



MBA : SECOND YEAR

SEMESTER III

MARKETING GROUP

INDUSTRIAL MARKETING

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Introduction

The basics of consumer marketing are equally related to the industrial marketing. The job of the industrial market is entirely different. Industrial demand is influenced by all the forces of market that affect. The managers of industrial market must respond in a diverse way to alter the markets, in order to build up products and to meet these changes and market them in exclusively unlike ways to the target and sophisticated customers while maintaining corporate policies. Therefore, industrial marketers face many distinctive marketing situations not normally encountered in the consumer market. There are many common aspects in marketing of business goods and consumer goods one of them is purchase which is the effect of the process of some decision-making activities. The industrial marketing context represents a complex and multi-faceted area. In organizational markets, the firm that buys products and services for a variety of purpose for several different uses like incorporation, consumption, use or resell. Huge paradigm shifts in industrial marketing in all over the world in general and that has shifted from goods to services. The reasons behind this are the customers do not buy goods or services but they buy offerings which render services-which create value. Industrial marketing is the challenging area that presents opportunities for the application marketing principles.

Hence, this course material will make a strong foundation of the learners as it explores the basic concepts of industrial marketing, along with a detail explanation of various other issues such as buyer and seller relationship, industrial marketing relationship and all other possible marketing contents and concepts that are actually rendered and applied in the industrial marketing of good and services.

The authors hope that all the contents on understanding of the industrial marketing will definitely enhance the learner's capability and skills for outstanding management of the industrial marketing activities they are expected to perform for the business organizations.

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Message from the Vice-Chancellor

Dear Students,
Greetings!!!

I offer cordial welcome to all of you for the Master's degree programme of Yashwantrao Chavan Maharashtra Open University.

As a post graduate student, you must have autonomy to learn, have information and knowledge regarding different dimensions in the field of Commerce & Management and at the same time intellectual development is necessary for application of knowledge wisely. The process of learning includes appropriate thinking, understanding important points, describing these points on the basis of experience and observation, explaining them to others by speaking or writing about them. The science of education today accepts the principle that it is possible to achieve excellence and knowledge in this regard.

The syllabus of this course has been structured in this book in such a way, to give you autonomy to study easily without stirring from home. During the counseling sessions, scheduled at your respective study centre, all your doubts will be clarified about the course and you will get guidance from some experienced and expert professors. This guidance will not only be based on lectures, but it will also include various techniques such as question-answers, doubt clarification. We expect your active participation in the contact sessions at the study centre. Our emphasis is on 'self study'. If a student learns how to study, he will become independent in learning throughout life. This course book has been written with the objective of helping in self-study and giving you autonomy to learn at your convenience.

During this academic year, you have to give assignments and complete the Project work wherever required. You have to opt for specialization as per programme structure. You will get experience and joy in personally doing above activities. This will enable you to assess your own progress and thereby achieve a larger educational objective.

We wish that you will enjoy the courses of Yashwantrao Chavan Maharashtra Open University, emerge successful and very soon become a knowledgeable and honorable Master's degree holder of this university.

Best Wishes!

- Vice-Chancellor

INDUSTRIAL MARKETING MKG-303

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UNIT 1: BASIC OF INDUSTRIAL MARKETING

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 - 1.2 Reason for understanding the concept of industrial marketing
 - 1.3 Attributes of Marketing Strategy
 - 1.4 Concept of Industrial Marketing
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 - 1.5.1 Industrial Product
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 - 1.8 Key Terms
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 - 1.10 Further Reading and References

1.0 Introduction

The basics of consumer marketing are equally related to the industrial marketing. The job of the industrial market is entirely different. Industrial demand is influenced by all the forces of market that affect. The managers of industrial market must respond in a

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diverse way to alter the markets, in order to build up products and to meet these changes and market them in exclusively unlike ways to the target and sophisticated customers while maintaining corporate policies. Therefore, industrial marketers face many distinctive marketing situations not normally encountered in the consumer market. There are many common aspects in marketing of business goods and consumer goods one of them is purchase which is the effect of the process of some decision-making activities. The industrial marketing context represents a complex and multi-faceted area. In organisational markets, the firm that buys products and services for a variety of purpose for several different uses like incorporation, consumption, use or resell. Huge paradigm shifts in industrial marketing in all over the world in general and that has shifted from goods to services. The reasons behind this are the customers do not buy goods or services but they buy offerings which render services-which create value. Industrial marketing is the challenging area that presents opportunities for the application marketing principles.

1.1 Unit Objectives

After reading this unit you should be able to:

- Explain why study industrial management.
- Explain the concept, meaning and importance of industrial marketing
- Explain about product and industrial product.

1.2 Reason for understanding the concept of industrial marketing

Before going to the concept of industrial marketing there are some questions which arises the need to study the industrial marketing.

- How the industrial firms develop the basics of research for the development of new product?

- How the firms identified the market for the product?
- What are the methods in which the firms promoting products to customers in the face of cost and promotional factors?
- How the firms form innovation of logistics with the needs of industrial customers on national and global basis.
- How the firms modify their positioning?

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1.3 Attributes of Marketing Strategy

To answer of the above question the industrial organization must create basic platform of goal is to promote and develop knowledge of industrial marketing for business-to-business organizations. This can be handled by marketers with the vast experience and through the right equation of technical and marketing skills, an effective marketing strategy can be developed with the help of following attributes.

- Market Planning
- Market Analysis
- Sales Forecasting
- Market Research
- Product Planning
- New Product Development
- Product Management
- Pricing Strategies
- Price Theory
- Sales Management

1.4 Concept of Industrial Marketing

The marketing concept is useful and important for both the industrial and consumer markets due to the differences in terms of the nature of markets. The marketing theory for the business organization of industrial

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buyer is to identify and define the needs of a target market and change the organizations product or service to satisfy those needs. It is proved that consumer marketers have embrace the marketing concept more holistically than their industrial complement because Industrial customers like organization businesses, institutions, and government agencies have unique needs. The industrial marketing concept consists more than facilitating exchange with these customers. This is because it is based upon the relation between buyer and seller. Good relationship between buyer and seller is must for achieving the organizational goals of both. Many of the technically oriented companies focus on the technical part of their products besides in its place of concentrating on the added value for their customers. Industrial marketer can create added value by providing training of technical knowledge in an efficient and effective way. This effective marketing not only helps to increase sales – it leads to the creation of a more valuable asset, recognized brand something firms might want to sell some day. Normally industrial marketing involves large orders and long-term relationships between the producer and supplier, the process of transaction is too difficult or more complex than the transaction between business to individual customer. The B2C sales has focuses on interactions between two parties.

While B2C sales might focus on one-on-one interactions between two parties, while business-to-business (B2B) refers to a situation where one business makes a transaction with other business. This typically occurs when:

- A business is sourcing materials for their production process (e.g. a car manufacturer purchasing tyre).
- A business needs the services of another for operational reasons (e.g. a car manufacturer employing an accountancy firm to audit their finances).

- A business re-sells goods and services produced by others (e.g. a dealer buying the end product from the car manufacturer).
<https://en.wikipedia.org/wiki/Business-to-business>

1.4.1 Definition of Industrial Marketing

The word Industrial Marketing is also used for Business-to-Business Marketing, or Business Marketing, or Organizational Marketing. Industrial marketing or business marketing is to market the products and services to business organizations. Their buyers can be manufacturing companies, government undertakings, private sector organizations, educational institutions, hospitals, distributors, and dealers. The business organizations, buy products and services to meet their aims like maximizing profits, minimizing costs, use of latest technology, and so on. On the other hand consumer marketing involves marketing of products and services to individuals, families, and households. The consumers buy products and services for their own consumption.

Industrial marketing consists of all process involved in the marketing of products and services to organizations that use products and services in the production of consumer or industrial goods and services. The organizations selling goods like steel, machine tools, computers, courier services, and other goods and services to buying organizations. They also need to recognize and define the buyers needs, purchasing power, trade policies, and buying procedures. The selling organizations should also focus on offering value added product and services. For example, a company manufacturing and marketing tyre tubes to motorbike company, a manufacturer is doing industrial marketing. Industrial marketer of the tyre tubes company must understand the needs of motorbike manufacturers such as Hero Motocorp and Honda, Bajaj, Yamaha in terms of their quality standards, applications of tubes, availability or delivery on daily or weekly basis, and so on.

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Check Your Progress

What is Industrial
Marketing?

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1.5 Types of Products

Product is defined as anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy the wants and needs of a customer or a consumer. Similarly the term service can be explained as an activity or benefit that one organization can offer to another that is intangible and does not result in the ownership of anything. Following are the types of products.

1. A pure tangible good:

All the goods that can be touched and used physically are called as pure tangible goods. A bath soap, toothpaste or pack of salt these are the examples of pure tangible goods as no service accompanies them.

2. A tangible good with accompanying service:

A pure tangible good along with the service is called as tangible good with accompanying service. For example one buys a HP desktop or a Honda motorbike is tangible goods with accompanying service. The warranty period the free services the routine checks are all such examples.

3. A hybrid offer goods:

A hybrid offer goods are defined as when goods and products are equally distributed with product and service. For example Mc Donald's or any food outlet provides us with food and service both.

4. A service with accompanying goods:

Here we are offered with products or goods complementary with service. For example a major service with accompanying goods is Air India .Once you travel the service offers you many tangible goods, such as food and drinks and complimentary gifts for you to please you.

5. A core product:

A core product gives core benefit that the customer gets or the core benefit that the consumer gets on acquiring the product or service. Avon the world famous cosmetic, people say that they manufacture the cosmetic but sell the hope at the store. It is the core of benefits the product will offer to the consumer.

6. An actual product:

Actual products are identified by its characteristics like quality, features, design, brand name, and packaging style. Any products having these all above mentioned characteristics are called as actual products. An Apple i-phone is an example of a product in this case.

7. An augmented product:

When the customer service is offered along with the actual product it is called as an augmented product. A hands free connector, chargers, screen guard and after sales service and the period of warranty are the add-on features, which are added to the purchase, are the examples of augmented products.

1.5.1 Industrial Product

Industrial products are defined as the products, which are used for processing or for carrying out a business. Thus, the peculiarity between a consumer product and an industrial product is depending on the purpose for which the product is bought. For example we can say a customer buys a mixer or juicer or grinder for domestic use it is a consumer product, whereas when the same mixer/juicer/grinder is sold to a fruit juice vendor it is termed as an industrial product. Industrial marketing can also be carried out in Business Services. An Indian organization named TCS supplies business services for wide range of organizations. They offer services to various governmental and non-governmental organizations. Industrial Products can be classified in three broad categories:

1. Materials & Parts.
2. Capital Items and
3. Supplies and Services.

1. Material & Parts:

These consists raw material, finished material & parts. Raw materials are generally farm products namely cotton, wheat, vegetables

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Check Your Progress

Which are different types of products?

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Check Your Progress

What is Industrial product and explain its types?

etc. Some natural products like namely meat, petroleum product, iron etc. whereas finished material and parts are items like iron rods, linen yarns, wires and cables etc. and component and parts can be household appliance motors, components of PC's, component parts of motor vehicles etc.

2. Capital Items:

The industrial products which assist the buyer's production and operations are termed as capital items. These include accessory equipments, installations or may be buildings, complex computer systems. Some other items which can be added to this are the accessory equipment which can aid the production Process for example fork lift trucks for material handling, equipments & furniture etc. These products like fork lift trucks for material handling, equipments & furniture etc., have a shorter life span than buildings, complex computer systems as mentioned at the beginning.

3. Supplies & Services:

This is also another type of industrial products and services in industrial marketing. This includes the items that have a constant use in the plant or in office. Cleaning equipments, paints, pencils, printer inks, photocopy papers, etc. are the convenience products and are purchased with no difficulty. Maintenance and repair services are the items like window and furniture cleaning material computer repair etc. There are also the business consultative services like legal, management consulting, promotional etc.

The needs and objectives of industrial buyers are satisfied through the following exchange processes. There can be four different types of exchanges in industrial marketing

1.5.2 Types of Exchange process

The nature of any business organization of industrial buyer is to identify and define the needs and objectives of a target market. It is

profound that industrial marketing is totally different than consumer marketing because Industrial customers like organization businesses, institutions, and government agencies having unique needs. Thus industrial marketing concept consist different exchange processes with these customers. The needs and objectives of industrial buyers are satisfied through the following exchange processes.

1. Product Exchange Process

The characteristics of Product Exchange process is any product or service involved have a significant impact on the industrial exchange process. The comfort of exchange is based upon the ability of the seller to identify the buyers needs and the product's potential to meet those needs. It will certainly result in positive image for the customer loyalty only when the exchange is good in terms of price, quality, quantity, and after sale services. Supply of raw materials to the organization to process them into finished goods for the end user or consumer. Take for example supply of soap or detergent powder to the manufacturers of soaps or detergents. To HUL there are suppliers of the raw materials of soap, detergent raw materials to give the end products like Rin Detergent Bar or Surf Excel.

2. Information Exchange Process

When one organization gives the technical knowledge, economic consultancy, or giving replies to organizational questions to another organization it is termed as information exchange. It consists of technical, economic, and organizational questions pre and post sale maintenance and servicing information that must be exchanged to the participants of business organizations. Products and services must be intended and designed to serve customers efficiently. To achieve it buyers and sellers tend to work together, exchanging product specific information over long periods of time. For example we can cite the installation of sophisticated

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software's in an organization and operating system of that software can be termed as information exchange.

3. Financial Exchange Process

The yielding of credit or the need to exchange money from one currency to another at the time of dealing with foreign buyers is called as foreign exchange. Award of credit facilities to an organization is financial exchange. Exchange of currencies between two organizations in two different countries is financial exchange process. For example we can say the functioning of Industrial Development Bank of India (IDBI), which grants loans to industries.

4. Societal Exchange Process

Social exchange is significant in areas of reducing ambiguity between buyer and seller. Avoiding short-term difficulties and thus maintaining a better relation over a long period of time. There are a number of factors in an agreement between buyers and sellers in the industrial market. They are based on arbitration and mutual trust, not completely official or based on legal criteria.

Check Your Progress:

- What are different types industrial exchange processes ? Discuss in detail.

1.6 Types of Industrial Customers

Industrial customers are normally classified into four groups: (i) Commercial Enterprises, (ii) Governmental Agencies, (iii) Institutions, and (iv) Co-operative Societies. These are as shown as follows:

1.6.1 Commercial Enterprises

Commercial enterprises are private sector, profit-seeking organisations such as IBM, General Motors, Computer Land, and Raven Company, purchase industrial goods and/or services for purposes other

than selling directly to ultimate consumers. However, since they purchase products for different uses, it is more useful from a marketing point of view to define them in such a way as to understand their purchasing needs at the time of examination of the varieties of products they purchase and how marketing strategy can be developed to meet their needs.

Thus, it is more logical to look at commercial enterprises: (i) industrial distributors or dealers, (ii) original equipment manufacturers (OEMs), and (iii) users. As and when, these categories tend to overlap; are useful to the industrial marketer because they point out the ways of uses of products and services in buying firms.

1.6.2 Industrial Distributors and Dealers

Industrial distributors and dealers take title to goods; thus, they are the industrial marketer's intermediaries; acting in a similar capacity to wholesalers or even retailers. The intermediaries not only serve the consumer market but also they serve other business enterprises, government agencies, or private and public institutions. They purchase industrial goods and resell them in the same form to other industrial customers.

1.6.3 Original Equipment Manufacturers (OEMs)

These industrial customers purchase industrial goods to incorporate OEMs into the products they produce. For instance, a tyre manufacturer (say, MRF), who sells tyres to a truck manufacturer (say, TELCO) in this case it would consider the truck manufacturer as an OEM. Thus, the product of the industrial marketer (MRF) becomes a part of the customer's (TELCO'S) product.

1.6.4 Users

An industrial customer, who purchases industrial products or services, to support its manufacturing process or to facilitate the business

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operations is referred as a user. For example, drilling machines, press, winding machines, and so on are the products which support manufacturing process, whereas the products which facilitate the operations of business like computers, fax machines, telephones, and others.

In addition to above, sometimes there may be overlapping of categories means a manufacturer can be a user or an OEM. For example, a car manufacturer buys a drilling machine to support the manufacturing operation and is referred to as a user. The same car manufacturer also buys batteries which are incorporated into cars and hence, it can be also referred to as an OEM.

1.6.5 Government Customers

In India, the largest purchasers of industrial products are Central and State Government departments, undertakings, and agencies, such as railways, department of telecommunication, defense, Director General of Supplies and Disposal (DGS&D), state transport undertakings, state electricity boards, and so on. These Government units purchase almost all kind of industrial products and services and they represent a huge market.

1.6.6 Institutions

Public and private institutions such as hospitals, schools, colleges, and universities are termed as institutional customers. Some of these institutions have rigid purchasing rules and others have more flexible rules. An industrial marketing person needs to understand the purchasing practice of each institute so as to be effective in marketing the products or services.

1.6.7 Cooperative Societies

An association of persons forms a cooperative society. It can be manufacturing units (e.g. Cooperative Sugar Mills) or non-manufacturing

organisations (e.g. Cooperative Banks, Cooperative Housing Societies).
They are also the industrial customers.

1.7 Summary

In all, the concept of industrial marketing may be referred as marketing of goods and services to business organizations, manufacturing companies, service organizations, institutions and middlemen in private and public sector organizations, and Government undertakings.

1.8 Key Terms

1. Industrial Marketing : Industrial marketing is to market the products and services to business organizations.
2. Tangible goods: Goods that can be touched and used physically are called as tangible goods.

1.9 Questions and Exercises

Q 1 Defining industrial marketing

Q 2 Define the concept of industrial marketing with the consideration of different industries of a nation.

Q 3 Explain the scope of industrial marketing.

Q 4 Discuss the nature of industrial marketing.

Q 5 How do you classify the industrial products?

Q 6 Governments institutions are the largest industrial market explain.

1.10 Further Reading and References

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Check Your Progress

Which are different types of customers in industrial marketing?

Discuss in detail.

Basic of Industrial Marketing

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UNIT 2: UNDERSTANDING INDUSTRIAL MARKETS

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- 2.0 Introduction
 - 2.1 Unit Objectives
 - 2.2 Industrial versus Consumer Markets
 - 2.2.1 Market Structure
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2.0 Introduction

There are number ways in which business-to-business (B2B) markets differ from business-to-consumer (B2C). In industrial marketing, the industrial firms deal with lesser number of individuals as compared to consumer marketing where one has to deal with the mass market. In many cases, though, industrial companies view marketing through a more traditional B2C lens, which is a problem, since they are not very much close to each other. Confusing one with the other results in wasted resources, so it's necessary to understand why some industrial businesses doubt marketing altogether. The unit then discusses about the differences

among industrial and consumer marketing that can possibly affect the business operations of the industrial marketer.

2.1 Unit Objectives

After reading this unit you should be able to:

- To identify the ways in which business-to-business (B2B) markets differ from business-to-consumer (B2C) markets.
- To discuss about industrial development in India.
- To analyze current trends in India industrial market.
- To discuss about elements of industrial development strategy

2.2 Industrial versus Consumer Marketing

There are significant differences between consumer and business markets. It is important to understand and appreciate the difference to be able to design appropriate strategies for the business markets. There are practices in consumer markets like intensive market research that can be very effectively employed in business markets. Industrial and consumer marketing are differentiated on three factors, they are Market structure, Marketing perspective and Consumer Behavior.

2.2.1 Market Structure:

There are fewer numbers of buyers and sellers in business markets. The business market is larger than consumer markets because it includes the business of various intermediaries.

- i. Business markets have fewer sellers and buyers in any market segment than do consumer markets.

ii. Customers in consumer markets initiate a direct demand with their purchases. The demand for business products or services depends on the level of activity that the buying organization can create in its own markets. Thus business demand is derived. This derived demand would not exist if the buyer organization could not find customers for its own products or services.

iii. The business buyer may buy an equipment to produce five hundred units a day. A second equipment will be required only if sales are expected to exceed five hundred units. But as soon as the business buyer's sale exceeds five hundred units, he will buy another equipment, increasing the sale of business marketer's product by hundred per cent.

As a result, there is no direct one-to-one relationship between the business buyer's sales fluctuations and the business marketer's sales. This makes the sales to business buyers more volatile than changes of demand experienced in consumer markets by a retailer.

iv. When business buyers see prices starting to decline, they may postpone buying in the expectation of obtaining an even lower price later. The opposite happens if the business buyer anticipates continuing price increases.

In this case, when prices begin to raise, bulk of goods are purchased to avoid paying higher prices in future. Such reverse price elasticity of demand is rare in consumer markets.

v. Business markets include various early, value-adding stages of manufacturing and distributing consumer goods along with the sales of business goods and services to the manufacturing, processing, commercial, institutional and governmental organizations.

vi. The organizational buying unit called as decision-making unit involves several individuals because various departments of an organization are affected by the purchase. The purchase of

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equipment may affect the quality control department, the finance managers' budget, the operators' productivity and the purchase department.

