today not only market segmentation is practiced by the companies manufacturing goods and services but it has also been adopted by retailers. Many marketing experts are of the view that the days of mass marketing have gone and even if some companies are following mass marketing its days are numbered. Therefore, today companies use market segmentation to stay focused rather than scattering their marketing resources.

Bases of Segmentation

A large number of variables are used to segment a consumer market. The most common bases for segmenting markets are as follows:

Geographic Segmentation:

Geographic location is one of the simplest methods of segmenting the market. People living in one region of the country have purchasing and consuming habit which differs from those living in other regions

Demographic Segmentation

Demographic variables such as age, occupation, education, sex and income are commonly used for segmenting markets.

(a) Age: Teenagers, adults, retired.

(b) Sex: Male and female.

(c) Occupation: Agriculture, industry, trade, students, service sector, house-holds, institutions.

(i) Industrial sector: Large, small, tiny.

(ii) Trade: Wholesale, retail, exporters.

(iii) Services: Professionals and non-professionals.

(iv) Institutions: Educational, religions, clubs.

(v) Agriculture and cottage industries.

Psychographic Segmentation:

Under this method consumers are classified into market segments on the basis of their psychological make-up, i.e., personality, attitude and lifestyle. According to attitude towards life, people may be classified as traditionalists, achievers, etc.

Rogers has identified five groups of consumer personalities according to the way they adopt new products:

(a) Innovators: These are cosmopolitan people who are eager to try new ideas. They are highly venturesome and willing to assume the risk of an occasional bad experience with a new product.

(b) Early Adopters: These are influential people with whom the average person checks out an innovation.

(c) Early Majority: This group tends to deliberate before adopting a new product. Its members are important in legitimizing an innovation but they are seldom leaders.

(d) Late Majority: This group is cautious and adopts new ideas after an innovation has received public confidence.

(e) Laggards: These are past-oriented people. They are suspicious of change and innovations. By the time they adopt a product, it may already have been replaced by a new one. Understanding of psychographic of consumers enables marketers to better select potential markets and match the product image with the type of consumer using it. For example, women making heavy use of bank credit cards are

said to lead an active lifestyle and are concerned with their appearance. They tend to be liberated and are willing to try new things.

Psychographic classification may, however, be an oversimplification of consumer personalities and purchase behaviour. So many factors influence consumers that an early adopter of one product might well be a laggard for some other product and vice versa.

Behavioristic Segmentation:

In this method consumers are classified into market segments not the basis of their knowledge, attitude and use of actual products or product attributes.

Any of the following variables might be used for this purpose:

(a) Purchase Occasion: Buyers may be differentiated on the basis of when they use a product or service. For example, air travellers might fly for business or vacation. Therefore, one airline might promote itself as a business flyer while another might target the tourists.

(b) Benefits Sought: The major benefit sought in a product is used as the basis of classify consumers. High quality, low price, good taste, speed, sex appeal are examples of benefits. For example, some air travellers prefer economy class (low price), while others seek executive class (status and comfort).

(c) User Status: Potential buyers may be classified as regular users, occasional users and non-users. Marketers can develop new products or new uses of old products by targeting one or another of these groups.

Volume Segmentation:

Consumers are classified light, medium and heavy users of a product. In some cases, 80 per cent of the product may be sold to only 20 per cent of the group. Marketers can decide product features and advertising strategies by finding common characteristics among heavy users. For example, airlines having 'Frequent Flyer' are using user rate as the basis of market segmentation. Generally, marketers are interested in the heavy user group.

But marketers should pay attention to all the user groups because they represent different opportunities. The non-users may consist of two types of people— those who do not use the product and those who might use it. Some may change over time from a non-user to a user.

Those who do not use due to ignorance may be provided extensive information. Repetitive advertising may be used to overcome inertia or psychological resistance. In this way non-users can gradually be converted into users.

Product-space Segmentation:

Here the buyers are asked to compare the existing brands according to their perceived similarity and in relation to their ideal brands. First, the analyst infers the latent attributes that consumers are using to perceive the brand. Then buyers are classified into groups each having a distinct ideal brand in mind. The distinctive characteristics of each group are ascertained.

Benefit Segmentation:

Consumer behaviour depends more on the benefit sought in product/service than on demographic factors. Each market segment is identified by the major benefits it is seeking. Most buyers seek as many benefits as possible. However, the relative importance attached to individual benefits differs from one group to another. For example, some consumers of toothpaste give greater importance to freshness while others prefer taste or brightness of teeth.