Members of the group are influential people of the industrial organization. Each individual imposes different perspectives, expectations and requirements on the purchase.

The group membership removes the decision-making responsibility from any single individual. This can be useful if the decision turns out to be poor. In consumer markets purchase usually involves an individual or at most, one or two of his family members.

- vii. Businesses tend to concentrate geographically because of the availability of natural resources or skilled work force, the distribution advantages, or the desire to be close to customers. Thus, business markets tend to be geographically concentrated. Business marketers have to travel long distances from one cluster of customers to another. Consumer markets are more often diffused.

2.2.2 Marketing Perspective:

Business advertisers are required to have top to bottom learning of their clients' needs and wants. Business markets are worldwide in nature.

- i. Shopper advertisers utilize demographic factors like age, wage, area and socio-mental factors like states of mind, tendency, identity and way of living of people to separate their business sectors. Business advertisers are positioned on basis of the premise of industry, end showcase served, level of innovation, possession and qualities of the purchasing unit.
- ii. Business markets have higher interests in capital investments and R&D. Purchaser advertisers' speculations are coordinated more

toward showcasing exercises like looking into their enormous client base and elevating to mass markets.

- iii. Customer advertisers look for local or national markets. On these grounds their items are made to speak to neighborhood tastes. Business merchandise is less dependent on local tastes and preferences. Similarly, their exact developmental and controlled applications require clients to be looked for outside home markets to accomplish financial creation.

Accordingly business advertisers must have more worldwide viewpoints of business sectors, as far as both clients and competitors.

- iv. Most customer advertisers look for piece of the overall industry and deals volumes. Business advertisers will probably have a sizeable share of extremely divided, smaller particular markets, bringing about more limited deals of volumes. In this manner business advertisers concentrate on increasing benefits in the short time span.

- v. In shopper markets, development includes major emphasis on style and incremental changes to items that can legitimize show changes.i.e., new items are created as a consequence of research of client needs.

Advancement in business markets is described by R&D roused innovative push and radical-leaps forward that may upset the whole business. Such advancements would not drop by attempting to relate to unsatisfied client needs.

- vi. Business advertisers manage little number of clients, every now and again on an eye to eye premise. They are more touchy and receptive to their clients' necessities. Subsequently business advertisers are significantly more client situated than consumer advertisers.

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Shopper advertisers' relations are separated by long, backhanded channels of conveyance and are diminished to a mass of aloof exchanges. Business purchasers and merchants more often than not enter steady, long haul connections in which every gathering relies on upon the other for proceeding with business achievement.

Subsequently solid faithfulness is created amongst purchaser and vender in business markets. Buyer advertisers are urgently attempting to incite dedication among their clients.

They have not been much fruitful. Dependability in business markets is the consequence of reliance that purchasers and dealers have on each other. Unless the condition of such reliance is recreated in shopper markets, clients of buyer items will stay unusually disapproved.

2.2.3 Customer Behavior

Business buyers concentrate on judicious advantages of the merchant's offer. Numerous individuals of the purchaser's association are included in any buy choice.

- i. Since their number of clients is small and there is visit eye to eye contact, business advertisers are nearer to clients and more tuned in to clients' purchasing behavior.
- ii. The quantity of clients in business markets are fewer, yet their per arrange size is ordinarily high. They purchase to keep in stock so that the products an services can be utilized as a part of future. They purchase in mass since they need to minimize transportation cost and the cost brought about in putting in a request. They additionally purchase in mass and keep stock to minimize odds of interruption in their work if a provider neglected to supply on time. Business buyers may have contracts to buy things for a year with a provider. Purchasers and venders get to be occupied with

each other's operations from numerous points of view. Such nosy connections are not extremely visit in purchaser markets.

- iii. The acquiring intentions of business purchasing are keeping up and encouraging hierarchical objectives. These thought processes are discerning, financial, goal and benefit or productivity situated. Business purchasers are actually qualified buying masters. They may have taken specific preparing. In vast organizations they might have practical experience in certain sort of items. A buyer might be in charge of purchasing paints as it were. Feelings and self-satisfying intentions underlie most buyer buys.
- iv. Business purchasers may force generous penalties for non-execution by providers. Such penalties might be inherent the agreements with the providers. An agreement may indicate that a provider pay a specific sum for consistently postponement in conveyance of a request or in the finishing of gear establishment in a plant. Such penalties have not yet turned out to be a piece of buyer markets.
- v. On the off chance that a business advertiser's plant is running under limit, or a client's request today has the capability of critical take after on business later on, or if the request speaks to a sizeable bit of the advertiser's business, the client can apply a solid impact on the business advertiser's value, item outline, conveyance and different measurements of the provider's operations.
The forceful utilization of purchasing force by a purchaser association to induce a provider to make an item that all the more nearly meets the purchaser's prerequisite is called turn around promoting. Such purchasing power does not exist in customer markets.

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- vi. Business purchasers demonstrate solid devotion to their present provider. Such provider dependability is a result of the solid association between business purchasers and their providers.

The business purchasers who change providers confront high exchanging costs, for example, the expenses of preparing another provider in the complexities of the purchaser's business, the conceivable loss of classified competitive advantages if the provider is surrendered, and the high cost of distinguishing an option provider. In purchaser markets, client steadfastness to retailers or brands is powerless and the outcome of provider or brand exchanging is not serious to clients.

- vii. The business purchaser's association in a buy is much more noteworthy than that of a client in customer advertise. The business purchaser must arrangement his prerequisites and determine specialized and conveyance necessities of the buy, regularly with the help of the provider. The business purchaser may help the provider to build up the capacity expected to supply the thing. Arrangements may continue for quite a while about determinations, quality and cost. The purchaser screens provider execution over the life of agreement.

- viii. The business purchasing choice process is mind boggling and includes a few practical regions of the purchasing association. Every capacity may have an alternate perspective and enthusiasm for the buy. Boards talk about a buy utilizing archived information, proposition, details and provider investigation.

Business purchasers regularly have the choice of making the item themselves as opposed to getting it. The business basic leadership process is discernible and travels through particular stages. The basic leadership prepare for real supplies may take quite a while.

In the shopper showcases the client basic leadership process is similarly straightforward and short. It happens in the purchaser's brain and can't be watched. The alternative of making the item himself is for the most part not accessible with the client.

- ix. The business purchaser's hazard can be high. It is most noteworthy in the new-errand circumstance, in which the purchaser has not experienced such a purchasing circumstance. Hazard is slightest in the straight-re buy circumstance, in which the thing simply must be reordered.

In any case, even in straight re buy there are dangers, for example, the thing not being conveyed on time. Execution hazard is diminished by buying from vast, surely understood and respectable providers and by keeping on purchasing from similar provider. In purchaser showcases the dangers to clients are less.

2.3 Industrial Marketing Landscape

Industrialized countries have numerous advantages over the less developed nations. They have the fundamental capital, the imperative money related organizations. They also have the specialized mastery, the business aptitudes and associations, the exploration offices, and plenteous administration ability at each level of generation. The modern advance of the industrialized countries will keep on being over that of the creating nations. The late quick development of industrialized countries has, sometimes, been over the top. An excess of assembling limit in a few fields of generation has constrained organizations to offer their surplus items on world markets at costs lower than typical. This will slow down the advancement of neighborhood enterprises since shoppers will like to purchase less expensive imported items than privately fabricated items.

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Check Your Progress

1. Distinguish between industrial and consumer marketing.
2. What are the characteristics of industrial Marketing?

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2.3.1 Industrial Development in India

The Nineties have introduced advancement, globalization, Dunkel Draft, fluctuating delicate stock records, stock tricks, political changes, fall of Berlin Wall, more grounded green developments, hello tech wars, crumple of Soviet Union, coalition government et cetera. The interior authoritative situations are likewise changing with the expansion in representatives ‘learning level’, the constant data handling, smoothing of hierarchical pyramids, and corporate accentuation on quality. Modern promoting is described by its sane historically, the mechanical advancement in India has continued in three phases. In the principal arrange the auxiliary business was worried with the preparing of essential items, i.e. processing grain, removing oil, tanning calfskin, turning, and vegetable filaments, get ready timber and refining mineral. The second stage, it involved change of materials, i.e. making bread and dessert shop, footwear, metal products, garments, furniture and paper. The third stage comprised of fabricate of machine and other capital gear to encourage the future procedure of generation. In this way the mechanical advancement in India is for the most part set apart, by low capital force and unevenness between shopper merchandise and capital products ventures. The Engineering business is a motor of development. Its commitment to the Indian economy has been huge, as it utilizes around three million people. The items cover an extensive variety of things and the units are arranged overwhelmingly in western India. The business has gained marvelous ground in the course of the most recent five decades and it represents more than 30 percent of the aggregate mechanical yield. The quick development of this industry has been aided by the absorption of innovation and spate of coordinated efforts. Numerous Industries, for example, the producing, the foundry, the railroad, the vehicle and building machines, are modernizing their old apparatus in order to meet the stringent

needs of the fare advertise. For example the manufacturing business, which assumed an essential part in the modern advance of India in the course of the most recent four decades and has been obliging the requirements of the vehicle business is presently creating world-class fashioning; serving as import substitutes to need divisions like power era, petro chemicals, railroads and resistance. Its development rate has been amazing throughout the years and it is presently set for an enormous globalization drive.

2.3.2 Current trends in Indian Industrial market

The current trends in the Indian industrial market scene can be broadly classified as under:

1. There is shift from the seller's market to buyer's market in majority of the products. This is principally due to amplified production. In some areas, production capability are in excess of the demand i.e. tractors, tyres and more recently commercial vehicles.
2. As production is more than demand, there is greater need for extending the application-engineering concept. Over dependence on anyone particular market segment led thereby to the application engineering concepts, helping to identify new application areas for the same product, for example Escorts, manufacturer of tractors is now, moving to manufacture motorcycles of Indian and Japanese origin as well as diversifying into other areas such as shock observers, railway coupling equipments, railway shock damping mechanisms and floating dry docks also Reliance is moving from textiles and man-made fibers into oil exploration, oil refining, petrochemicals, power, diamond mining, iron, shipping, finance, Iron ore, steel, telecommunication, banking and insurance, exports, construction and industrial infrastructure.
- 3 . Increased awareness of consumer - thanks to technological advancement is making a sea change in product improvement.

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Check Your Progress

- Discuss in detail industrial marketing landscape in Indian context.

For instance, a medium-sized industry due to its increased awareness of the positive features of the CNC machines would prefer to go in for such machines

2.3.3 Elements of Industrial Development Strategy

The important elements of Industrial development strategy are given below:

1. Industrial development must be made a National Crusade, and all groups in the country must support it widely.
2. The approach must be experimental and as free as possible from prejudices concerning policies and methods.
3. The government must take the lead and supply the initiative for industrial development.
4. An industrial environment must be created that will offer incentives to make industrial investment highly profitable.
5. Developing countries should accept the importance of obtaining foreign capital, and, should understand that it is equally important both to locate investors and to retain them.
6. Considerable emphasis should be given to the training and development of industrial managers and technical specialists.
7. Industrial development should be in proper relation to other sections of economy whose development may be equally or more promising and whose growth may be an essential basis for industrial expansion.

2.4 Summary

In this chapter certain which differences between industrial and consumer marketing exist in certain characteristics such as market, product, buyer behavior, channel, promotional, and price. In industrial marketing

landscape explain how the industrialized countries differ from less developed countries. Elaborate about the current trends in India.

2.5 Key Terms

Industrial and Consumer marketing: The basic difference is Industrial market is the market which produces goods and services, with inputs like labour, land, and machinery and these goods are consumed by Consumers in Consumer Market Market : The place where you find buyers and sellers.

2.6 Questions and Exercises

Q 1 Explain the main differences between consumer and industrial marketing.

Q 2 What are the characteristics of industrial Marketing?

Q 3 Discuss in detail industrial marketing landscape in Indian context.

2.7 Further Reading and References

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UNIT 3: ECONOMIC ISSUES IN INDUSTRIAL MARKETING

*Economic Issues in
Industrial Marketing*

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- 3.0 Introduction
- 3.1 Unit Objectives
- 3.2 Derived Demand
 - 3.2.1 Value Chain of Derived Demand
 - 3.2.2 Ripple Effect of Derived Demand
 - 3.2.3 Derived Demand Marketing
- 3.3 Fluctuating Demand
- 3.4 Joint Demand
- 3.5 Stimulating Demand
- 3.6 Cross-Elasticity of Demand
 - 3.6.1 Effect of cross elasticity of demand on market
 - 3.6.2 Pricing Policy
- 3.7 Inelastic Demand
- 3.8 Purchasing /buying Orientation
 - 3.8.1 Purchasing Orientation
 - 3.8.2 Buying Orientation
 - 3.8.3 Procurement Orientation
 - 3.8.4 Supply Management Orientation
- 3.9 Types of Purchasing Process
- 3.10 Summary
- 3.11 Key Terms
- 3.12 Questions and Exercises
- 3.13 Further Reading and References

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3.0 Introduction

The economics for industrial products and services does not survive by itself. It is derived from the ultimate demand for consumer goods and services. Therefore, industrial demand is called derived demand. Sometimes, the demand for industrial product is called joint demand, when the demand for a product depends upon its use along with the existence of other product or products. Cross elasticity of demand exists for some substitute products in industrial market. These concepts are detailed as follows:

3.1 Unit Objectives

After reading this unit you should be able :

- To understand the different types economics concepts in industrial marketing and analyze purchase orientation

3.2 Derived Demand

Need to Understand Derived Demand

- To more accurately predict the individual level of demand.
- To understand the factors that influences their sales.
- To help in case of less sales from one segment.
- To understand the impact on price, profitability, promotion and distribution strategies.

The industrial organization purchases goods and services for use in producing other goods and services for full filling consumer demand which is based on a direct connection between a need and satisfaction. This means industrial buyer doesn't purchase goods and services to satisfy own need. In industrial marketing the demand for industrial goods finally derived from the demand from consumer goods and services. While derived demand is the most important force for the industrial marketing.

For example, the demand for designer clothing creates a derived demand for fabrics and textiles. Economists use the derived demand theory to predict if the price of materials will go up in accordance with the demand of consumer product goes up. For example, if the demand for leather shoes rises, the livestock handlers who sell the cowhides to the leather suppliers can plan for an increased derived demand for their product. Another example Constructing of new house is not only the indicator for construction jobs but also for all kinds of building materials and derived demand for appliances like cooking ranges, refrigerators etc. Any business supplying parts to appliance makers can expect an increase in demand. Likewise the demand for precision steel tubes does not exist in market. It is demanded for the production of bicycles, motorcycles, scooters, and furniture (steel tables and chairs), which are consumed by the consumers. Thus, the demand for precision steel tubes is derived from the forecast of consumer demand for bicycles, motor-cycles, scooters, and furniture. The attitude of businessman is also important for example in case of capital goods, such as machinery and equipment (e.g. machine tools, textile machinery, leather machinery, etc.) that are used to produce other goods, the purchases are made not only for the current requirements, but also in anticipation of profit; form the future usage. If businessmen may feel that there may be a recession in near future, their purchases will be drastically curtailed. On the other hand, if the attitude of businessmen is favorable (i.e. they feel the business is on the upswing) their investment in capital goods and other industrial products will increase. Thus, the attitude of businessmen is very important, as it reflects the optimism or pessimism about the future. During the periods of recession, or reduced consumer demand, industrial firms reduce their inventories/stocks, or reduce the production, or do both. On the other hand, during the period of prosperity, there is an increased production and sales of consumer goods, which results in an increased demand for industrial goods. This may be the right time for price increases and building stocks as ready availability and shorter

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delivery period becomes very important. An industrial marketing firm should be in close touch with customers purchase, finance, quality, R&D and marketing departments, so as to get information on changes in customer's sales, new product development, financial condition, and the quality of its products. Derived demand has less elasticity than direct demand.

3.2.1 Value Chain of Derived Demand

With the buying organization perspective, derived demand creates a right-to-left-flowing value chain that starts with consumer demand. In a value chain every leftward step chain directly results from consumer demand. In the custom clothing example, a customer order creates a demand for fabric. Getting this fabric starts with cotton or some other combination of fibers that first must be spun and then woven into cloth. Each step in the chain adds the value necessary to move raw materials down the chain until raw materials become the finished product.

3.2.2 Ripple Effect of Derived Demand

Derived demand doesn't exist in a vacuum. Instead, it creates a undulation effect within your local community and within and among related industries. On a local level, the clothing produced in a custom sewing business might also create demand for shoes, jewelry, ties and handbags. In turn, demand for each of these products creates additional derived value chains. Likewise, demand for raw materials used in manufacturing creates even more derived value chains.

3.2.3 Derived Demand Marketing

Derived demand value chains and the ripple effect underscore the importance of business-to-business relationships. It all starts with creating consumer demand, especially in cases where demand might not

exist. Small businesses in the same place can collaborate and promote each other's products or services. Vendors and manufacturers might create demand for their own products by creating demand for their customer's products. Joint ventures, strategic partnerships and vendor partnership agreements are all helpful in using derived demand to each business's best advantage. <http://smallbusiness.chron.com/example-derived-demand-80611.html>

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3.3 Fluctuating Demand

It has been seen that many times industrial product are more vary than the demand for consumer goods. When the country economy is booming a slight increases in consumer demand can cause ten times increase in industrial demand and when the economy of the country downturn that will reverse effect. This effect economist says that acceleration effect.

Example:

- An increase in mortgage rates can quickly stifle new home sales. This slows down the need for new household products. Businesses react by decreasing their inventory of materials or putting off buying new machinery.
- This action explains why the demand for many industrial products tends to fluctuate more than the demand for consumer products.

3.4 Joint Demand

Two products are used together and demanded together – Both products are consumed at the same time. Joint demand is common in the industrial market because it occurs when one industrial product is useful if other product also exists. For example, a pump sets cannot be used for pumping water, if the electric motor or diesel engine is not available. Similarly, the department of telecommunication (DoT), which requires a

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complete kit, consisting of different items, for joining the underground telecom cables, cannot buy only some of the items from a supplier as it does not contain the kit. Thus, some industrial products do not have industrial demand, but are demanded only if the other products are available from the industrial supplier.

3.5 Stimulating Demand

Stimulating demand means further generate the demand or sometimes, business marketers need to stimulate demand for consumer goods which either incorporate their products or are used to make consumer products. For eg. Intel chip already demanded by many computer firms but still Intel Corporation's by their advertisement stimulating the demand for their Intel chip. Increasing advertisement or promoting his product by industrialist which turns in increasing consumer demand for final products.

3.6 Cross-Elasticity of Demand

Elasticity is the change in demand due change in price. When demand is inelastic the percentage change in the quantity demanded less than the percentage in the price. Here percentage means to measure the relative changes. If the percentage in the price change by equal percentage in the quantity demanded it is called unitary elastic demand. If the percentage change is more than quantity demanded of percentage in price is known elastic demanded. Cross elasticity is the measure the responsiveness in the quantity of one good a change in the price of another good. For example if the cross elasticity is greater than zero it is substitutes goods and if the cross elasticity is less than zero it means this is complementary goods. Simply, elasticity is the change in demand from a change in price. The demand for most of the industrial goods can be inelastic (i.e. insensitive to changes in prices) for a particular industry, but

at the same time, highly elastic (i.e. sensitive to changes in prices) for individual suppliers. This is because, the total industry demand comes from the united needs of all the customers rather than price, and hence it is relatively inelastic. Though, between the various suppliers, a slight change in the price by one firm may create a major change in the quantity and thereby, be highly elastic for anyone firm. Cross-elasticity of demand is the reaction of the sales of one product to a price change in another product. This concern present in both consumer and industrial marketing, but it is more imperative in industrial marketing as it can have a dramatic impact on the marketing strategy of an industrial firm.

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3.6.1 Effect of cross elasticity of demand on market:

If the cross elasticity of demand between the product is greater, this will increase the competition in the market on the other hand if lower the value of cross elasticity of demand the market will be less competitive. The effect of cross elasticity of demand on the market is classified into three markets, first when the cross elasticity of demand is infinite, the market is perfectly competitive. When the cross elasticity is zero the market is monopoly and in the imperfect competition the cross elasticity of demand is high.

3.6.2 Pricing policy

The price of the product in cross elasticity of demand can directly affect. If the products are related to each other, the large firm's produces numbers of product they assess cross elasticity between each of their products in order efficiently price them.

For example: An Oral-B firm which produces toothpaste and toothbrush (complementary goods). If increase in price any of these product causes fall in demand of that product as well as the other. As a result the firm must be careful for taking decision whether or not to increase the price of any product.

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Check Your Progress

What are different types in economics of industrial marketing? Explain.

3.7 Inelastic Demand

The demand of industrial goods and services is inelastic and is not affected by price changes. For example A shoe producer are not going buy less leather if the price of leather rises unless they can find satisfactory leather substitutes.

3.8 Purchasing / buying Orientation

3.8.1 Purchasing Orientation

In the early years the purchasing department in the organization occupied low position in spite of often managing more than half of the company cost. As the role of purchasing grow in importance the department have responsible for coordinating purchase needs with user departments, identifying potential suppliers, conducting market studies for material purchases, proposal analysis, supplier selection, issuing purchase orders, meeting with sales representatives, negotiating, contract administration, resolving purchasing-related problems, maintenance of purchasing records. As a result more strategically oriented purchasing departments have a mission to seek the best value from fewer and better suppliers.

Business buyers can choose one of the three purchasing orientations – Buying orientation, Procurement orientation and supply management orientation.

3.8.2 Buying Orientation

A buying organization main objectives is to reduce its annual total spend. Buyers are rewarded in their ability to obtain the lowest price from suppliers for the given level of quality and availability. There are two tactics which buyer uses namely commoditization, where they imply that the product is a commodity and care only about price; and multi-sourcing where they use several sources and make them compete for share of the company purchases.

The main pursuits of buying orientation are:

- The buyer obtains the best deal in terms of price, quality and availability from suppliers.
- The buyer maximizes power over supplier.
- By established procedures and rely on proven vendors the buyer avoid risk wherever possible.

3.8.3 Procurement Orientation

The buyers simultaneously look for quality improvements and cost reduction through the integration of procurement activities such as order processing, develop collaborative relationships with major suppliers and seek savings through better management of acquisition, conversion, and disposal costs. They influences early supplier involvement in materials handling, inventory levels, just-in-time management, and even product design. To ensure for timely flow of material the buyer negotiate long-term contracts with major suppliers. Buyers through more cooperative relationship for closely work with their manufacturing group on materials requirement planning (MRP) to make supplies arrive on time.

The central pursuits of the procurement

- To improve the quality of conformance to specifications that result in a product which meets customer's expectations.
- Reducing total cost of ownership
- Cooperate with supplier

3.8.4 Supply Management Orientation

Buyer recognizes that they are not just acquiring a product or solution from a supplier; they are building a long-term relationship for become a more strategic, value-adding operation. Purchasing executives coordinates and integrate of purchasing function with other company department executives and also with other organization in the whole value chain, like customers, intermediaries and suppliers to build a faultless

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supply chain management system from the purchase of raw materials to the-time arrival of finished goods to the end users.

Supply Management Orientation

- Focus all of the firm's effort's on delivering value to end user.
- Build a supply network that efficiently completes required business process.
- Craft a sourcing strategy around the firm,s core competences and resources.
- Sustain highly collaborative relationship with select supplier and sub-supplier firms.

3.9 Types of Purchasing Process

The industrial marketers need to understand how business purchasing departments work. The purchasing departments have many types of products, and the purchasing process will vary depending on the types of products involved. Four product related purchasing processes are distinguished,

- 1. Routine product:** Routine product are those in which customers will seek the lowest price and emphasize routine ordering. These products have low value and cost to the customer and involve little risk (e.g. office supplies). Suppliers will offer to standardize and consolidate orders.
- 2. Leverage products:** These products have high value and cost to the customer but involve little risk of supply (e.g. engine pistons) because many companies make them. The supplier knows that the customer will compare market offerings and costs, and it needs to show that its offering minimizes the customer total cost.
- 3. Strategic products:** These products have high value and cost to the customer and also involve high risk (e.g. mainframe computers). The

customer will want a well-known and trusted supplier and be willing to pay more than the average price. The supplier should seek strategic alliances that take the form of early supplier involvement, co-development programs, and co-investment.

4. Bottleneck products: These products have low value and cost to the customer but they involve some risk (e.g. spare parts). The customer will want a supplier who can guarantee a steady supply of reliable products. The supplier should propose standard parts and offer a tracking system, delivery on demand, and a help desk.

3.10 Summary

In this chapter we have understood the demand for industrial products is derived from the ultimate demand for consumer goods and services. It is, therefore, called as derived demand. Joint demand occurs when one industrial product is required, if other product also exists. Cross elasticity is the measure the responsiveness in the quantity of one good a change in the price of another good. Business marketers need to understand some relevant concepts like fluctuating demand, stimulating demand. Industrial marketers also understand at the upgrading of purchasing means business marketers must upgrade their sales personnel to match the higher caliber of the business buyers.

3.11 Key Terms

Derived demands: In industrial marketing the demand for industrial goods finally derived from the demand from consumer goods and services.

Fluctuating Demand: When the country economy is booming a slight increases in consumer demand can cause ten times increase in industrial demand and when the economy of the country downturn that will reverse effect.

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Check Your Progress

What do you understand by purchase orientation?

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Joint Demand: Joint demand is common in the industrial market because it occurs when one industrial product is useful if other product also exists.

Stimulating Demand: Stimulating demand means further generate the demand or sometimes, business marketers need to stimulate demand for consumer goods which either incorporate their products or are used to make consumer products.

Cross elasticity of Demand: Cross elasticity is the measure the responsiveness in the quantity of one good a change in the price of another good.

Purchasing Orientation: As the role of purchasing grow in importance the department have responsible for coordinating purchase needs with user departments, identifying potential suppliers, conducting market studies for material purchases, proposal analysis, supplier selection, issuing purchase orders, meeting with sales representatives, negotiating, contract administration, resolving purchasing-related problems, maintenance of purchasing records.

3.12 Questions and Exercises

Q 1 What are different types in economics of industrial marketing? Explain.

Q 2 Explain with an example why industrial demand is called derived demand?

Q 3 Describe the concept of cross-elasticity of demand.

Q 4 What do you understand by purchase orientation. Explain briefly.

3.13 Further Reading and References

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UNIT 4: INDUSTRIAL BUYING BEHAVIOUR

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- 4.0 Introduction
- 4.1 Unit Objectives
- 4.2 Organisational Buying
- 4.3 Features of Organisational Buying
- 4.4 Types of buying Situation
 - 4.4.1 Straight Rebuy
 - 4.4.2 Modified Rebuy
 - 4.4.3 New task
 - 4.4.4 System buy
- 4.5 Buying Center Concept
- 4.6 The Buying Decision Process
- 4.7 Buying Model
- 4.8 The Sheth Model
- 4.9 The Webster and Wind Model
- 4.10 Vendor Analysis
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- 4.12 Summary
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4.0 Introduction

It is necessary to identify how industrial marketer makes a purchase. Because it is a very complex process, to understand the industrial buying process without such an understanding the marketer finds it difficult

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to identify the customer's needs and wants. Purchase department Purchase is an important function for the organization because flow of goods and services should be in a ample amount of for operation. In fact Industrial buyers only influenced or motivated for profit objective. Normally all the buying decisions for the organization are taken by the buying center which is group of top management or the other members of department.

4.1 Unit Objectives

After reading this unit, you should be able :

- To describe the stages in the B2B buying process and the different types of B2B buying situations and how affect sellers.
- To understand the buying model.

4.2 Organisational Buying

In market consumers are not only the buyer but producers and the other institutions also produces goods and services for full fill the demand of other business organization and consumers. So with this fact B2B markets have own standards of behavior and decision making patterns. Organization buying is 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. (Webster and Wind)

While taking organization buying decision there are number of question arises

- 1) Who are the members which will take in the part of buying process?
- 2) What are the points which buying organizations have considered while selecting prospective supplier.

4.3 Features of Organisational Buying

- 1) The spectrum of consumer market is too large and the industrial market is too limited.
- 2) The purchased by the industrial organization of unfinished product is in bulk form.
- 3) The buyers and suppliers have close relationship.
- 4) Professional expert in purchasing.
- 5) Purchase for the organization is influenced by several persons.

4.4 Types of Buying Situation

4.4.1 Straight Rebuy

When buyers have order specification already established and all subsequent follows this order placement without modification or when the buyer is not looking for new supplier. When buyer satisfied with previous buying he selects the supplier order that made the order. This called in supplier trends maintain product and service quality. The out supplier may offer something new and try to in list in existing approved list of the vendor and he is committed for the better service.

4.4.2 Modified Rebuy

The word modified means existing list or specification have some amendment. Here buyer modified the specification related to product (in terms of features , price and quality) and specification related to vendor. The buyer decided to involve all existing supplier and willing supplier who are capable to supply better services.

4.4.3 New Task

Here the new task means the company is buying first time. In this case all the buying decision making executives are involved. This is the stage where they effort for sources, awareness, interest, trial and adoption

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of product of each willing and capable supplier. The product which has passed successfully from all stages will be listed in approved list.

4.4.4 System buy

Here buying organization make order for the single organization for multiple problem means buying organization give order to a single supplier to provide full system. To avoid multiples decision or complex decision for buying product from different supplier.

4.5 Buying Center Concept

Webster and Wind in the model they proposed to describe organizational buying process identified the organizational buying process as a team process and called the team or the buying decision-making unit of the organization as buying center. All team of the organisation when they have taken decision jointly that is known as decision making unit. In consumer buying decision process the individual have itself to make the decision for their purchase but for major purchase of product the organization need to gather the information from various departments like finance, human resource, marketing, information technology, specialist and senior management. These members of the organization play seven roles for making a decision:

1) Users

The individuals who have actually use the product and services and feels the need. For example a mechanical worker might initiate the requirement for a particular tool. The individual who first suggest to purchase the goods and services or initiators are those who understand the problem and tries to identify the solution. For example an employee of the manufacturing company tell to his supervisor about the some part of the machine are not working properly. Imitator also suggest about the new product for the production. When an industrial buyer going to

purchase he must confirm that an individual who might take an initiative for purchase are aware of the improved products they offer.

2) Influencer

When any industrial organization has taken a decision for major purchasing he needs inputs from experience technical personnel, experts and consultants and qualified engineers in the organization these individuals influence in purchasing raw material, heavy equipments and parts used in manufacturing.

3) Decider

Decider is the only individual who has actually takes the decision. Generally normal or routine purchase decision has taken by the executives of the purchase department but for the major or complex purchasing a senior person who have greatest power in the organization involved for taking the decision. Further this senior person takes input from other participants the users, influencers and so fourth.

4) Gatekeepers

The gatekeeper's individuals are those who screen out or block your proposal and control the information tom other members. Gatekeepers work as agent who gathers the information and materials from sales people There are numbers of departments who work as like gatekeeper these departments are finance, human resource, legal department, IT departments, engineering etc. Gatekeepers always check and analysis the measurable and quantifiable aspects of supplier proposal. They have set up standard specification criteria whether you meet these criteria weather you meet these specification or not.

Check your Progress Expalin new-task buys, modified re-buys and straight re-buys.

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4.6 The Buying Decision Process

The buying decision is the process in which purchaser go through number of stages. In industrial buying decision process involves more physical and observable stages. The consumer buyer decision process and the business/organisational buyer decision process are similar to each other. The industrial buying stages consist of five stages these completed when the new task occur. The industrial buying process is more formal then the consumer buying process.

1) Problem Recognition

The first step of buying process starts when organizations have identified problem and met with acquiring goods and services. This means that the buying centre examines their organizational needs and search for option that are available. Industrial buying is not a rational process but it is individual interaction in the organization. In this stage the organization decides to develop new product and that needs new equipment and material, replacement of break down machine, if purchased material unsatisfactory and they expand or diversified then they require the supplier.

2) General Need Description

In this stage there are number of question arises which are related to determine the features of product what should it have , what quantity of product needed and what type of product or service is to be considered and so on. Research and development and other departments deal with complex items will provide the solution of the needed product. For other products which are not related technical product the firm will suggest product or services on the basis of his vast experience solve the needed problem.

3) Specification of Needed Product

Specification means the written description about the product and this will obtain input from the second stage. In this stage the buying organization develop a technical specification for the needed item. For determining this technical or complex product the engineers and the other

specialized persons play a key role in identifying specific product characteristics.

4) Identify supplier

After specification of needed product in this stage the buying organization searches appropriate and potential supplier. These supplier have identified in trade directories, hunt online, trade shows, trade advertisements and internet searches. The type of supplier depends on the size and complexity of the organization, if the organization is more complex he has to spend more time and money for searching potential supplier.

5) Proposal Solicitation

Now the buying organization obtains the information by sending enquires to the qualified suppliers. Buying organization ask for quotation that requires specific details in the form of offer, price, quotation, or formal bid and terms for supplying the products.

6) Supplier Selection

The industrial buyers screened the supplier on the basis of define attribute. But some of the organization select on the different parts of the proposal which they had already sent to the buyer. Then selected suppliers are negotiated for price, payment terms and deliveries.

7) Routine Order Selection

Finally the working procedure starts between buyer and seller. The buying firm listing the technical specification, the quantity the delivery time, return policies, warranties etc. Buyers are moving towards blanket contract in the case of repair, maintenance and operating items rather than periodic purchase.

8) Performance Review

The final stage of buying process shows former and informal performance of each product and supplier is come up to expectations. The buyers has contacted with customer to know the user experience about using that product. The industrial firm must observed supplier on the regular basis of his satisfaction level or supplier not full fill the

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Check Your Progress

What do you understand by buying decision process.

commitment of product delivery at time so the immediate action should be taken. By this performance appraisal the firms decides whether he has stayed with existing supplier or drop them.

4.7 Buying Model

Professor Jagdish N Sheth develop the Sheth model of industrial buying in 1973. This model has emphasis on the organizational purchase process and purchase policies of the organization. He has also described that all the buying decision do not produce result from the organized process of decision making. Because sometimes unpredicted situation also arises, such as break down of machinery. This model focuses on the information search and the members who directly involved and influenced by their experience. In this model the firm buying decision making process that includes three components and situational factors which identify the supplier or brand.

There are factors which caused difference among individual buyer expectation:

Background of individual, Information Source, active search; perceptual distortion; and satisfaction with past purchases.

- a) The individual background depends their education, role in the organization and the life style. Individual should be an engineer, an accountant or a simple non-technical performing the task of buying.
- b) The source of information includes news, trade bulletin, technical conferences, word of mouth, suppliers' sales persons, exhibitions, press release and direct mailer.
- c) Active search: information-gathering process by a consumer *interested* in purchasing something but lacking adequate information to make a purchase decision.
- d) Perceptual distortion: The individual background which form a sort of 'black box' leads to individual perceptual distortions which

will influence each person's approach to the buying task Baker, J. Michael (2012) *The Marketing Book*, Routledge pg no. 54 ([https://books.google.co.in/books?id=DvwrBgAAQBAJ&dq=perceptual + distortions + industrial + buying + behaviour&source=gbs_navlinks_s](https://books.google.co.in/books?id=DvwrBgAAQBAJ&dq=perceptual+distortions+industrial+buying+behaviour&source=gbs_navlinks_s))

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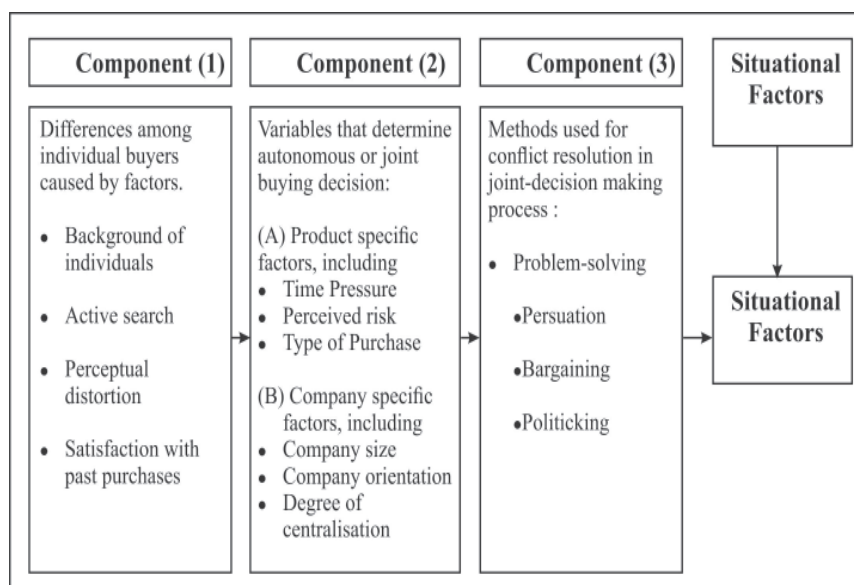
e) Satisfaction with Past Purchase

In Component (2) there are six variables which determines the whether the buying decisions are autonomous or joint. The three variables are related to the characteristics of product and services. Another three characterizes is related to the buyer company. According to the Sheth Model, larger the size of the organization and higher the degree of decentralization, more will be possibilities of joint-decision making.

In Component (3) in the model. This component is based on agreement about the organizational objectives with problem-solving and persuasion methods and when this agreement does not takes place then bargaining would be the only option. Politicking is used for to resolved the conflict about the decision making

Situation factors can be varied like machine breakdown, economic conditions, labour disputes, mergers and acquisitions. The model does not explain their influence on the buying process.

4.8 The Sheth Model



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4.9 The Webster and Wind Model

F.E. Webster and Y. Wind in 1972 developed a very comprehensive model of industrial buying. The model takes 4 sets of variable: environmental, Organization, buying centre and individual which effect the buying decision process.

Environmental Variables

- Physical
- Technological
- Economic
- Political and Legal
- Labour Unions
- Cultural
- Customer demands
- Competitive practices moreover pressures
- Supplier information

Organizational Variables

- Objective/goals
- Organisation Structure
- Purchasing policies and procedures
- Evaluation and reward systems
- Degree of decentralization in purchasing

Buying Centre Variables

- Authority
- Size
- Key influencers
- Interpersonal relationship
- Experience
- Values
- Job position
- Communication

Organisational Buying Decisions

- Choice of Suppliers
- Delay decision and search for more information
- Make, or lease, or buy
- Do not buy

Individuals Variables

- Personal Goals
- Education
- Experience
- Values
- Job position
- Lifestyle
- Income

Source; R.E. Webster, Jr and Y Wind, journal of Marketing, 36, pp 12-17, April, 1972.

The environmental variables include physical, technological, economic, political, legal, labour unions, cultural, customer demands, competition and supplier information. For example, in a boom economic condition, industrial firms minimize the quantity of items purchased. This environmental factors influence the buying decisions of individual organisations.

The organizational variables include objectives, goals, organisation structure purchasing policies and procedures, degree of centralization in purchasing, and evaluation and reward system. These variables are important for the composition and particularly influence the composition and functioning of the buying center, and also, the degree of centralization or decentralisation in the purchasing function in the buying organisation. The functioning of buying center is influenced by the organisational variables the environmental variables, and the individual variables.

The output of the group decision-making process of the buying center includes solutions to the buying problems of the organisation and also the satisfaction of personal goals of individual members of the buying centre. The strengths of the model, developed in 1972, are that it is comprehensive, generally applicable, analytical, and that it identifies many key variables, which could be considered while developing marketing strategies by industrial marketers. However, the model is weak in explaining the specific influence of the key variables.

4.10 Vendor Analysis

Finding the right vendor for the buyer organization can be awesome task. Success of selection of vendor depends upon on how well you manage the process while signing the contract. But

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before signing the contract the buyer must analysis the current and prospective suppliers with respect how vendor financial sound, his business structure and process, capable to supply standard product and services which has to be approved by some standard institution. While finding appropriate vendor it is necessary to identify whether vendor full fill all demand of the manufacturing firm or what it can or cannot provide. Annual turnover and the vendor profit levels are also assessed by the firm with this factor they know the creditability of the vendor in the market. Some of the firm also have large number of supplier and the firm need to take periodic analysis with this they understand which of their supplier contributing most of their profit on the other hand supplier which supplier are costing to manage than they are contributing. This analysis known cost benefit analysis. Another point which has to considered by the firm his markups, price, discounts, reliability and quality, reputation, how flexible in terms of payment and deliveries. The vendors have ability to implement a solution if services are being purchased and they have also the experienced staff.

While analyzing vendor the firm must used independently ratings system that can be integrated with enterprise resource planning.

Objective

- To evaluate vendor on the basis of global challenges.
- To train the supplier's to achieve quality for higher level.
- Reward suppliers who demonstrate continuous growth.
- The System evaluates the performance of the vendors and projects the future performance and the corrective action required to improve their efficiency.
- It helps to improve the production efficiently and accurately.
- Continuous evaluation to track vendor performance

4.11 Vendor Performance Rating

Vendor or supplier is the important player for the growth of the buyer organization. To retain firm growth and keep in market it is necessary to give rating to their suppliers. To attain the level of performance such as delivery, lead time, quality, price or some combination of variables.

a) Purpose

The purpose of vendor performance rating is the procedure of monitoring the vendor who provides quality of product and service to his customer.

Criteria of Evolution

The factors which are considered for evolution are:

b) Pricing

- Competitive pricing should be comparable those vendor who providing same product and services.
- Stability of price should remain same over a period of time.
- There should be a low number of variances from purchase-order prices on invoiced received.
- Is the vendor invoices accurate? Memos of credit receive should be reasonable with average length of time. Final invoice should not vary with estimates. Visibility of bill should be cleared and accurate.

c) Quality

- Vendor should follow the terms and condition as stated in the purchase order.
- Specification order of product and services must confine with the request or proposal form.
- Product reliability
 - Reliability of repairs
 - Durability

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Check Your Progress

What do you understand by buying model.