Research studies on benefit segmentation reveal that it is easier to take advantage of existing segment, than to create new segments. As no brand can appeal to all consumers, a marketer who wants to cover the market fully must offer multiple brands.

The following benefit segments have been identified:

- (a) The Status Seeker: This group comprises buyers who are very much concerned with the prestige of the brand.
- (b) The Swinger: This group tries to be modern and up-to-date in all of its activities.
- (c) The Conservative: This group prefers popular brands and large successful companies.

The Rational Man: This group looks for benefits such as economy, value, durability and other logical factors.

(e) The Inner-Directed Man: This group is concerned with self-concept, e.g., sense of honour, independence, honesty, etc.

(f) The Hedonist: This group is concerned mainly with sensory benefits. Marketing experts suggest that benefit segmentation has the greatest number of practical implications than any other method of segmentation.

STP Approach: Segmentation

Segmentation is the breaking down of large markets into sub markets or segments of consumers that are similar in terms of needs wants and buying habits. The first method of segmenting a market is demographic segmentation. In demographic segmentation factors like age, gender, income, education, occupation, marital status family cycle and ownership of durables are used for determining consumer segments.

Segmentation may also be on a geographic basis, by considering criteria like area type, area density, neighborhood type and region. Geographic segmentation may be done within a country, for a region state, province or neighborhood. The usage patterns of the consumers can also be use to segment the markets. Here, consumers and be classified as heavy users, non-users brand loyal users and switchers or variety seekers.

Segmentation may also be done on the basis of psychographics and lifestyles. By understanding the psychographics a retailer tries to understand the activities, the interests and the opinions of the consumers. An insight into the activities and interests of the consumer gives an idea of the kind of lifestyle followed and the kind of products that would appeal to him. On the other hand, by following benefit segmentation, a retailer would try to understand the benefits that a consumer seeks from a particular product or service and create a product or service accordingly.

While determining a viable market segment, a retailer should take into consideration the size of that market as it will help estimate the sales. Ideally, for a retailer, the criteria for describing segments should be relevant to a purchase situation. The main benefits of retail segmentation are that it helps the retailer focus on certain segments of the population and gives it a direction for the strategy to be adopted. It aids the quantification of the size of the market and also helps monitor market performance by estimating the market share.

The target Market

After having divided the market into various segments, the retailer now needs to decide on whom he is going to cater to. The consumer segment that he decides to cater to is known as the target market. While selecting a target market he needs to look at the ability of the retail organization to meet the needs of the segment, the size and the future growth potential of the segment the kind of investment that would be required and the kind of profits that could be earned.

Positioning

Now that the target market /s have been finalized a positioning platform needs to be created. Positioning starts with a product a piece of merchandise a service, a company an institution or even person. Positioning is not what is done to the product but what is done to the mind of the prospect. That is, you position the product in the mind of the prospect

The concept of positioning needs to be looked at from the perspective of the environment that it operates in. It is how your product is perceived in the marketplace relative to the competitor. In retail the environments are constantly changing thus the context of the positioning is bound to change. The overall strategy of the firm

largely affects the positioning strategy adopted by the retailer. The four main areas that affect the retail positioning strategy:

- 1) Merchandising strategy
- 2) The trading style / format strategy
3. Customer service strategy

4) **Customer communications strategy**

Retailers have to understand the various influences that influence consumer buying behavior. In order to correctly segment the population and thereafter to create a marketing strategy a retailer will have to take in data in various forms and types like demographic and psychographic data, data collected from a survey of household panels, in-store audits and interviews done of customers buying from the store and alternatively not buying from the store. A retailer may also use data from syndicated studies like a study of the consumers, wardrobe etc.

The significance of each type of data varies with respect to the target audience. For example, the marketing strategy adopted while communicating to teenagers will be different from that adopted while catering to the health conscious or may be the elderly. The positioning platform created by the retailer has to be done after taking all these factors into consideration.

The key to successful retail positioning is that the store must have an identify that has some advantages over competitors and at the same time those advantages must be recognized and valued by the consumers.

Market positioning based on price, product differentiation and service provision, is central to the competitive strategy of multiple retailers. Store image ties have assisted retailers in developing positioning strategies of their outlets, enabling them to differentiate stores in terms of the products prices or services they offer.

The segment target market and the positioning strategy adopted by the retailer dictates the image to be created for a retail store. This in turn, decides the communication mix that the retailer chooses to communicate with the consumers.

A market from the marketing point of view can be defined as group of people or organisations with needs to satisfy, money to spend, and the willingness to spend it. It can be identified by some common characteristic, interest, or problem; use a certain product to advantage; and be reached through some medium. However, within a total market there is always some diversity among the buyers. The size of the market depends on the number of people who exhibit the need, have resources to engage in exchange and are willing to offer these resources in exchange for what they want. Within the same general market there are groups of customers with

different needs, buying preferences, or product-use behavior. In some markets these differences are relatively minor, and the primary benefit sought by consumers can be satisfied with a single marketing mix. In other market customers are unwilling to make the compromises necessitated by a single marketing mix. As a result different marketing mixes are required to reach the entire market. Whether it is large or small, the group of consumers (people or organizations) for whom the seller designs a particular marketing mix is a target market. Thus a target market refers to a group of people or organizations at which a firm directs a marketing program with a specific marketing mix.

Types of Market

Consumers, buy various goods and services for own consumption or use in daily life. The same way business enterprises buy innumerable goods and services for the purpose of using them in manufacturing process, helping in manufacturing process, for running the business, and reselling them to the final consumers. For proper understanding of the markets, therefore, it is essential to classify the markets on the basis of the type of buyer group. As such, markets are classified into two broad categories: consumer markets and organizational markets.

Consumer Markets: Here consumers mean all the individuals and households who buy goods and services for their personal or household consumption. Thus the consumer market consists of all the individuals and households who buy or acquire goods and services for their own personal or household use. They buy strictly to satisfy their non-business personal needs and wants. For example, you purchase items such as toothpaste, soap, biscuits, sweets etc., for your personal consumption or your family consumption. But when an individual or organization buys goods for resale or for further production, such an individual or organization is not treated as belonging to the consumer market.

These ultimate consumers are large in numbers and spread throughout the country. They also vary tremendously in age, income, educational level, tastes, preferences, etc. These factors are cultural, social, personal, economic and psychological characteristics of the buyer. You may also recall while buying different products and services a buyer typically goes through five stages of buying decision process. These five stages are: problem recognition or need arousal, information search, evaluation of alternatives, actual purchases decision and post-purchase behavior.

Organizational Markets: It is generally considered that business organizations engage in selling their products and services to their consumers. This is true, but they also buy vast quantities of raw materials, manufactured components, plants and equipments, supplies, and business services. Thousands of business, institutional,

and government organizations represent a huge, lucrative buying market for goods and services purchased from both domestic and international suppliers. In fact, organizational markets involve many more lopes and items than do consumer markets.

Today most of the large companies, in addition to selling their products to the consumer market, sell to other organizations. Many industrial goods manufacturing companies sell most of their products to other business organizations. Even large consumer goods manufacturers engage in organizational marketing.

Types of Organizational Market

The Industrial market: Is also called producer or business market consists of all the individuals and organizations that buy or acquire goods and services that enter into the production of other products and services that are sold, rented or supplied to others. The major industries making up the organizational market are agriculture, forestry and fisheries; mining; manufacturing; construction; transportation; communication; public utilities; banking; finance, and insurance; distribution; and services

The Reseller Market: It consists of all the individuals and organisations that acquire goods for the purpose of reselling or renting them to others at a profit. The basic activity of resellers-unlike industrial or business market-is buying products from manufacturing organizations and reselling these products essentially in the same form to the resellers' customers. In economic terms resellers create time, place and possession utilities rather than form utility. Resellers also buy many goods and services for use in operating their businesses-items such as office supplies and equipment, warehouses, materials-handling equipment, legal services, and electrical services. In the case of the resellers like small wholesale and retail organisations, buying are done by one or a few individuals

In large reseller's organizations, buying is done by a buying committee made up of experts on demand, supply, and prices. One of the major problems a reseller faces is to determine its unique assortment-the combination of products and services that it will offer to its customers.

The government market: A government market is a market where the consumers are federal, state, and local governments. Governments purchase both goods and services from the private sector. Governments buy the same types of products and services as private sector consumers, plus some more exotic products such as aircraft carriers, fighter jets, tanks, spy satellites, and nuclear weapons. A growing trend in the past decades has been the outsourcing of traditional government services to private firms, such as prisons. Government purchasing processes are different from those in the private sector of the industrial or business market. A unique feature of the government buying is the competitive bidding system. Much government

procurement, by law, must be done on a bid basis. That is, the government agency advertises for bids using a standard format called a request for proposal (RFP), or quotation states specifications for the intended purchase. Then it must accept the lowest bid that meets these specifications. An alternative to this system, the government may sometimes negotiate a purchase contract with an individual supplier. This system is used when government wants to purchase a specialized product that has no comparable products on which to base bidding specifications.