- Support Frequent solution for the immediate problem

d) Delivery

- Does the vendor deliver product on time
- Does the vendor deliver the correct amount of product or service in the contracted quantity?
- Lead Time: A **lead time** is the latency between the initiation and execution of a process. For example, the lead time between the placement of an order and delivery of a new car from a manufacturer may be anywhere from 2 weeks to 6 months.
- Packaging: Sturdy, suitable, properly marked and undamaged.
- Documentation: Packing slips, invoices, technical manual etc.

e) Service

- Sincere vendor have handled the problem efficiently and professionally and they have full knowledge about the product catalog, price list and technical information.
- Technical Support
- Emergency Support: For repair and replacement.
- Problem resolution: Respond timely manner to resolve problem.

4.12 Summary

In this chapter we have understood the degree and effort required to make a business buying decision. Buying situation can be straight re-buy, modified re-buy and new task buying. A buying centre represents a group of people who work together to make a buying decision. The stages in the B2B buying process are as follows: Someone recognizes that the organization has a need that can be solved by purchasing a good

or service. The need is described and quantified. Qualified suppliers are searched for, and each qualified supplier is sent a request for proposal, which is an invitation to submit a bid to supply the good or service.

4.13 Key Terms

Organisation Buying: Organization buying is 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.

Straight Rebuy: When buyers have order specification already established and all subsequent follows this order placement without modification or when the buyer is not looking for new supplier.

Modified Rebuy: The word modified means existing list or specification have some amendment. Here buyer modified the specification related to product (in terms of features , price and quality) and specification related to vendor.

New Task: Here the new task means the company is buying first time.

System buy: Here buying organization make order for the single organization for multiple problem means buying organization give order to a single supplier to provide full system.

Buying Center Concept: A buying centre is a group of people who work together to make a buying decision.

Buying Decision Process: The stages in the business buying decision process are similar to, but more complex than, the steps in consumer decision making.

Buying Model: Professor Jagdish N Sheth develop the Sheth model of industrial buying in 1973. This model has emphasis on the organizational purchase process and purchase policies of the organization.

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4.14 Questions and Exercises

- Q1 Describe new-task buys, modified re-buys and straight re-buys.
- Q2 What are the characteristics of business buyers?
- Q3 What is a buying centre? What are the roles of the various people in a buying centre?
- Q4 What are the stages in the business buying decision process? What happens in each stage?
- Q5 How are the stages in the business buying decision process similar to the steps in the consumer buying process? How are they different?

4.15 Further Reading and References

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UNIT 5: BUYER AND SELLER RELATIONSHIP

*Buyer and Seller
Relationship*

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- 5.0 Introduction
 - 5.1 Unit Objectives
 - 5.2 Conceptual model of the study
 - 5.3 Interaction of Representative
 - 5.4 Buyer perception of Sales Representative
 - 5.5 Buyer behavior towards sales representative
 - 5.6 Buyer-Seller relationship
 - 5.7 Types of Relationship
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 - 5.7.4 Reciprocal Marketing
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 - 5.8.1 Technological Contributions
 - 5.8.2 Dependence
 - 5.8.3 Purchasing Orientations
 - 5.8.4 Sales Potential
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5.0 Introduction

Building a relationship in this highly competition in the market there is a need of managing buyer – seller relationship. A good relationship between the buyer and seller is advantageous for both, this will facilitate the buyer and seller especially in business to business organization help

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them to gain a competitive advantage in the market. The seller gains buyer's trust and loyalty by fulfilling buyer's need and commitment. As a result the supplier need to take a one step further in building the relationship by offering lower prices to the buyer and asking them to order larger volume for better relationship between us. In this way by supplying a quality product at lowest price the supplier will then get a chance to further deal with the same buyer. Further, in due course of time the supplier will start getting big orders from the same buyers once they get into a good relationship. Having good interaction between buyer and seller, the seller can always informed to buyer about the rewards they are getting by dealing with the suppliers. This process which will give the buyer a sense of satisfaction and result in continuity of trust and loyalty between the buyer and seller. Establishing a relationship with their supplier because it enables them to be more efficient and more effective and they create value. Developing long term relationships that will improve access to reliable markets information further customer look forward to improved access to a more reliable supply input that will improved product quality and performance. Furthermore, relationships need ongoing maintenance which means that relationship partners need to implement a communication culture in their relationship that is satisfactory for both partners in the same way. A maximization of information exchange or communication is not what is needed. More desirable is the optimization of shared values, so that the expectations of the partners are met and both relationship partners perceive the relationship as a win-win situation. No partner should dominate and no one should be dominated. In such an ideal relationship both partners are equally important.

5.1 Unit Objectives

After reading this unit, you should be able to:

Describe the various aspects of buyer and sales

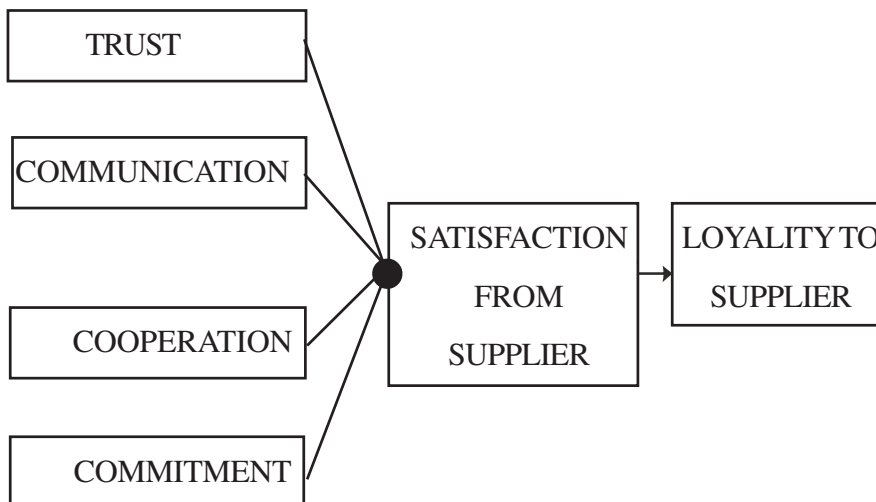
representative interaction and the major factors which influence buyer-seller relationship.

- Explain the methods used by industrial marketers (or sellers) to influence industrial customers(or buyers).

5.2 Conceptual model of the study

The conceptual model of relationships between dimensions of buyer-supplier relations and customer satisfaction, moreover the model shows satisfaction as a positive mediator between reliability and dimensions of b2b relation.

Determinants of B2B markets



Akuman G and Yorur B (2012) “Effects of business to business relation in customer satisfaction and loyalty in the context of developing country” American journal of industrial and business management,2012,2,217-229.

5.3 Interaction of Representative

The interaction between the representative of buyer and seller is the most basic building block of the relationship. The whole interaction is based on the following point.

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- Both the parties enhance their awareness of expectation about the product and services,
- The buyer and seller are reminding to each other about past experiences of satisfactory transactions and their behavioral outcomes.
- The buyer and seller support to each other for their behavior related to the sale of the product and services.

5.4 Buyer perception of Sales Representative

There are two major buyer perception of sales representative

First one is stereotype- talkative, easy going, manipulative, competitive and excitable description of the sales representative.

Second one is reputation of sales representative company For example a sale representative from a reputed company often get a positive response from the industrial customers on the other hand a sales representative from a small company the response from industrial customer was not encouraging.

5.5 Buyer behavior towards sales representative

The buyer positions are essential in the retailing and manufacturing industries and most corporate enterprises have industrial buyers. The buyer is responsible for buying and choosing items and services that will be used by a company. Buyer should know current price trends and how they will affect the business. Buyer behavior signifies the personal needs, interaction in the buying center, and organizational objectives. These behaviors determine the response a buyer has to the selling efforts by a sales rep.

5.6 Buyer-Seller relationship

Sheth identified two major factor have been identified as the basis buyer-seller relationship. The factors are: The content of information, and the style. The buyer and seller successfully interaction takes place only when the buyer and seller compatible in both content and style.

Content of information or communication consist of product features, prices, services, as well as individual needs of a buyer and a seller.

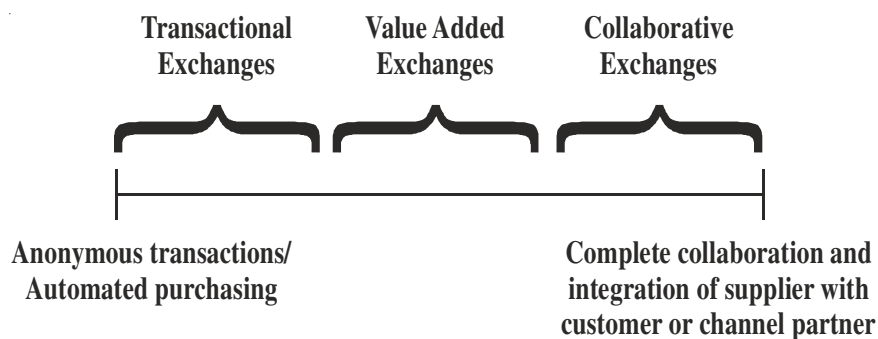
Style of interaction consists of mannerisms and the format used by a buyer and a seller in their interaction. Style consists of three interactions.

- Task Oriented
- Interaction Oriented
- Self- Oriented

5.7 Types of Relationship

Customer and supplier organization when they do the business together that show some types of business relationship. These relationships are positioned on a continuum with transactional exchange and collaborative exchange serving as the end points.

The Relationship Spectrum



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Check Your Progress

What do you understand by buyer and seller relationship?

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5.7.1 Transactional Exchanges

This is a business strategy which emphasis on timely exchange of basic product at highly competitive price between the customer and supplier. The transactional exchanges consists one time only exchanges with economy and necessity as the motivational factors and these types of transaction are automated, means that are little on concern as to the needs of buyer and seller. The industrial marketer has to understand that some customers may choose transactional relationship and other may prefer value-added exchanges or collaborative relationship. It has been depending on differing needs and orientation of customers. Customers are likely to prefer transactional relationship when

- a) Availability of suppliers are too many
- b) Stability in the supply market
- c) Complexity is not in purchase decision
- d) Considered purchase is less important to the achievement of the firm's objectives.

Items includes in business market are:

- a) Stationery materials
- b) Packaging
- c) Cleaning products

The transaction oriented customers are not very much loyal to a particular supplier and they may switch purchases from varied supplier. If the company makes timely attractive offer of combination of product, price and technical support, the business marketer has chance of getting business from transactional customer.

5.7.2 Value-Added Exchanges

Value –Added exchanges are fall between transactional and collaborative exchanges. To gain maximum share of customer’s business the value added exchanges focuses on the complete understanding of the present and future needs of the customer, and by meeting these needs better than competitors. Value-added exchanges are those where the selling firms shifts from just attracting customers to keeping them by:

- Adding additional services.
- To meet the buyer’s needs developing services should customized.
- Providing continuing incentives that promote repeat business

5.7.3 Collaborative Exchange

- Collaborative exchange focuses between a customer firm and a supplier firm.
- Collaborative exchange is the process of building strong social, economic, service and technical ties over a long period of time.
- Collaborative exchange occurs when
- Alternative are few
- Market is dynamic
- The purchase is complex
- The price is high
- In collaborative exchange switching are extremely important
- Trust is the key and it exists when one party has complete confidence in their partner’s ability and integrity

The bases of collaborative relationship are commitment and trust. When both parties are committed that the relationships are so important that it deserves maximum efforts to continue with it. When one firm has confidence in the other’s firm’s integrity and reliability that shows the trust between the firms. .

- Develop trust and commitment for long-term relationship.

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- Develop trust to achieve higher levels of cooperation, loyalty, word of mouth, and lower levels of uncertainty and conflict.
- Develop commitment to achieve higher levels of expectation of continuity, acquiescence, relationship performance, cooperation, loyalty, word of mouth, coordination and lower levels of conflict.

5.7.4 Reciprocal Marketing

In relationship between the buyer and seller the reciprocal marketing describes a situation in which two businesses promote each other in order to gain a mutual benefit. As a business policy, firms engaged in reciprocity to maintain mutually beneficial relationships with their customers. By expanding sales, reciprocal marketing evidently reduced selling costs, since close relations between a firm and any given customer typically required less protracted discussions about price or quality issues that new prospects may have required. The inference of this was that the sales department was able to devote more attention to the most difficult customers. For small business enterprises reciprocal marketing offers a number of potential benefits, and it helps reduce the cost of attracting new customers, adds value to customers' shopping experience, and is inexpensive to implement compared with many traditional marketing schemes. Popularity of reciprocal marketing is equally among small, entrepreneurial Web sites and large, well-established ones. In the mean time online doing business is most appropriate form for business world, reciprocal marketing is also known as reciprocal linking is the most common application involves placing links on another company's Web site.

5.8 Characteristics of customers and markets

The decisive factor for selecting business firms for transactional, value-added, or collaborative or relationship are based on the characteristics of customers and markets. There are four decisive factors that are mostly used in business marketing are:

- a) Technological Contribution
- b) Dependence
- c) Purchasing Orientations
- d) Sales Potentials

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5.8.1 Technological Contributions

For technological contribution the organization assesses potential partners depending on their possible contribution. For this the organization asks for short notes, points toward future development in technology, the firm's plan to acquire the technology, and the allocation of budget requirements for the implementation of the same.

5.8.2 Dependence

If the supplier firms have mutual dependence between both the customer, a collaborative relationship is the right strategy. But in case of an unbalanced situation created, when the one is not very much dependent on the outcome of the relationship, the transactional exchange is a suitable strategy.

5.8.3 Purchasing Orientations

As the role of purchasing grows in importance, the department becomes responsible for coordinating purchase needs with user departments, identifying potential suppliers, conducting market studies for material purchases, proposal analysis, supplier selection, issuing purchase orders, meeting with sales representatives, negotiating, contract administration, resolving purchasing-related problems, and maintenance of purchasing records. As a result, more strategically oriented purchasing departments have a mission to seek the best value from fewer and better suppliers.

Business buyers can choose one of the three purchasing orientations – Buying orientation, Procurement orientation, and supply management orientation.

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Check Your Progress

Check your progress:
Discuss the type of relationship?

5.8.4 Sales Potential

The information about each customer sales potential must be obtained by sales persons. These customers may be categorized in high, medium and low business potential. The high type customers are considered for collaborative relationship, medium type customers for value – added and low type customers is considers for transactional relationship.

5.9 The Spectrum of Buyer-Seller Relationships

Buyers and sellers have expertise in different types of relationships in response to:

- a) market conditions and
- b) characteristics of the purchase situation.



	Transactional Exchange	Collaborative Exchange
Availability of Alternatives	Many Alterations	Few Alternatives
Availability of Alternatives	Stable	Volatile
Availability of Alternatives	Low	High
Availability of Alternatives	Low	High
Availability of Alternatives	Low	High
Availability of Alternatives	Limited	Limited

SOURCE : Adapted from Joseph P. Cannon and William D. Perreault, Jr., “Buyer-Seller Relationships in Business Markerts”, *Journal of Marketing Research* 36 (November 1999), pp. 439-460.

5.10 Summary

In this chapter we understand importance of interaction between buyer and seller relationship. In this relationship buyer behavior depends on various factors. Relationships need ongoing maintenance which means that relationship partners need to implement a communication culture in their relationship that is satisfactory for both partners in the same way. Sales representative behavior depends upon his personal needs, organizational needs as well as the social needs. Industrial marketers have developed skill to influence the customers by using sales presentation and negotiations. Some times maximisation of information exchange or communication is not important. More desirable is the optimisation of shared values, so that the expectations of the partners are met and both relationship partners perceive the relationship as a win-win situation.

5.11 Key Terms

Interaction of Representative: The interaction between the representative of buyer and seller is the most basic building block of the relationship.

Buyer perception of Sales Representative: There are two major buyer perception of sales representative. First one is stereotype- talkative, easy going, and manipulative.

Transactional Exchanges: This is a business strategy which emphasis on timely exchange of basic product at highly competitive price between the customer and supplier. The transactional exchanges consists one time only exchanges with economy and necessity as the motivational factors and these types of transaction are automated, means that are little on concern as to the needs of buyer and seller.

Value-Added Exchanges: Value –Added exchanges are fall between transactional and collaborative exchanges. Value-added

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exchanges are those where the selling firms shifts from just attracting customers to keeping them by: adding additional services, to meet the buyer's needs developing services should customized, providing continuing incentives that promote repeat business

Collaborative Exchange: Collaborative exchange focuses between a customer firm and a supplier firm. Collaborative exchange is the process of building strong social, economic, service and technical ties over a long period of time.

Reciprocal Marketing: In relationship between the buyer and seller the reciprocal marketing describes a situation in which two businesses promote each other in order to gain a mutual benefit.

5.12 Questions and Exercises

- Q 1 It is said that relationship marketing is not effective in all situations. Do you agree? Give reason.
- Q 2 How would you recognize, if your customer uses "I win, you lose" style? How would you defend your position?
- Q 3 If you are asked to make a sales presentation to an industrial customer, which important points you will keep in mind to make it effective?
- Q 4 What are the complexities involved in reciprocal dealings between a buyer and seller, when dealing with your.

5.13 Further Reading and References

- 1 Industrial Marketing: A Process of Creating and Maintaining Exchange by Krishnamacharyulu Csg,,Lalitha R, Publisher: Jaico Book House
- 2 Industrial Marketing by Ghosh, Publisher: Oxford University Press

- 3 Industrial Marketing 2e by K. K. Havaldar, Publisher: Tata McGraw-Hill Publishing Company limited
- 4 Industrial Marketing Management by Govindarajan, Publisher: Vikas Publishing House Pvt Ltd.
- 5 Industrial Marketing by Phadtare M. T, Publisher: Prentice Hall of India Private Limited Industrial Marketing Text Book: ICMR

***Buyer and Seller
Relationship***

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UNIT 6: MARKET INTELLIGENCE

NOTES

- 6.0 Introduction
 - 6.1 Unit Objectives
 - 6.2 Market opportunity analysis framework
 - 6.3 Market Intelligence System
 - 6.4 What Market Intelligence system?
 - 6.5 Benefits of Market Intelligence
 - 6.6 Key Elements of Market Intelligence
 - 6.6.1 Information
 - 6.6.2 Information Management Processes
 - 6.6.3 Intelligence Development Processes
 - 6.7 Purpose of Market Intelligence
 - 6.8 Market entry and market expansion studies
 - 6.9 Market Intelligence vs Market Research
 - 6.10 Summary
 - 6.11 Key Terms
 - 6.12 Question and Exercise
 - 6.13 Further Reading and References
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6.0 Introduction

If a company wants to achieve and sustain its competitive advantage, it has to follow a process of marketing intelligence system who deals with procurement and analysis of data from various sources on a continuous basis to assess market opportunities and threats, and helps in planning and execute for suitable marketing strategies.

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6.1 Unit Objectives

After reading this unit, you should be able to:

Explain the concept of marketing intelligence

Determine the benefits of market intelligence

Analyze the market potential for new products as well as for existing products

6.2 Market opportunity analysis framework

The most frequent questions faced by firm while entering new market or penetrating existing market

- What is the current market size and growth rate?
- What will be the market in future?
- What are the factors driving the market growth and what challenges to be faced on the way?
- What are the current and emerging market trends viz. product trends, pricing trends, promotion trends, and distribution trends?
- Who are the potential customers, what are their needs and wants, what are their attitude and preferences, how much and from where they are buying, what price and values perceived by them?
- Who are the competitors and their strategies?
- Customer Scan the customer environment uncovers unmet or underserved customer needs as well as the market they occupy.
- Technology Analysis of the alternative technology as well as technology environment reveals the readiness of the particular technology on which the firm manager anticipate deploy the firms offering.
- Company Analysis of the company environment provides the current state of the company's resources

- Competition Analysis the competition environment reveals competitors in the marketplace, structure of the industry and market.

6.3 Market Intelligence System

The working on accumulating market intelligence has expanded to include analysis and analytics that can help you to improve your business model and projections. Significance of market intelligence which has created a broad picture of the company's existing market, customers, problems, competition, and growth potential for new products and services. Basis of raw data for that analysis include sales logs, surveys and social media, among many others. Any successful business planning requires a good understanding of market potent and of your capabilities against of your competitors. A lot of businesses use market intelligence to put their business intelligence in context. In common, business intelligence refers to wider information set about customers and product lines, such as quantified how many products were shipped, the total number of sales achieved in a month and other successful transactions occurring within a business. It focuses on definite segments of customers, including demographic and geographic information and what they buy, all these segments which can help inform an analysis of business intelligence. Business intelligence also takes into account what is present scenario in the competition, which business intelligence ignores altogether.