The Institutional Market: This is also known as non-profit organization or "non business" business market. This market consists of various non-profit institutions other than the government market. This includes: educational institutions (schools, colleges, universities, and research laboratories), hospitals, nursing homes, religious institutions, etc. Many non-profit institutions have low budgets and captive clienteles. For example, many universities, colleges and governmental hospitals work on funds provided by the government and in most of the cases these are limited. Therefore, those companies who wish to sell to this market should keep in mind the inherent budget constraints

Characteristics of Organizational Market

Characteristics of organizational market which make it different for consumer market. These characteristics are more or less applicable to all types of organizational market, but these are more applicable to industrial or business market. These are:

Fewer Buyers: Normally organizational buyers are less in number compared with consumers. Therefore, an industrial marketer normally deals with fewer buyers than does the consumer marketer. For instance, if a MRF a leading tyres manufacturing company wants to sell its tyres in the industrial market, it may concentrate on one of the big automobile manufacturing concerns. When the same company wishes to sell tyres to consumers (vehicle owners) it has to contact lakhs of vehicle owners.

Larger Buyers: Organizational buyers normally require large quantities of goods whereas personal consumers require smaller quantities. Thus industrial buyers are large scale buyers. Even among industrial buyers a few large buyers normally account for most of the purchasing. In such industries as automobiles, telephone, soaps, cigarette, synthetic yarn etc., a few top manufacturers account for more than a substantial part of total production. Such industries account for a major share of raw material bought in the market.

Geographical Concentration: This is where businesses are concentrated in different regions

Derived Demand: The demand for industrial goods is ultimately derived from the demand for consumer goods. For instance, Maruti Udyog Ltd. purchases steel and produces cars for the consumer market. If the consumer demand for cars drops, so will the demand for the steel and all the other products used to make cars. Therefore, industrial marketers sometimes promote their products directly to final consumers to increase business demand. For example, Intel Corporation, the largest supplier of computer processors engages in mass media advertising quite often.

Inelastic Demand: Demand for many industrial goods and services is inelastic and not much affected by price changes, especially in the short run, because producers cannot make quick changes in production schedules. For example, footwear manufacturers will not buy much more leather if the prices of leather fall. Nor will they buy less leather if the prices rise unless they can find satisfactory substitutes. In case of price increase of industrial product such as key raw material, the manufacturers will increase the price of the finished product. In this way they pass on the price increase to the ultimate consumers.

Fluctuating Demand: The demand for industrial goods and services tends to be more volatile than for consumer goods and services. This is especially true of the demand for new plant and equipment. A given percentage increase in consumer demand can lead to a much larger percentage increase in the demand for necessary plant and equipment to produce the additional quantity in order to meet the increased demand. Economists refer to this as the acceleration principle.

Professional Purchasing: Most of the organisations have professionally trained personnel in the purchasing division. Goods are purchased by these specialists. There are professional journals which provide for the benefit of these professional buyers. Consumers, on the other hand are less trained in the art of careful buying. In industrial purchasing, if the buying decision is complex; it is likely that several persons will participate in the decision-making process. Purchase committee comprising experts and top management are common in the purchase of major goods. In addition to this many of the buying instruments-such as purchase contracts-are not found in consumer buying.

Close Supplier-Customer Relationship: With the smaller customer base and the importance and power of the larger customers, industrial sellers are frequently required to customize their offerings, practices, and performance to meet the needs of individual customers.

Multiple Buying Influences: More people typically influence business buying decisions. Buying committees are common in the purchase of major goods;

marketers have to send well trained and experienced sales people and often sales teams to deal with these well-trained buyers

Multiple Sales Calls: With the more people involved in the process, the sales representatives or sales teams from the industrial supplier are required to call many times before getting an order from an industrial buyer. A long period, ranging from a few weeks to few months is required to get an order for major capital equipment from an industrial buyer.

Direct Purchasing: Organizational buyers particularly business buyers often buy directly from manufacturers rather than through intermediaries, especially products that are technically complex or expensive.

Reciprocity: Organizational buyers often select suppliers who also in turn buy from them. For example a paper manufacturer who buys chemicals from a chemical company that is buying a considerable quantity of its paper. Even in this reciprocal buying situation the buyer will make sure to get the supplies at a competitive price, of proper quality and service.

Leasing: In case of major and expensive equipment many industrial buyers lease rather than buy in order to conserve funds, get the latest products, receive better service, and gain tax advantages.

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