6.4 What Market Intelligence system?

It is the daily essential news information for the company. A Market Intelligence System one that systematically gathers and

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processes critical business information, transforming it into actionable management intelligence for marketing decisions in determining market opportunity, market penetration strategy, and market development metrics. The system designed to be used by marketing managers and often viewed by employees throughout an organization.

- Market intelligence is a broadened concept it is not just about market information, but the whole gamut of external environment information gathered by looking at secondary information sources usually through a continuous monitoring process. Further, this will help needed to support key strategic decisions - about products, prices, investment priorities, entering joint ventures etc.
- Business intelligence system is not only a computer-based system. But it is a *total* system which incorporates human processes for interpreting and processing information into intelligence.
- Marketing intelligence must be systematized processes, since only regular monitoring of key external parameters and integration of disparate snippets of information will give a viable long-term intelligence base.

Steps to be taken for improving marketing intelligence

- 1) **Train and Motivate Sales Force:** Provide current excellent source of information about the current trends in the market and obtain facts regarding the company's market offerings whether any improvements are required or not or is there any opportunity for new products.
- 2) **Motivate Distributors and other intermediaries to pass along important intelligence:** The firms hired specialists for measure the quality of production and the way the employees are behaving with customers, quality of facility being provided.

- 3) **Network Externally:** For gathering important information every firm must keep a tab on its competitors. This can be done by describes the broader discipline of researching, analyzing and formulating data and information from the entire competitive environment of any organization.
- 4) **Set up a customer advisory panel:** They are the company's largest customers or representatives of the firm or the most outspoken customers.
- 5) **Optimal usage of Government data resources:** Governments publish reports regarding the population trends, demographic characteristics, agricultural production and a lot of other such data. This data can be referred to as base data and that can helpful in planning and formulating policies for the companies.
- 6) **Information bought from external suppliers:** Many of the agencies sell data that can be useful to other companies.
- 7) **Collect Competitive Intelligence through online customer feedback:** A view about product and services is essential. Now a day's firms taken feedback by online platforms like chat rooms hat rooms, blogs, discussion forums, customer review boards etc.

6.5 Benefits of Market Intelligence

- Market and customer orientation – executing an marketing intelligence will encourage people throughout the organisation to focus externally.
- Identification of new opportunities
- Early warning of competitor moves - through good intelligence,
- Minimizing investment risk -
- Better customer interaction -

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Check Your Progress

What do you mean
by market
intelligence?

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- Better market selection & positioning - understand where your offer fits and discover untapped or under-served potential
- Quicker, more efficient and cost-effective information - avoid duplication of report acquisitions and expensive consultant work

6.6 Key Elements of Market Intelligence

6.6.1 Information

Gathering information used by a company for the purposes of decision-making, but is likely to refer to data concerning to the company itself, rather than its market environment. A continuous process of flow of information is the support of a good market intelligence system - information about economics trend of the country, new technologies, markets and the regulatory authorities of the company etc.

6.6.2 Information Management Processes

Information Management Processes is uses to acquire or retrieve, organise and maintain information. The information which is holds by firms will be complex and come from a variety of different sources. This can be challenging for firm to managing this data consistently across multiple departments. A good information management process will enable you to recognize the value of your organisation's data and identify gaps or problems with your data quality. The conceptualization of information management as a set of inter-related information behavior to be planned for, designed, and coordinated, give a process-based point of view that complements the more natural views of information management. With many professionals having external information delivered to their desktops, from online services and increasingly from the Internet is easy to believe that users have all the

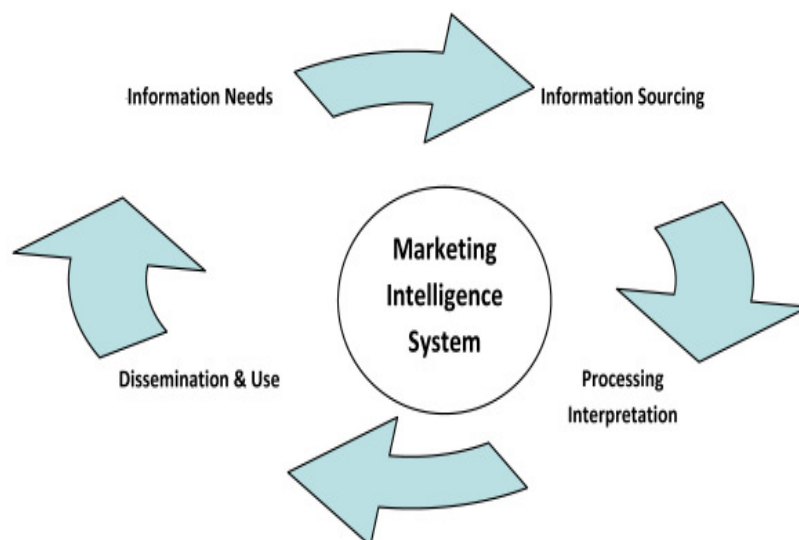
information they need on tap. However, this is raw information and will need transforming into intelligence. Before that, however, this information must be classified, stored and made accessible.

There are ten key points to ensure that information management activities are effective and successful:

- 1) Recognize (and manage) complexity
- 2) Focus on adoption
- 3) Deliver tangible & visible benefits
- 4) Prioritise according to business needs
- 5) Take a journey of a thousand steps
- 6) Provide strong leadership
- 7) Mitigate risks
- 8) Communicate extensively
- 9) Aim to deliver a seamless user experience
- 10) Choose the first project very carefully

6.6.3 Intelligence Development Processes

A good intelligence system is more than information. It is a recurring cycle of linking the needs of decision makers to the processes of turning the information into actionable intelligence.



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Check Your Progress

Which are different types of products?

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6.7 Purposes of Market Intelligence

Market intelligence is used to assist with more or less every decision faced by a company. It helps a firm to grow by increasing profit, revenue, or market share. A good implementation of market intelligence which has been correctly inferred can have a huge return on investment.

- Help enter new market, or expand presence in a market
- Minimize the risk of an investment decision being wrong
- Keep ahead of the competition, obtain first-mover advantage over competitors
- Give the customers what they want, expand market share
- Establish and maintain a distinctive corporate identity
- Tailor products and marketing effort around customer needs

6.8 Market entry and market expansion studies

The gathering of information according to the objectives of the intelligence will inform a decision to invest in a new market, or simply to increase investment in an existing market, the market research and intelligence firm would gather information from the following sources:

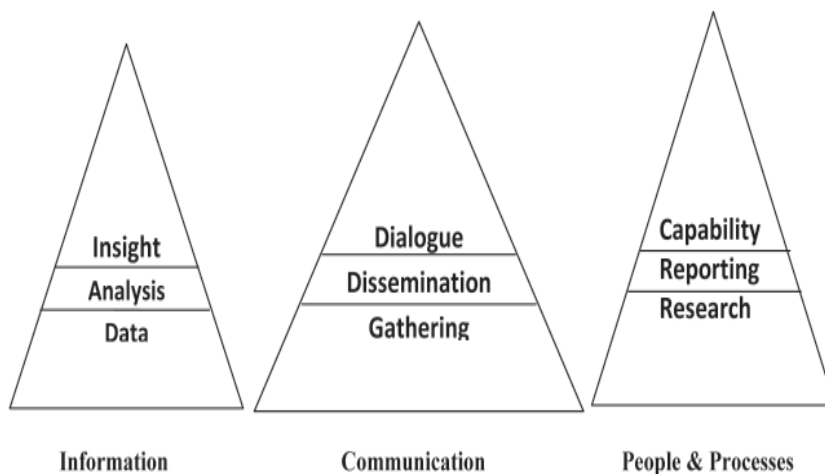
- **Potential buyers** – to find out how much demand there is for the product/service
- **Distributors, agents and other intermediaries** – to find out how to best get products and services to market, and again to ascertain how much demand there is for the product/service
- **Competitors** – to find out how other companies have successfully entered and stayed in the market, and judge the market's likely response to a new entrant

- **Industry experts such as journalists and industry associations** – these organizations can frequently provide a quick and concise overview of the market, as well as numerous leads in the form of contact details of market players

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6.9 Market Intelligence vs Market Research

Market research is a well defined discipline in business world and his total focus is to enhance a firm’s understanding of the market and customer. On other hand market intelligence is much general term that can define as an ongoing, holistic knowledge of all aspects of the marketplace. Market intelligence turns around information, communication, and people processes and these aspects can be visualize in a picture of pyramid. These aspects build upon a foundation of basic capabilities, which leads to increasing ability and expertise. In conclusion the market intelligence is the highest levels of these areas.



Market intelligence is the combination of broad collection of information which extends beyond traditional marketing research data. It requires broad set of analytical skills which integrate with

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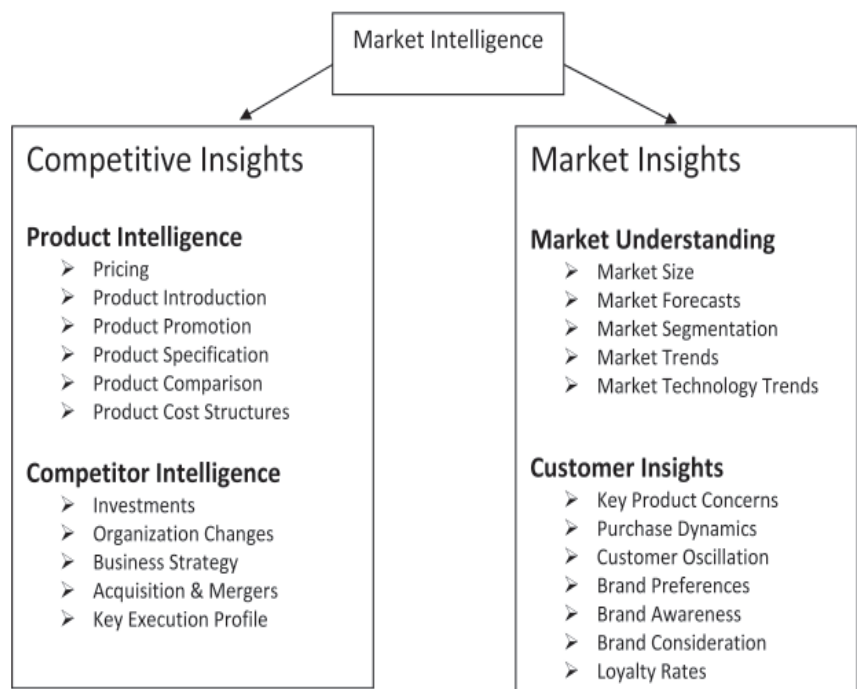
all aspects of the business. On the other hand marketing research is focused on customers, market analysis cover the entire view of the market and requires integration into the companies, product development process, forecasting process and other business systems.

Market Intelligence Built on foundation Consisting four basic areas:

- Competitor Information
- Product Information
- Market Information
- Customer Information

All of the four knowledge areas (as mentioned above) interrelate to form a whole understanding of the market. Every competitor's strategies will impact on firm product actions, the overall development of market growth and target segment interactions will impact on firm strategies, and underlying all of this, the customer's behaviors and attitudes will ultimately drive the market dynamics in terms of growth rates and product acceptance. This integration of all four knowledge areas is the ultimate deliverable.

The following figure will provide a clear market intelligence view



Implementing a solid market intelligence system is very important to having the information essential to compete and win in your business battleground.

Check your progress: What is the purpose of marketing intelligence? Explain briefly how market intelligence is useful while taking decision.

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6.10 Summary

This chapter is to demonstrate that market intelligence can bring significant benefits to all businesses that can really help a business make decisions. Entry and expansion of market studies provide intelligence to be used when entering a new market or expanding an existing market presence. Information about competitor are required after, and are based upon press analysis, pricing research, competitor interviews, customer interviews, interviews with other market players, and online research (particularly of company websites). Further other types of market intelligence include needs assessment, customer satisfaction, corporate positioning and segmentation studies.

6.11 Key Terms

Market Intelligence: A Market Intelligence System is one that systematically gathers and processes critical business information, transforming it into actionable management intelligence for marketing decisions.

Information: Gathering information used by a company for the purposes of decision-making, but is likely to refer to data concerning to the company itself, rather than its market environment.

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Information Management Processes : Information

Management Processes is uses to acquire or retrieve, organise and maintain information.

Market entry and market expansion studies: The gathering of information according to the objectives of the intelligence will inform a decision to invest in a new market, or simply to increase investment in an existing market,

6.12 Questions and Exercises

- Q1 “Marketing Intelligence” is an area, where industrial marketers today are focusing on? Why?
- Q2 What do you understand by market intelligence system?
- Q3 Discuss the benefits of market intelligence system.
- Q4 Explain briefly the element of market intelligence?
- Q5 Discuss briefly how market intelligence is different from market research.

6.13 Further Reading and References

- 1) Monitoring the Competition, Leonard M. Fuld, John Wiley and Sons (1988) - a golden oldie, with step-by-step guidance.
- 2) The Intelligent Corporation, Ruth Stanat, AMACOM (1990) - offers a strategic perspective and practical advice.
- 3) Industrial Marketing 2e by K. K. Havaldar, Publisher: Tata McGraw-Hill Publishing Company limited
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UNIT 7: INDUSTRIAL MARKETING RESEARCH

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- 7.0 Introduction
- 7.1 Unit Objectives
- 7.2 Definition
- 7.3 Uses of Industrial Marketing Research
 - 7.3.1 Studying the business trends
 - 7.3.2 New Product Studies
 - 7.3.3 Sales quota determination and DD forecasting
 - 7.3.4 Market potential and market share analysis
- 7.4 Differences in Industrial and Consumer Marketing Research
- 7.5 Industrial Marketing Research Process
- 7.6 The Sampling Plan
- 7.7 Sampling methods
 - 7.7.1 Probability Sampling Methods
 - 7.7.2 Non-probability Sampling Methods
- 7.8 Summary
- 7.9 Key Terms
- 7.10 Questions and Exercises
- 7.11 Further Reading

7.0 Introduction

Industrial marketing research helps to identify possible solutions to a particular problem or to arrive at possible outcomes of a situation. This research also useful for to obtain information about competitive intelligence and help in decision support. Apart from these tasks industrial marketing researches have another various tasks also like

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- Analyzing market share
- Assessing the market potential for new products as well as for existing products
- Determining the market characteristics
- Analyzing past sales
- Developing sales forecasts

7.1 Unit Objectives

After reading this unit, you should be able to:

- To describe how market research can be used to help organisations grow by finding new markets for their products and understand a problem that can be solved by market research.
- To describe the process of marketing research process and sampling plan

7.2 Definition

According to American Marketing Association, “Marketing Research is the function that links the consumer, customer and public to the marketer through information-information used to identify and define marketing opportunities and problems, generate, refine and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process.”

Marketing research is the objective of systematic problem analysis, model building processes of obtaining analyzing and reporting of data or information. It is scientific method to provide accurate authentic information. The process of marketing research is to identifying the needs of customers and meeting them in best possible way. In today’s scenario almost all business organization use marketing research for their strategic planning process.

.Types of organization decision maker

- Intuitive decision maker: The decision based on the past experiences when the firm or the organization faces similar situation.
- Standard decision makers: Are those where some of the decision are backed by research.
- Visionaries: The organizations are taking every business decision on the basis of research.

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7.3 Uses of Industrial Marketing Research

7.3.1 Studying the business trends

Studying the business trends is essential for every firm because they get the current knowledge of the market behavior and whether the market is growing, maturing or a declining stage.

7.3.2 New Product Studies

In marketing the “New” is the most influential and strongest word, that shows something is new from the previous one it is different, modern or upgraded. In this case the industrial marketer must understand his new product applicability and acceptability to the users. The marketer must observe the reaction of the buyer and when it comes with superior technology with a higher price tag.

7.3.3 Sales quota determination and DD forecasting

Determining sales quota with the help of industrial marketing research is useful to find out how much quota for that area or region can be fixed a “target” for branches or for individual salesperson.

7.3.4 Market potential and market share analysis

The industrial marketers always assess the market potential in terms of sales volume and profits in today’s scenario and in the near

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future. This assessment helps the firms to draw the inferences how much to allocate on each product. For example if the product on the growing stage, the allocation of resources to those product more than the maturity or a decline state.

7.4 Differences in Industrial and Consumer Marketing Research

The products in industrial marketing technically very complex , so that research agency are unwilling to research on with such products and technology, which is applicable for consumer research. Industrial research is highly time consuming process and they have also in meeting the respondents.

Industrial Research	Consumer Research
In industrial research the population size small and thus a small sample size.	The size of population is large and sample is size is also large.
Due to work schedule and preoccupation accessing a respondent is difficult.	Accessing is simple and easier.
Research personal should be trained and technologically oriented.	Personal to be trained but they haven't technical orientation.
In industrial research the secondary data forms is very important.	In consumer research the total focus on primary data.
The personal generally follow in-depth interview.	Other methods are followed.
In industrial research to define the respondents because purchasing would involve lot of people.	In consumer research to define the is difficult respondents is simple.

Check Your Progress

What do you understand by industrial marketing research?

7.5 Industrial Marketing Research Process

The process provides the benefit to the firm in terms of what it needs to do and how to respond in a particular circumstance. In this way in the mind of marketer arises question regarding how to conduct the complete research process.

The process of marketing research is as follows:

- 1) Identifying the problem and research objectives
- 2) Develop the research plan
- 3) Collect information
- 4) Analyze the information
- 5) Presentation of the findings

Step 1: Identifying the Problem and Research Objectives

When we talk about the problem itself an opportunity. Sometimes most research projects that go wrong do so because the fundamental problem the has lead to the research has not been fully understood or define. In this stage research agency asks the industrial marketer about the brief research. It contains all the possible points which are related to the research problem. When the marketer has identified the problem, after that he should follow the research objective. The objective should relate to the marketing decisions which will have to be made or the problem that needs a solution. The research objective generally made for to set the limits to the research problem. Further if the research problems are not properly defined or the research objective not properly set, then it will require performing an exploratory research.

Step 2: Develop the Research Plan

The next step is to develop the research design which is basically signified the procedure and the cost of conducting the research study.

The essential steps are:

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1. It is an activity and time based plan
2. A plan always based on the research question
3. A conduct of selecting resource and type of information.
4. A structure for specifying the relationships among the studies variables
5. A procedural outline for every research activity

The detailed information must be identified according to the stated research objectives. The researcher finds out the information that needs to be collected and identify the source of data whether it is from primary or secondary data.

Step 3 Collect Information

After formulating research plan and what type of information needed has been determined, the next step is to collect information. To reach some definite conclusion the data collection process has to be logical, highly sequential.

For example the researcher want to launch new product in the market to check its potentiality then he has to collect some information. So for this research he will not totally depended on the secondary data source because that would not be helpful. There would also be need for primary data also.

Difference between primary data and secondary data

Primary Data: When the researcher obtain data from information collected from interviews, experiments, surveys, questionnaires, focus groups and measurement or data collected directly from firsthand experience.

Secondary Data: This data was already collected by someone and available from other sources. For example secondary data for social science include censuses, this information collected by government departments.

Sources of Secondary Data

- Government sources, such as the Indian Census Bureau
- Annual reports to the stock exchange board of India.
- Trade, business and professional associations
- Media, including broadcast, print and internet.
- Technical magazines and journals
- Books and newspaper
- Reports published by scholars and economists.

While sorting of secondary data the researcher must ensure three important things:

- 1) **Quality of Data:** The data used from secondary source should be high quality, accuracy and authentic.
- 2) **Suitability of data :** Data for the purpose which is being used
- 3) **Adequacy of data:** The data should be adequate for the purpose of being used.

Primary Data Sources

In industrial research there three commonly methods used for the collection of primary data

- 1) Observation
- 2) Questionnaire
- 3) Interviewing

Observation

The method is generally used for the observation of work and eliminated the biasness from the process. This method is used for improving effectiveness of sales personnel, customer response to a product. The problem with this method is the time, investigator has to wait.

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Questionnaire

This is a method where researcher gathers the information from a set of people, who is an specialized in his field or they has the information, which have need of the information to be collected. This method provides wide spectrum of information and the questions can be generated as per the specific requirements. The advantage of this to solve lot of problem and facilitate the researcher to get in depth study. In this method in short period of time the researcher can be collected large amounts of information from a large number of people and in a relatively cost effective way But questionnaire method has some disadvantages. They are:

- 1) Reluctant to provide necessary information
- 2) There is no criteria way to tell how truthful a respondent is being
- 3) Biasness in the context of situation
- 4) Lacks validity

Interviewing

In this method data can be collected through personal interview, mailed questionnaire or telephonic interviews. It can be done in two basic ways:

- 1) **Structured framework:** In this framework the questions are predetermined and exact information is collected.
- 2) **Unstructured interview:** Interviews in the questions are not prearranged while the interviewer usually has certain topic that they wish to cover during the interview.

Step 4: Analyze the information

Now a day's there are number of multiple software in the market, it is easier and usage of research methods for analyzing the data.

Data collection can be analyzed in three different ways. They are:

1. Univariate: Analysis of one variable. For eg. Finding out the mean, median and mode.
2. Bivariate analysis: This analysis deals with two variables that can change and are compared to find relationship, tools like regression analysis and correlation can be used.
3. Multivariate: This statistical technique used to analyzed data that arises from more than one variables, tools like multiple and partial correlation and regression and ANOVA can be used.

Step 5: Presentations of Findings

The last step of process is to present the findings. The research should be summarized and communicated in a document form that is useful to the management. While writing a report the researcher should kept certain guide line in his mind.

1. Jargons and technical language should be avoided because it is not necessarily the audiences have technical background.
2. The report should be very clear and concise
3. In the report the researcher should given the executive summary so that the readers have total idea of what the report contains.

7.6 The Sampling Plan

It is a detailed outline of which measurement will be taken at what times, what should be the sample size, in what manner and by whom.

There are certain steps involve in sampling plan:

Step1. Defining the population, which significant to the current research objective.

Step2. The sampling frame needs to be identified.

Step 3. Select the sampling unit.

Step4: The sampling methods needs to be selected.

There are two types of sampling methods. They are:

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Check Your Progress

Explain the marketing research process.

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1. Probability sampling method
2. Non-probability sampling method

Step5: Researcher needs to determine the sample size

Step6: The selection final sample

7.7 Sampling methods

7.7.1 Probability Sampling Methods

- A. Simple Random Sampling: A simple random sample is a subset of individuals (a sample) chosen from a larger set (a population).
- B. Cluster Sampling: Cluster sampling is a technique in which clusters of participants that represent the population are identified and included in the sample.
- C. Systematic Sampling: Systematic sampling is a statistical method involving the selection of elements from an ordered sampling frame.
- D. Stratified Random Sampling: Stratified random sampling is a method of sampling that involves the division of a population into smaller groups known as strata. In stratified random sampling, the strata are formed based on members' shared attributes or characteristics.

7.7.2 Non-probability Sampling Methods

- A. Convenience Sampling: Depends on the convenience of the location or cooperation of sample.
- B. Judgment Sampling: Judgment and opinions of experts form the basis of sampling.
- C. Quota Sampling: A population is first segmented into mutually exclusive sub-groups, just as in stratified sampling. Then judgment is used to select the subjects or units from each segment based on a specified proportion.

7.8 Summary

In this chapter we have understand how research works for the industrial markets and the uses of marketing research. We also saw the difference between consumer research and industrial research , the process to go ahead with the research.

7.9 Key Terms

Marketing Research: Marketing research is the objective of systematic problem analysis, model building processes of obtaining analyzing and reporting of data or information.

Industrial Research: In industrial research the population size is small and thus a small sample size.

Consumer Research: The size of population is large and sample size is also large.

Industrial Marketing Research Process: The process provides the benefit to the firm in terms of what it needs to do and how to respond in a particular circumstance.

7.10 Questions and Exercises

- Q1 What do you understand by industrial marketing research?
- Q2 What is the difference between industrial and consumer marketing research?
- Q3 How would you use the internet as a tool for industrial marketing research?
- Q4 Discuss the process of marketing researches?
- Q5 Explain briefly the sampling plan?

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7.11 Further Reading

- 1 Industrial Marketing: A Process of Creating and Maintaining Exchange by Krishnamacharyulu Csg,,Lalitha R, Publisher: Jaico Book House
- 2 Industrial Marketing by Ghosh, Publisher: Oxford University Press
- 3 Industrial Marketing 2e by K. K. Havaldar, Publisher: Tata McGraw-Hill Publishing Company limited
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- 5 Industrial Marketing by Phadtare M. T, Publisher: Prentice Hall of India Private Limited Industrial Marketing Text Book: ICMR

UNIT 8: STRATEGY PLANNING IN INDUSTRIAL MARKETS

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- 8.2 Strategy planning in Industrial Markets
- 8.3 Segmentation and Market Selection
 - 8.3.1 Segmentation criteria
 - 8.3.2 Micro & Macro variables for segmenting market
- 8.4 Targeting and Positioning
- 8.5 Choosing a Targeting Strategy
 - 8.5.1 Undifferentiated Marketing
 - 8.5.2 Differentiated Marketing
 - 8.5.3 Concentrated Marketing
 - 8.5.4 Customized Marketing
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8.0 Introduction

Buying organization are increasingly meet to develop strategies that enable them, as a group of small buying firms and business

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organizations, to challenge to an increasingly global marketplace. Strategic planning approach application is used by several buying organization at all the levels of the firm from the business operations levels to industry levels. This process normally begins with while examining internal and external environment. The external environment analysis the opportunity and threat consist of natural environment resources and climate changes, societal environment and industry analysis. While internal environment analysis the strength and weaknesses consists of variables skills, competencies and knowledge of the organization. Strategy has clearly defined the path for the firm means what it is want to achieve. This is the basic requirement of every firm because with this changing scenario the organizations have to chalk the strategic planning to survive and sustained in the market.

8.1 Unit Objectives

After reading this unit, you should be able to:

- To describe the importance of market segmentation and the bases in which it is done and develop a target market strategy
- To understand positioning of a product
- Understand Marketing Information Systems

8.2 Strategy planning in Industrial Markets

The purpose of forming strategic planning for the firm is to stand them in the market for the long term competitive success. An industry strategic planning is a continual process of making and implementing a particular strategy, and then evaluating performance. It is the mechanisms for a situational analysis, establishing long- and short-term objectives, develop strategies for success, and implementation action plans. Industry strategic planning is based on the notion of forming the vision and mission of the organization. It is necessary for the industrial marketers to coordinate,

directed and controlling the business activities for achieving vision and mission of the organization. The firms have implemented strategic planning at all levels of the business operations level to corporate level in addition market definition is the domain of the corporate level strategies. The corporate level strategy focuses on selection of business in which product or service markets to compete. In business market by making marketing strategy allied with other departments and targeting his fundamental goal a firm can gain competitive advantage

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8.3 Segmentation and Market Selection

Selecting the market by buying organization needs to focus on their core audience. This means the buying organization should choose on the basis of his capabilities and strength of his business strategy, offering product, pricing, marketing communications and distribution to meets the needs of and inclination of its selected customers. The selected markets would be commercial enterprises, government and institution. While selecting target audience the buying organization have more complex decision making group for example purchasing of computer in bulk form usually involve one person to take decision but to purchase heavy machine may involve a technical expert team, financial team, representatives of purchasing, management team and safety expert these participant have own sets of opinion. In B2B market segmentation is the crucial step for targeting appropriate market because the segmentation is applicable to the size of the organization and the number of segments usually deals with much smaller population than the consumer markets. When the firm globalized their operation the segmentation is more important for targeting selected segments across selected countries.

8.3.1 Segmentation criteria

1) Demographic defines

- The Broad Description of company,

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- Relate to General Customer Need
- Can be determined without visiting customer Parameters
- Industry
- Company Size
- Customer Location
- 2) **Operating Variables**
 - Company Technology
 - Product & Brand –Use Status
 - Customer Capabilities
- 3) **Purchasing Approach**
 - Purchasing Function Organization
 - Centralized versus De-Centralized Approach
 - Power Structure
 - Dominance of procurement / Engineering/ Finance Dept over purchase of a particular product
 - Buyer seller Relation Ships
 - Relationship plays key role in purchasing decision. This includes partners, joint venture establishment and industrial alliances
 - A successful B2B marketer is the one who can build his relationship with his customers.
 - Out of the office relationships can also play a role if there are no conflicts of interests.
 - General Purchasing Policies
 - The organizations general purchasing terms also plays an important role for segmentation.
 - One can differentiate between credit and cash customers.
 - Long term/ Short term Policies.
 - Purchase patterns, safety stocks policies.
 - Purchase patterns, safety stocks policies, contractual requirements

4) Situational Factors

As from situation factors, you find problem areas for the customers. From problem areas you understand the marketing implications.

- Urgency of fulfillment
- Difference between routine replacements and emergency replacements
- Hot – Order Shop – A factory for urgent orders only.
- Most companies are willing to pay an extra charge to get to get the job done more quickly.
- Product Application
- Standby machinery v/s Critical Machinery
- Routine v/s Special Scenarios

5) Personal Characteristics

Always remember, People not companies, make purchase decision.

- Buyer – seller similarities
- As human we have a natural tendency towards bias.
- The most successful sellers are the ones who can find the most similarities in their buyers.
- Synergy in place – Sharing best practices.
- Individual Behaviors
- Some people base their decisions on past experiences, some base it on their knowledge
- Relationship can play a major role.
- Risk Management Strategies
- Some buyers are risk averse, others are risk receptive.
- The bad news is that majority of the buyers are risk averse
- Risk receptive buyers can be targeted by highlighting the positive outcomes

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The above description of nested framework encourages clear thinking about industrial markets and also serves to point out areas where more research is needed.

Industrial market segmentation is a method of classification of industrial and business customers to guide strategic and tactical decision-making, particularly for sales and marketing. For statistical surveys government organization and industry associations use standardized segmentation schemes, to meet their particular needs most businesses create their own segmentation scheme.

Industrial market segments is the basis of need and behavioural aspects which emphasizes on price-focused segment, which has a transactional point of view to doing trade and does not look for any 'extras'. These companies in this segment are small they are working to low margins and consider the low strategic importance for their product/service to their business.

In industrial market companies who focused on quality and brand segment, which desires for best potential product and they are ready to pay for it. These companies in this segment regularly work for high margins and consider high strategic importance for their product/services.

A companies who focused on service segment, in which they have high requirements in conditions of product quality and variety, but also in terms delivery and after sales, etc. These companies can be small, medium or large and have a tendency to work in time-critical. Generally they are purchasing relatively high volumes.

In industrial marketing companies who focused on partnership segment, generally consisting of key accounts, which they are search for trust and reliability and consider the supplier as a strategic partner. Such companies tend to be large,

Check Your Progress

What do you understand market segmentation?

8.3.2 Micro & Macro variables for segmenting market

Organizational markets can be segmented on the basis of various factors that can be broadly classified into macro segmentation and micro segmentation.

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Main Category	Segmentation Base	Questions to help define segment groups
Geographic Locations	Country	In which countries do them business?
	Region / area of the country	In which regions do them business
	Number of outlets or potentially huge number of outlets?	Does the firm have one office only, Whether the firm operate in one geographic area, or spread over a wide area?
Business Description	Industry	What industry do they operate in?
	Size (by staff or outlets)	How many staff do they have, or how many outlets do they have?
	Size (revenues/profits)	What is their financial position?
	Products sold	What is their product mix?
	Equipment/ technology	What is the main forms of manufacturing and/or

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Behavioral/operating
practices

Company
ownership

IT equipment
do they use?

Are they a public or
private company? Are
they a subsidiary?

Do they have a
centralized purchase
decision-making
process?

Are they generally loyal
to suppliers or do they
frequently switch?

Are they fast or slow
decision makers?

Do they use franchising?

Are they a lead user (an
early adopter) or more of
a market follower?

Do they make highly
analytical decisions or
are they more intuitive?

How socially and
environmentally
conscious are they?

Organizational Goals

Do they have aggressive
growth goals?

Do they want to be seen
as a market innovator?

How important is brand
equity to them?

8.4 Targeting and Positioning

Targeting and product positioning decision is the most significant uses in industrial market segmentation schemes. Companies who maximize their competitive advantage and the likely hood of success to chose the target some segments and downplay or avoid other segments.

Target markets can include ultimate user companies, procurement managers, company bosses, contracting companies and external sales agents. The target audiences are those who have influence over purchasing decision, but may perhaps not necessarily buy a product themselves, e.g. design engineers, architects, project managers and operations managers, plus those in target markets.

In targeting, the marketers asses and evaluate the all segments and find out the attractiveness of each potential segment. After that the marketers decide which of these groups they will invest for resources against to try to turn them into potential customers. The customer group or groups selected are the firm's target market.

8.5 Choosing a Targeting Strategy

A basic targeting decision is how finely tuned the target should be.

8.5.1 Undifferentiated Marketing

When a company offers a broad range of services or a more accessible product, undifferentiated marketing might be a better strategy. Because undifferentiated marketing targets a wider demographic, it may require more of an initial investment.

An undifferentiated targeting strategy offers a broad range of services or a more accessible product and it is one that appeals to a wide-spectrum of people. Undifferentiated marketing my require more

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of an initial investment. And it can be seen every day examples like TV ads, Radio slots, Newspaper advertisements Billboards etc.

These strategies have numerous benefits:

- Higher reach
- Brand awareness and recognition
- Increased store traffic
- Less market research required
- Unchanging campaigns

8.5.2 Differentiated Marketing

In differentiated marketing a company develops strategy for one or more products for each of several customer groups with different product needs. A differentiated strategy is a separate marketing strategy for each of the target segments.

8.5.3 Concentrated Marketing

A firm chooses to focus its marketing efforts on one particular market segment. In other words a firm focuses its efforts on offering one or more products to a single segment; it is using a concentrated targeting strategy.

8.5.4 Customized Marketing

To meet the unique needs of each individual or firm the marketers should be able to define segments so precisely that they can offer products and services. When a manufacturer often works with one or a few large clients and develops products and services that only these clients will use this form of work is custom marketing strategy which is common in industrial contexts.

The modification of a basic good or service to meet the needs of an individual it is called mass customization.

8.6 Positioning

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Positioning means developing a marketing strategy aimed at influencing how a particular market that the product is to occupy. In other words the application of positioning refers to the place of goods and services in the mind of the customer and how it is differ from product of competitor. Implementing a positioning strategy have need of gaining a clear kind of the norm for target consumers use to assess competing products and then convincing them by product's reputation and ranking among by that your product will meet those needs.

8.6.1 Developing a Positioning Strategy

To effectively target the segment's members by positioning their products to appeal to that segment marketer must develop a marketing mix. This is the first step is to analyze the competitors' positions in the marketplace. To search out who are the direct competitors and what products or services are they providing? Indirect competition can also be important.

Offering a good or service with a competitive advantage marketer must develop a positioning strategy, by providing a reason why consumers will perceive the product as better than the competition.

After setting up positioning strategy the marketers should finalize the marketing mix by putting all the pieces into place. The selected elements should be matched by elements of the marketing mix. In this way the goods or services must deliver benefits that the segment values, such as convenience or status.

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Now the responses of the target marketers must evaluate by the marketers, so they can modify strategies as needed. Over time, the firm may find that it needs to change which segments it targets or even redo a product's position to respond to marketplace changes. An example of such a makeover is called repositioning.

8.7 Decision Support System

As marketing managers develop their skills and knowledge base and as marketing decisions grow in complexity, information needs exceed the capabilities of an MIS. It becomes appropriate then to move to a decision support system (DSS) which is the legal extension of an MIS.

DSS helps to solve the unstructured problems based on management science and improve the quality of marketing decisions. DSS provide support for taking managerial decision and is getting a lot of attention from many businesses as a way to promote better projections, management and analysis within a company or business. DSS comes in many forms, and the term basically refers to a computer-aided system that helps in creating synchronization between strategic analysis and the manager of the organization which helps to make synergy during the process of decision making.

Business planners uses DSS system according to their needs and use it to evaluate specific operations, including:

1. The DSS provides guidance to large stock of inventory for establishing supply chain movement that works for a business.
2. A sales process, where decision support systems software is a "crystal ball" that helps managers theorize how changes will affect results.
3. Other specialized processes related to a field or industry.

8.7.1 Attributes of a DSS

- Adaptability and flexibility
- High level of Interactivity
- Ease of use
- Efficiency and effectiveness
- Complete control by decision-makers
- Ease of development
- Extendibility
- Support for modeling and analysis
- Support for data access
- Standalone, integrated, and Web-based

8.7.2 Characteristics of a DSS

- Support for decision-makers in semi-structured and unstructured problems.
- Support for managers at various managerial levels, ranging from top executive to line managers.
- Support for individuals and groups. Less structured problems often requires the involvement of several individuals from different departments and organization level.
- Support for interdependent or sequential decisions.
- Support for intelligence, design, choice, and implementation.
- Support for variety of decision processes and styles.
- DSSs are adaptive over time.

8.7.3 Benefits of DSS

- Improves efficiency and speed of decision-making activities.
- Increases the control, competitiveness and capability of futuristic decision-making of the organization.
- Facilitates interpersonal communication.

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Check Your Progress

Explain briefly the decision support system?

- Encourages learning or training.
- Since it is mostly used in non-programmed decisions, it reveals new approaches and sets up new evidences for an unusual decision.
- Helps automate managerial processes.

➤ **Look at decision support systems designed to manage inventory**

DSS can come in handy by evaluating stock held in a facility, or any other type of business asset that can be moved around or otherwise optimized.

➤ **Use DSS for sales optimization and sales projections**

Decision support technology can also be a tool that analyzes sales data and makes predictions, or monitors existing patterns.

➤ **Utilize DSS to optimize industry-specific systems**

To make good projections on the future for a business, or to get an overall “bird’s eye view” of events that determine company’s progress.

8.8 Summary

This chapter is to demonstrate that strategic planning in industrial marketing and clearly defined the path for the firm means what it is want to achieve. This is the basic requirement of every firm. Further to understand the industrial market segmentation and market selection in which the marketer identify his target market. Positioning defines the place of goods and service in mind of customer. Decision support system brings significant benefits for implementation to all businesses that can really help a business make decisions.

8.9 Key Terms

Strategic Planning: Strategic planning approach application is used by several buying organization at all the levels of the firm from the business operations levels to industry levels. This process normally begins with while examining internal and external environment.

Target marketing: The target audiences are those who have influence over purchasing decision, but may perhaps not necessarily buy a product themselves

Positioning: Positioning means developing a marketing strategy aimed at influencing how a particular market that the product is to occupy.

Decision Support System: DSS provide support for taking managerial decision and is getting a lot of attention from many businesses as a way to promote better projections, management and analysis within a company or business.

8.10 Questions and Exercises

- Q 1 Discuss the industrial marketing strategic planning?
- Q 2 Describe the industrial market segmentation?
- Q 3 How to manage the industrial products and develop strategies for marketing them?
- Q 4 How could you segment the industrial markets and the role of micro and macro variables?
- Q 5 Write Short notes on target marketing, positioning and decision support system.

8.11 Further Reading and References

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UNIT 9: PRODUCT DEVELOPMENT STRATEGY

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- 9.1 Unit Objectives
- 9.2 Developing product strategy
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 - 9.4.1 Define product
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9.0 Introduction

Successful products start with a clear strategy which is customer and market driven. A strategy provides the direction to the product manager so they can guide their production team and manage the business. Industrial products provide number of benefits in the form of core, enhanced and augmented to customers. For product life cycle the product strategy is the foundation and execution plan for further development.

9.1 Unit Objectives

After studying this unit, you should be able to:

- To describe the product life cycle theory and its application marketing strategies and the changes in the product strategy
- To learn how to develop product strategies.

9.2 Developing product strategy

Product strategy is the key concept of business planning and is a continuous process. The selection and development of the product mix plays an important role for the formulation of the appropriate marketing plans for offering them to the market. Product strategy is the optimum utilization firm's product related use's resources which maximize growth and profitable opportunities. Strategic planning are considered in the allocation of firm's resources to products and market chosen. For developing the product strategy is the real challenges that the companies faces.

There are numbers of challenges in developing product strategy.

- a) Included both planning (means defining strategy) and execution (developing the products) based strategy.

- b) The above type of strategy takes place in the market environment and success can be influenced by external variable.
- c) The strategy involves multiple functions and often have conflicting objectives.

The main stages in the planning process are:

- 1) Identify the strengths and weaknesses of the current resources of products, skills and assets
- 2) Specifying the Business Boundaries of the firm's foreseeable operations.
- 3) Forecasting the economic and market environment for products within the
- 4) Establishing objectives in selected market segments.
- 5) Laying down product policies as guide lines for planning.
- 6) Formulating product plans and marketing strategies for each area of the total business.

For chalking out the product strategies, the organization objectives should be in the line with product mix and to developing product lines set guidelines for them.

9.3 Product Policy

Frequently changes in the technology, customer needs, and preferences require the industries keeping themselves aware and acting accordingly. The changing government policies, laws, rule play a very key role in firm's product offering to the market. When the product reaches decline stages and for the company to exist, the firm's are developing new product or introduction of new products is very essential to compete with his rivalry. So, in this way product policies and strategies on four factors:

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1. Changes in needs and preference of the customer.
2. Change in the policies, laws and policies.
3. Technological changes.
4. Product life cycle.

9.4 New Product Development

This is the process of idea generation leads to innovation that leads to new products and higher profits. Technology play important role in the development of new product that followed to business analysis, product development, product testing, and commercialization. In industrial market the innovation is slow as compared to consumer market. For the successful of product development the firm's establish specialized teams who work on different new products at a given time. There are number of factors which are consider while adopting of new products, the factors are like perceived risk and advantage, self-confidence of the buyers, type of industry, prior experience in buying such products, investment required, and the switching costs involved.

An new product development strategy will help in organizing product planning and research, capture the customers' views and expectations, and accurately plan and resource for new product development project. While forming the new product development strategy a marketer should avoid following factor

- Overestimating and misreading your target market
- Launching a poorly designed product, or a product that doesn't meet the needs of your target customers
- Incorrectly pricing products
- Spending resources you don't have on higher-than-anticipated development costs

- Exposing your business to risks and threats from unexpected competition.

There are several important steps you will need to plan into your NPD strategy.

9.4.1 Define product

Planning will help for accurate description of the product you and avoid new product development pitfalls such as developing too many products at once, or running out of resources to develop the product.

9.4.2 Identify market needs

Thorough knowledge of target markets its needs and wants help in forming successful strategies for new product development. There are number questions arises for knowledge about the market these are as follows:

- What is the target market for the product which the firm is proposing?
- What does that market need?
- What is the benefit of firm proposed new product?
- What are the market's frustrations of existing products of its type?
- How will the product fit into the current market?
- What sets this product apart from its competition?

9.4.3 Identify key issues and approaches

For developing of product there are many steps involved that is appropriate for customers. There are seven stages in the process of new product development, they are

- Idea generation
- Idea screening

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- Concept development & testing
- Business Analysis
- Product development
- Marketing testing, and
- Commercialization

9.4.3.1 Idea Generation

Industrial firm should deliberately scan their environment to identify the latest development in the market place. From the internal environment scanning the idea comes from sales staff that he is the only people who close to the customer. In inside the firm the research and development expertise and top management are very useful resource for the idea generation. External environment scanning or the other sources that a business firm can look for the new product development are its customer, supplies and distributors. Apart from this an industrial firm can get good ideas by using techniques like brainstorming and an industrial firm should motivate the employees to identify and present innovative ideas by offering appreciation or rewards to the employees submitting the best ideas.

9.4.3.2 Idea Screening

After idea generation comes to select the product ideas which are likely to succeed, screening is the process of reducing the ideas that don't support with an organization and new product ideas will be undertaken. For screening of new ideas the specified criterion and procedure should be set. Foremost concern in the screening of a new product idea must meet criteria of the general adoptability of the company to the new product and the volume of investment that would be necessary for the implementation of the new product idea. corporate policy, strategic fit, expected profit potential, magnitude of market opportunity, product advantage, the competitive situation, project feasibility, availability of

resources, regulations, impact on corporate image the general adoptability of the company to the new product Includes, , Marketing consideration includes synergy (with product portfolio, production lines and capacity etc.), market attractiveness, competitive advantage, organizational and operational issues.

9.4.3.3 Concept development & testing

After the screening of the new product idea it should be developed into a product concept and should be fit between the company's strategy and consumer needs. A Product concept is a detailed version of the product idea that is expressed in a meaningful terms, the concepts are evaluated with regards to the market opportunity and customer's needs. In this stage the firm's get customer reaction either written or visual presentation of the product. Testing of concept is a quality check between the description of an idea and actual product development and the testing concept is trying to understand in terms of customer.

9.4.3.4 Business Analysis

In the Business Analysis the firm's try to understand about customers, competitors and business potential of the market. This analysis will generated the projection of required investment, the sales figure of about 4-5 years, with details regarding costs of development and profitability of the proposed new product will be developed. When any firm convert the idea into a product it involves high levels of cost thus the need of pilot study of the product also necessary.

9.4.3.5 Product Development

When the product successfully passes the business analysis stages it moves to the product development process which creating desired product by the technicians and to develop a prototype of the product by the R&D department of the company. This prototype of product provides

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Check Your Progress

Explain briefly the different stages of new product development?

the estimated cost of the product for the firm and this will be confirmed for the development of the prototype.

9.4.3.6 Marketing Testing

Test marketing is the stage where product test marketing method is used to test the product in a limited geographical area. Testing the product in realistic market settings brings the firm's into direct interaction with customers who have not been pre-selected. With this direct interaction the firm's will get fairly solid product performance and quality measures. Once the firm's start testing of the product the feedback which is given by user is very useful in terms of whether the product should be redesigned or altered, they will also tell you whether they are truly satisfied with the product or not. Many industrial marketers used test marketing method through their sales force.

9.4.3.7 Commercialization

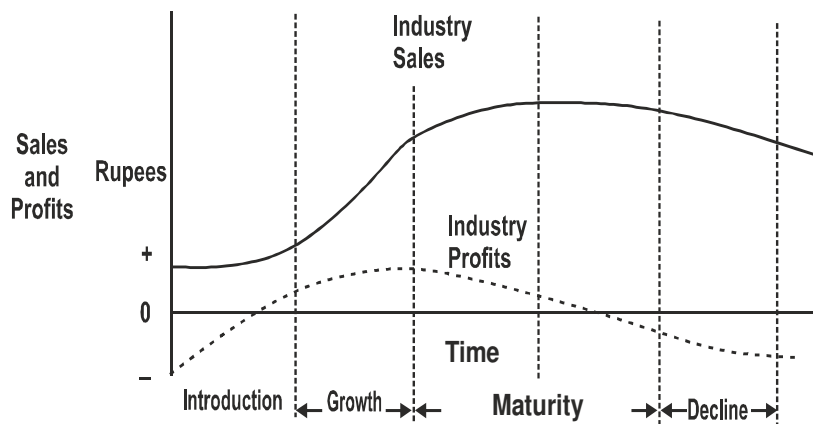
After gaining the in depth information from test marketing the firm's commercialized the product this is the last stage of the new product development at this stage it involves execution of the various activities developed in an action plan as a part of the marketing plan. Now the firm plan about the activities such as manufacturing, production ordering materials, distribution of the product, customer service, maintaining adequate stocks at the company warehouses and or with dealers/distributors, introductory advertisement, price lists, product catalogues, training of sales force etc. would be taken up at this stage.

9.5 Industrial Product Life Cycle

The product life cycle theory identifies which strategies they follow throughout the life cycle of a product. All industries have same stages but experience differently and since its introduction the product life cycle is depicted by the sales curve. In product life cycle theory the product goes

to many stages that commence when they are introduced in the market and ends when they are eliminated from the market, this is to maximize sales and profit. In industrial marketing the product life cycle is more appreciated because the innovations are faster and changes are more frequent. To keep their product development strategy feasible the marketer always observing the behavior of the product life-cycle which is determined by a set of factors over which manufacturers and marketers have little control. The external factors which are included industry-wide technological advance, changing consumer necessities and a developing state of competition with a company's market rivals. It means a different marketing and product development approach is needed for each stage of the product life cycle. For long term planning for a new product the industrial marketer must understand the concept product life cycle. A part from this the industrial marketer increase the knowledge of the competitive advantage and estimating the impact that changing conditions can have on profitability.

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9.5.1 The Introductory Stage

After being introduced into the market, the acceptability of the product is determined by the market. A prototype of product takes long time to gain acceptance amongst the industrial market. The market has

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accepted some of the products soon after release, while others may take long time of span to develop a market base. In this stage when a firm's find a product which he introduces have low rate acceptability by the market then he can focus on the market development strategies to help build consumer appeal.

9.5.2 Growth

When the stage of trial passes the product enters a period of higher sales and profit growth, the focus of the marketer lie upon improvements to the design and any added features or benefits that can expand its market share. For reaching more customer marketer increasing the efficiency of distribution methods which can help in improving the product availability and an aggressive promotional strategy should be followed. In case of rapid increase of competitors the firm take the advantage of some degree of price reductions, particularly for economies of scale, can be introduced to make the product more appealing for purchase.

9.5.3 The Maturity Stage

The stage characterized by a corresponding decline in profit growth as a percentage of sales and an increase in the number of market competitors. When the product reaches at maturity stage of a life-cycle the strategy for the marketer should be focus on set of customers or find out a new set buyers or the product development strategy revolves around entering new markets with the alterations of the product. To preserve the customer base this may helpful to increase efforts to satisfy existing customers. Reducing the expenditure on advertising, marketing and production can help maintain profit margins.

9.5.4 The Decline Stage

Decline stage may come in when marketers sometime opt to discontinue a product when it has reached this level or introduce a replacement product. Some of the firm tends to pass their product to countries which are technologically less. In this stage the marketer with draw existing strategy of the current product and introduce new product as alternate product by reducing marketing cost. Now the firm shifted his concentration newer product under development by scaled back to save costs of marketing and production budgets. Industries which rely on rapidly changing technologies are usually proceeds to product decline.

9.6 Product Evaluation

In product evaluation grouped as (growth, stable or decline) are represented by the sales of industry on vertical axis. Sales of company are grouped as (growth, stable or decline) evaluated on horizontal axis. For example, when the market share is less than 10% it is assessed as marginal, Average market share is considered between 10 and 30 percent is considered while dominant market share are more than 30 percent.

Let us say a product P1 which has reducing company sales. The products industry share is also reducing. Now this point market decide to phase out these products.

A product P2 which has stable company sales and stable industry sales and the product is also dominating in the market. The marketer can choose to focus more on the product.

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Check Your Progress

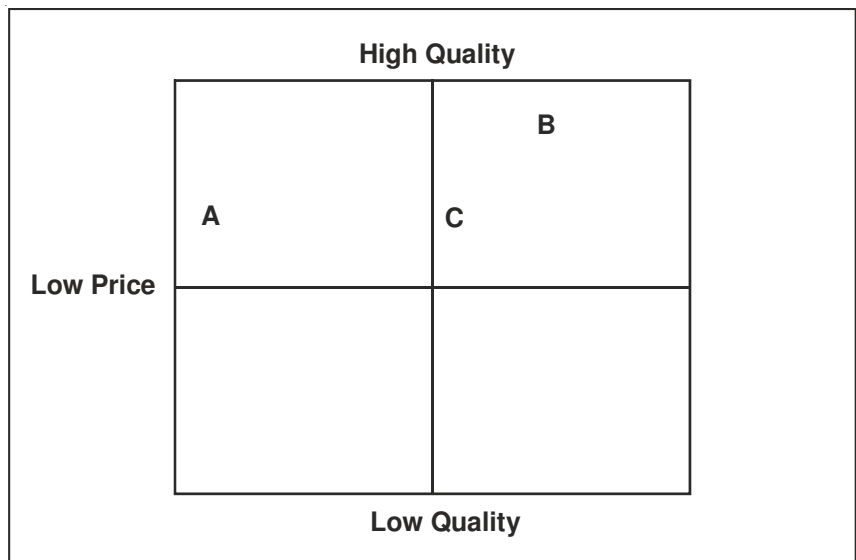
What is product life cycle? Explain briefly different stages of product life cycle?

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Company Sales		Decline		Stable		Growth	
Industry Sales	Market Share	Below Target	Above Target	Below Target	Above Target	Below Target	Above Target
Grwoth	Dominating Average Marginal						
Stable	Dominating Average Marginal						
Decline	Dominating Average Marginal						

9.7 Perceptual Mapping

Perceptual mapping tells the about the strengths and weakness of a product by his competitors.



For example there are three products A, B, C. The firm range of product is 'A' is our range and the product B and C are competing directly against the firm. To comparison between the firm product and competitor

product the two characteristics are picked i.e. quality and price. Product A is a low-priced and medium quality product. So what should the marketer do? He has options of both raising the quality as well as price, as well as both. He can also make a high quality, high price product to compete directly against B. So here the marketer needs to decide, where is he ideally going to locate the product or is the current position, perfectly all right.

9.8 Summary

We have seen in this chapter, understanding the concept of product life cycle for industrial product and the various strategies that marketer adopted for each stages. We then came to product innovation and importance of innovation. We also understand how industrial firms develop a new product and what needs to be done to create an innovating culture within an organization.

9.9 Key terms

Product Policy: The changing government policies, laws, rule play a very key role in firm's product offering to the market.

Define product: Planning will help for accurate description of the product you and avoid new product development pitfalls such as developing too many products at once, or running out of resources to develop the product.

New Product Development: This is the process of idea generation leads to innovation that leads to new products and higher profits.

Product Life Cycle: In product life cycle theory the product goes to many stages that commence when they are introduced in the market and ends when they are eliminated from the market, this is to maximize sales and profit.

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9.10 Questions and Exercises

- Q 1 What is the competitive strategy, which one would follow across the life cycle of the product?
- Q 2 What are the factors you would consider, before eliminating a product?
- Q 3 How has technology influenced the industrial marketing scenario for over the years?
- Q 4 How would you facilitate new product development in your organization?

9.11 Further Reading

- 1 Industrial Marketing: A Process of Creating and Maintaining Exchange by Krishnamacharyulu Csg,,Lalitha R, Publisher: Jaico Book House
- 2 Industrial Marketing by Ghosh, Publisher: Oxford University Press
- 3 Industrial Marketing 2e by K. K. Havaldar, Publisher: Tata McGraw-Hill Publishing Company limited
- 4 Industrial Marketing Management by Govindarajan, Publisher: Vikas Publishing House Pvt Ltd.
- 5 Industrial Marketing by Phadtare M. T, Publisher: Prentice Hall of India Private Limited Industrial Marketing Text Book: ICMR

UNIT 10: INDUSTRIAL SERVICES

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 - 10.5.4 Defining the market
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10.0 Introduction

Service is a practice that establishes and enables industries to deliver their services with a human-centred approach. It offers an opportunity for new service solutions creates a contextual and cultural understanding that, improving the user experience and customer satisfaction. An industry made up of companies that primarily earn revenue through providing intangible products and services. Service industry companies are involved in retail, transport, distribution, food services, as well as other service-dominated businesses.

10.1 Unit Objectives

After reading this unit, you should be able to :

To describe the concept about industrial services and service strategy

10.2 Industrial Services

In industrial services there are four factors account for the growth of business services. They are:

10.2.1 E-business: This is the business which is conducted on the internet and these include supplies and services; servicing customer; buying and selling products; processing payments; managing production control; collaborating with business partners; sharing information; running automated employee services; recruiting etc.

10.2.2 Out Sourcing: When companies transferring portions of work to outside suppliers to reduce the costs this called as an effective cost-saving strategy. Many times it is affordable for the companies to purchase the goods from outside with than it is to produce good internally.

10.2.3 Innovation: In business the innovation helps in save time and money and gives the competitive advantage at the market place. This is the changing processes or creating more effective processes for implementing new ideas, creating dynamic products or improving your existing services.

10.2.4 Manufacturing growth: In today's advanced economies, manufacturing promotes innovation, productivity, and trade more than growth and employment.

In business to business market the services can be classified into two types. They are:

1. **Product with services**
2. **Pure service**

Product with services: In the first types some amount of services are attach with product. The frequency of services and the nature of services would vary. This means services which are post sales of software and hardware and training programmes for installed machines. As a result capable of being perceived as different in the market place requires giving customers, additional values and benefits are derived from services because the product alone won't tell about his advantages.

Pure Services: This is the services which are not associated to any manner of product. Banking, insurance, transportation, consulting etc. this would a part of pure services.

10.3 Characteristics of services

1. **Intangible**
2. **Inseparable**

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Check Your Progress

Explain briefly the concept of industrial services?

3. **Non-standardized**
4. **Perishable**
1. **Intangible:** Services doesn't cost transportation, storage, inventory and other fees like in industrial products and doesn't has expiration date like in industrial products. Services are intangible and do not have a physical existence in this way services cannot be touched, held, tasted or smelt. A service which primarily differentiates it from a product is the most defining feature. The firm should understand the needs of the offerings they provide in the market place are a mix of goods and services. The market should also observed the buyers as what it is he looking for and the buyer looking greater services, the marketer should careful of them.
2. **Inseparable:** The services are not to be stored and this is the inability of production and consumption of a service to be separated. The quality of services depends upon the past experiences and interaction between buyer and marketer. The main advantage of inseparability is that consumers can give constant feedback. Service companies always sure about that they have very well trained employees who have provided excellent services.
3. **Non-standardized:** For offering services the quality must be consider every time for the human element. This means quality becomes major concern for service provider.
4. **Perishable:** Service cannot be stored like physical goods, the demand is subject to wide fluctuations.

10.4 Strategic Assessment

When a provider crafting the strategy first he should take a careful look at what it does already. The following questions can help expose a service provider's distinctive capabilities:

- Which of our services or service varieties are the most distinctive?
- Which of our services or service varieties are the most profitable?
- Which of our activities in our value chain or value network are the most different and effective?

10.4.1 Factors in Strategic Assessment

Here are the key factors that play important role in strategic assessment:

S.N. Description

1. Strengths and weaknesses

The attributes of the organization. For example resources and capabilities, service quality, skills, cost structures, product knowledge, customer relationship etc.

2. Business Strategy

The perspective, position, plans and patterns are received from a business strategy.

3. Critical Success factors

How will the service provider know when it is successful?

4. Threats and opportunities

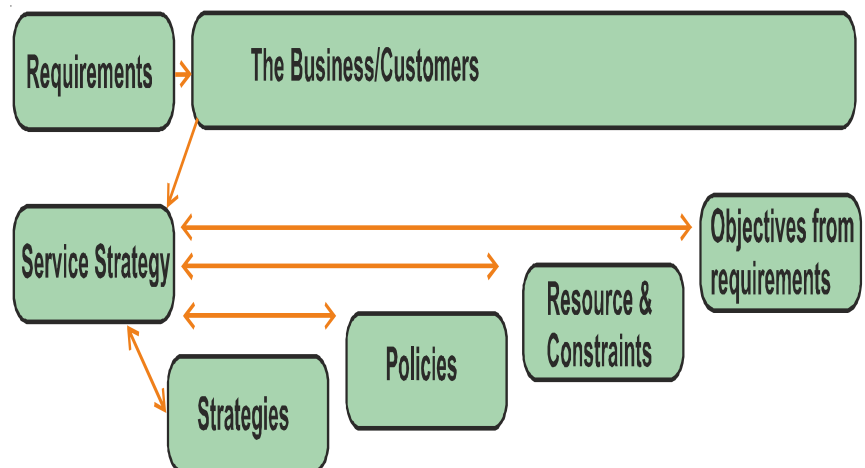
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Includes competitive thinking. For example, is the service provider vulnerable to substitution?, or Is there a means to outperform competing alternatives?

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10.5 Service Strategy

Service strategy helps to chalk out the design, develop and implement service management as organizational capabilities and strategic assets as well. The service strategy consistently provides outperform competitive alternatives over time, across business cycles, industry disruptions and changes in leadership.



Service strategy comprises of the following key concepts:

- * Value creation
- * Service Assets
- * Service Provider types
- * Service structures
- * Defining the service market
- * Developing service offerings
- * Financial management
- * Service portfolios

- * Demand management
- * Return on investment

10.5.1 Value Creation

For delivering better value the service strategy defines a unique approach. According to customers service consist of two elements:

- * Utility
- * Warranty

Utility

Utility is perceived by the customer from the attributes of the service that have positive effect on the performance of task associated with the desired business outcomes. This is fir for purpose.

Utility is generally stated in terms of:

- * Outcomes supported
- * Ownership costs and risks avoided

Warranty

Warranty ensures the utility of the service is available as needed with sufficient capacity, continuity, and security. Value of warranty is communicated in terms of level of certainty.

Warranty is usually defined in terms of availability, capacity, continuity, and security of the utilization of the services.

Availability: Assurance of service under agreed terms and conditions.

Capacity: Assurance of service will support a specified level of business activity.

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Continuity: Assurance of service will support the business through major failures.

Security: Assurance of service provided by the service provider will be secure.

It assures that the service provided by the service provider will be secure.

10.5.2 Service Assets

There are two types of service assets as listed below:

- " Resources
- " Capabilities

Resources

A stock or supply of money, materials, staff, and other assets that can be drawn on by a person or organization in order to function effectively.

Capabilities

Measure of the ability of an entity (department, organization, person, system) and skills to develop and control the resources to achieve its objectives, specially in relation to its overall mission.

Capabilities		Resources	
A1	Management	Financial Capital	A6
A2	Organization	Infrastructure	A7
A3	Processes	Applications	A8
A4	Knowledge	Information	A9
	People	A5	People

10.5.3 Service Provider Types

Service Provider can be broadly classified into three types as listed below:

1. **Type I - Internal Service Provider**
2. **Type II - Shared Service Provider**
3. **Type III - External Service Provider**

Type I Internal Service Provider: Refers to the business functions within an organization. Administration, finance, human resources, and IT service providers.

Type II Shared Service Provider: Business functions such as IT, human resources, and logistics are consolidated into an autonomous special unit called a Shared Service Unit (SSU).

Type III External Service Provider: The third party service providers. It can offer competitive prices and drive down unit cost by consolidating demand.

10.5.4 Defining the market

When marketers taking a survey for services available in the market it gives a clear perspective of quality and cost of services already present. As a result the marketer identifies what new service can be offered in competitive environment.

10.5.5 Developing offerings

The marketer develops a service portfolio which contain all the services that are visible and available for the customer. Service portfolio is developed in order to represent all binding service investments towards the market.

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Check Your Progress

Discuss the service strategic process?

10.5.6 Service Portfolio Management

In Service portfolio defines all services that a service provider can provide. It helps to control service management investments throughout an enterprise and actively managing their value.

10.5.7 Business Relationship Management

This process deals with establishing good relationship between service provider and customers by ensuring that appropriate services are developed to meet customer's needs.

10.5.8 Demand Management

This process maintains balance between consumption of services and their delivery.

10.5.9 Financial Management

Financial management helps to determine all the costs of IT organization.

10.6 Summary

In this unit we understand the concept of industrial services along with characteristics of services. We then came to understand the service strategy and strategic assessment. We also understand also understand factors in strategic assessment.

10.7 Key terms

E-business: This is the business which is conducted on the internet.

Out Sourcing: When companies transferring portions of work to outside suppliers to reduce the costs this called as an effective cost-saving strategy.

Innovation: In business the innovation helps in save time and money and gives the competitive advantage at the market place.

Manufacturing growth: In today's advanced economies, manufacturing promotes innovation, productivity, and trade more than growth and employment.

Service Strategy: Service strategy helps to chalk out the design, develop and implement service management as organizational capabilities and strategic assets as well.

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10.8 Questions and Exercises

- Q1 Briefly describes the special characteristics features of service.
- Q2 Explain how the characteristics of services pose a challenge to the service marketers.
- Q3 Elucidate the strategies that can be adopted for improving service productivity.
- Q4 c Explain briefly the concept of industrial services?

10.9 Further Reading

- 1 Industrial Marketing: A Process of Creating and Maintaining Exchange by Krishnamacharyulu Csg,,Lalitha R, Publisher: Jaico Book House
- 2 Industrial Marketing by Ghosh, Publisher: Oxford University Press

Industrial Services

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UNIT 11: INDUSTRIAL GOODS

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- 11.2 Industrial Product
- 11.3 Types of Industrial Goods and Services
 - 11.3.1 Processed Materials
 - 11.3.2 Capital Items
 - 11.3.3 Supplies and Services
- 11.4 Marketing Implications
 - 11.4.1 Material and Parts Products
 - 11.4.2 Standard Products
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 - 11.5.1 Capital Items
 - 11.5.2 Supplies
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- 11.6 Summary
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11.0 Introduction

In business to business there are many types industrial customers demand varying types of industrial products. In industrial marketing the firm generally categorized broad types of product. This product has its own characteristics and implied marketing implications. The main objective

buying of industrial product for further ultimate use in the business operation or use in other products and earn profit.

11.1 Unit Objectives

After studying this unit, you should be able to:

- To describe about the raw and processed material..components parts and capital goods.

11.2 Industrial Product

The products which are used by industries and these are the products which are not directly used by the end customers. There are various characteristic and features which are required only by for the industries and not required for the normal customers in day to day life. As a result the marketers always keep in mind the requirements and specification of industries while designing the products.

11.3 Types of Industrial Goods and Services

There are number of methods for the division of goods and services but marketer should identify those method which is most accepted and how these goods and services put into the production process and their relative cost. The industrial goods and services can be divided into three groups;

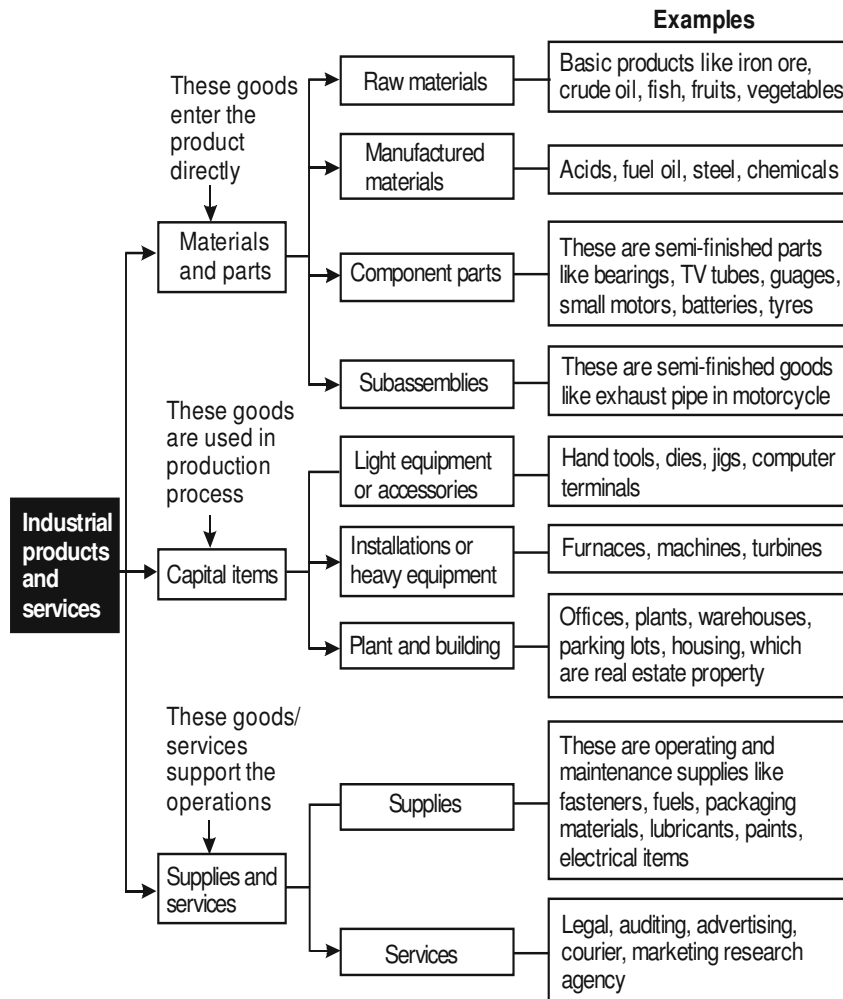
- **Raw and Processed Materials**
- **Capital Items**
- **Supplies & Services**

11.3.1 Processed Materials

Goods or material enter the products which consist of raw materials and component parts are used in manufacturing are not altered by the

vendor while processed materials have undergone some conversion. On securing a dependable source of supply the buying decision unit focuses on these materials. Implications for this category of industrial product in the market are at large-volume and customized items are sold directly while lower-volume and standardized items are sold through channel partners.

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Classification of Industrial Products and Services

a) **Raw materials**

The goods which are purchased by the firm for the purpose of manufacturing with a little alteration or without alteration. These products are farm products and natural products which is mainly output of extractive

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industry, agriculture industry, farming industry lumbering industry and fishing industry. In these industries only agriculture is the infinite resources other industries have finite resources and they are processed only to the level required demand. Examples raw materials of these industries in the production process of like iron ore, copper, gold, silver, crude oil, fish, fruits, vegetables etc.

Characteristics of Raw Material

- Low Unit Price
- Purchase frequently
- Short life
- Less branding
- Standardization and Grading is important
- Large quantity purchase

b) Manufactured materials & Component parts

Manufactured materials processed include those raw materials which have primarily processing before entering the manufacturing process. Acids, fuel oil, and steel are the examples of manufactured or processed materials that are the basic ingredients of many manufacturing activities.

Component parts are made according to specification of the buyer. These are electric motors, batteries and instruments can be installed directly into products. Customer bought that fabricated product and become part of their end product (tyres and batteries become part of a car). The primary decision makers in selecting the vendor are engineering people, because the parts have to conform to performance specifications. The firm marketed the components like materials that his marketing implications: the firm either sold directly or through channels partners, it depends on the nature of the component and the quantity bought.

Check Your Progress

Describe raw material and processed materials?

11.3.2 Capital Items

To run their business the customer used capital goods facilities and fixed equipment in their manufacturing process. These categories of products are demanding huge amount of investment, top management is the primary decision maker. The customer will always focus on the performance level of the equipment. Because of the large capital outlay the product are directly. The purchase of this category of products involved extended decision making. Capital items are those which are used in the production process. The capital items are classified into three groups

- a) Installation / Heavy equipment
- b) Accessories / Light Equipment
- c) Plant and Building
- a) **Heavy Equipments / Installations**

These are the long term investment in which businesses includes large machines whose unit purchase prices are so high, for e.g. turbines, generators, furnaces and earth moving equipment. The investment incurred on these items are become the part of buying firm's capital structure. A part from this items automatic measuring and control devices are also included in this category even though are not expensive. To proper operations of expensive machine such items are essentially important, these items are bought normally same manner as the machines themselves. These items are shown in the company's annual balance sheet.

The heavy equipment machine is generally two type – Multipurpose or Standard machines, and Special or Single purpose machines

Multipurpose Equipment : In industry the multipurpose equipment can be used by different industry. When minor adjustments for several types of work this is called as standard machines. These machines are designed for the general type of operations.

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Single Purpose Machines: This machine is designed for to perform one particular operation. Since the purchase price of these heavy equipment is very high the buyer get the financial problem for the buyer. Therefore, firms must arrange loans facility for customer to market their equipment.

b) **Accessories / Light equipment**

The capital goods are more expensive than the light equipment and tools, as a result customers are typically bought these light equipment in large quantities and used this machinery in an auxiliary capacity. The key decision makers of purchasing and users mainly focusing on price, quality and support services, the costing of such minor equipment is charged from current expenses. The standardized minor equipments and accessories are sold are sold through channel partners while there is hardly direct relationship between producer and buyer of such equipments.

Examples of Light equipments are fractional horse power motors and small tractors.

c) **Plant & Building**

These are the real estate property of a organisation. It includes factories, godowns, warehouses, offices, parking lots etc.

11.3.3 Supplies and Services

The operation of the purchasing organization is supported by the supplies and services and they are not became part of the finished product.

All business requires supplies items such as paints, soaps, oils, greases, pencils, typewriter ribbons, printer cartridges, paper. These are supplies for maintenance, repair and day to day operations and weather items are standardized or unstandardised but they are used in wide cross section of industries. These products help in conversion of input into output or in the production processes but they are not directly involved in the final product and for keep on functioning these products to get worn out.

For the standardized, price is the primary buying motive but for the low-importance items (office supplies), purchasing is the key decision maker. Users are most important for more specialized items, they are focusing on quality and support services provided. MRO (Maintenance, Repair and Operating) are typically sold through channel partners and increasingly through the internet.

Business service activities are performed by third parties (catering, consultancy, security and transportation). These services include maintenance and repair support and advisory support, and they also considered as expenses items. The primary decision makers are the intended users of the services they consider the service providers capability to provide the service in the decision. The provider must communicate the benefits of the services because it is being intangible. A solution to customer is provided by these services which are combined with products to offer. The intended users of the system will emphasize the required performance of the system. The sellers should offer a broad range of services and use flexible pricing and this will be required to focus on integration. The growth of World Wide Web technology has increased the electronic commerce services such as providing technical support, customer training and management development programmes.

11.4 Marketing Implications

11.4.1 Material and Parts Products

- Large OEMs (Original Equipment Manufactures) Users: Selling is mostly done directly from seller to buyer organization.
- Small Volume User: The standard raw materials are sold dealer or distributors because it is cost effective.

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Check Your Progress

List and explain capital goods?

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- Components are Custom-Made: Substantial interaction between technical and commercial persons from both buyer and seller.

It is important for business salesman he should always remain close with following departments person:

- Purchase Department
- Material Department
- Quality department
- Production department
- Research & Development Department
- Marketing Department
- Accounts / finance (Persons of buyer organization as they influence for buying or payment Releasing)

11.4.2 Standard Products

The factors which influence buying decisions with differing share of business for various suppliers are

- Product Quality and Performance
- Delivery Dependability
- Price
- Payment Terms
- Customer Service
- Customer Rapport

11.5 Marketing Strategy

11.5.1 Capital Items

Capital items include consist of heavy equipment and construction equipment for factories and office building, it involves personal selling with extensive interaction and top executives of both buying and selling organization are very common and they negotiate on some key factors :

Such as return on investment, price, return on investment, installation time, specifications, etc. The firm's primary motive is to focus on personal selling method.

11.5.2 Supplies

For large-volume buying of supplies of lubricants and paints the firm's uses personal selling (Marketing through company's sales persons). For supplies to diverse market consisting of small and medium size companies, the firm's uses distributors or dealers. To create awareness of the company and its products to the potential users and distributors/dealers, the supplier firm advertises in magazine, trade journals, local newspapers, and yellow pages.

11.5.3 Services

Normally buying firms contact to selling firm who has word of mouth reputation. The efforts of selling firm mostly are on consultative or advisory in nature.

11.6 Summary

This study unit covered to understand the raw and processed materials and their categories of products they offer. Further to understand the capital goods know their features then we came to know component of parts buying approaches and marketing implications for effective marketing, sales and relationship building.

11.7 Key Terms

Industrial Product: The products which are used by industries and these are the products which are not directly used by the end customers. There are various characteristics and features which are required only by the industries and not required for the normal customers in day to day life.

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Raw materials : The goods which are purchased by the firm for the purpose of manufacturing with a little alteration or without alteration. These products are farm products and natural products which is mainly output of extractive industry, agriculture industry, farming industry lumbering industry and fishing industry.

Capital Items: To run their business the customer used capital goods facilities and fixed equipment in their manufacturing process. These categories of products are demanding huge amount of investment,

Supplies and Services: The operation of the purchasing organization is supported by the supplies and services and they are not became part of the finished product.

11.8 Questions and Exercises

- Q 1 “Industrial Product is defined not only as a physical entity but also as a complex set of economic, technical, legal and personal relationship between the buyer and the seller”—Elucidate.
- Q 2 Why industrial marketers have to make changes in the product strategy?
- Q 3 What steps would you follow for developing product strategies for existing products? What alternative strategies are available to the industrial marketers for existing products?
- Q 4 Explain with examples, the unique service characteristics and their marketing implications.

11.9 Further Reading

- 1 Industrial Marketing: A Process of Creating and Maintaining Exchange by Krishnamacharyulu Csg,,Lalitha R, Publisher: Jaico Book House.

- 2 Industrial Marketing by Ghosh, Publisher: Oxford University Press
- 3 Industrial Marketing 2e by K. K. Havaldar, Publisher: Tata McGraw-Hill Publishing Company limited
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Industrial Goods

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UNIT 12: PRICING IN INDUSTRIAL MARKETING

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- 12.3 Characteristics of Price
- 12.4 The Pricing Process in Industrial Marketing
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 - 12.5.3 Cost Condition
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NOTES

12.0 Introduction

In business to business markets the pricing play a key role and the marketer should understand the aspects of pricing. Pricing is the most important part for organization while designing the different strategies for the market segmentation, promotion strategy and product strategy. Integration of these strategies help full in achieving the company objective as well as satisfy the markets needs.

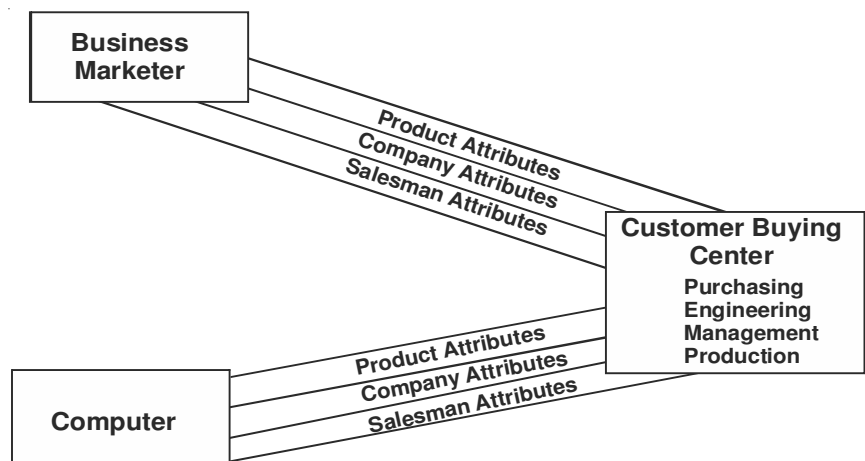
12.1 Objectives

- To understand the meaning of price in industrial marketing.
- To understand the important factors in industrial marketing pricing strategy.
- To know about pricing strategies for different product and market situations.

12.2 Pricing Environment

When buying firm purchase any particular industrial product along with this product they also buying technical service, product quality, and delivery reliability a part from this other element such as reputation of supplier, feeling of security and other personal benefits are building a relationship between buyer and seller are also important.

In figure numbers of attributes are fall under three categories which are expected by buying committee.



Pricing Environment: The relationship between buyer, seller and competitor

Hence the product attributes is more than its physical attributes therefore price of the product is also more than the sellers price. The firm should take balance decision on price and product for which they plan for market segmentation.

12.3 Characteristics of Price

- The true price of industrial goods has influenced by the factors such as delivery, installation costs, training costs, trade-in-allowances etc.
- The strategy of product, promotion and distribution is also affecting the price.
- The substitutes and complementary goods are also taking account while deciding the price of particular product.
- Industrial negotiations and bidding are also establishes the prices for the products.
- The exchange rates, inflation and interest rate are affected the price of the industrial goods.
- Changing quantity of goods provided by the seller, changing premiums and discounts that are offered, changing the time and place of payment is more flexible decision for pricing.

12.4 The Pricing Process in Industrial Marketing

The pricing process will achieve better effect if it takes into consideration the following:

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Check Your Progress

What do you understand by pricing strategies?

- Extensive current market information is fruitful for pricing decisions.
- Carefully observed the competitive and customer responses of price changes.
- The process of pricing decision making is centralized within a business and this is not delegated to field representatives
- Market condition will responsible for a moves in price decision, taking account of competitive behavior

12.5 Factors affecting industrial pricing decision

Internal Factors

- Pricing Objectives
- Cost Conditions
- Pricing Policies

External Factors

- Competition
- Demand Conditions
- Government Regulations

12.5.1 Pricing Objectives

The firm's has policies about the price to achieve various objectives and these are related to sales volume, profitability, market shares, or competition. Some of the classifications of pricing objectives are as follow:

12.5.1.1 Market Skimming

The skimming strategy is the implication of organization to get maximum profit in the initial stage of the product life cycle by targeting niche market where the product will get benefits and have a high value.

This strategy is effective if the product is patent protected or technologically complex

12.5.1.2 Market Penetration

This objective is to plans to capture huge amount of market share and calls for to charging the lowest possible price to win price – sensitive buyers it is used when the competition is high.

12.5.1.3 Product Differentiation

The product differentiation is the strategy in which the features, image, design, technology or customer service of product are unique for this company charges little higher prices than the competitor's price.

12.5.1.4 Other pricing objectives

- Achieve targeted Return on Investment
- Support Corporate image
- Discourage Competitor Entry
- Maintain and Improve Market Share
- Meeting Competition

12.5.2 Demand Conditions

Industrial buyers consider factors like quality, service and delivery. To measure demand and price other factors like advertising, promotion and customer service should control because these factors affect the demand. Demand curve shows the change in the demand for a product with the change in price. This curve shows the degree of price sensitivity of many buyers.

12.5.3 Cost Condition

Cost benefit analysis is necessary while designing pricing strategy. The firm should price the product so to cover and return a profit to them. To avoid under pricing for the firm it is important that full costing is done.

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There is a direct relationship between product cost and price. The total cost involved variable cost and fixed cost for a given level of output. Further while decision on price the firm must know some elements of cost are vary over period of time and some of them may fluctuate with volume. For making profitable decision the marketer must identify and classify the cost. The descriptions of cost are given below in the following table.

Classification of cost

Cost Elements	Description
1.Fixed Cost	A fixed cost does not vary with the change in production or change with an increase or decrease in the amount of goods or services produced or sold up to a certain capacity. Examples Salaries, Utilities, rent, interest expenses.
2.Variable Cost	This is cost depending on company's production volume, when the volume of production increases it rises and when volume of production decreases its fall.For examples labor directly involved in company's manufacturing process, raw material and packaging.
3.Total Cost	Total costs are that cost which incurred in producing goods and it is made up of variable cost + fixed costs.

4.Semi Variable cost	The costs or expenses whose behavior is partially fixed and partially variable. For example repair and maintenance of equipments.
5. Direct Costs	The fixed or variable cost which are directly associated with specific activity or product. Examples are Direct material, Direct labor, commissions, manufacturing supplies, etc.
6. Indirect Costs	The costs which are not directly involved in production and this may be either fixed or variable costs. Indirect cost includes administration, personnel and security cost.
7. Allocated Cost	This is the process of identifying, aggregating and assigning to any activity or item for which want to separately measures the costs.

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12.5.4 Pricing Policies

While deciding the price of industrial product, industrial marketer has different kinds of customer. The industrial marketer set a price structure in this way to covers entire range of the product, here range refers to the particular product who different size and different specification.

There are some common industrial pricing policies

1. List Price (This is the base price of a product consisting various size and application.

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2. Trade Discounts (These discounts offered to dealers and distributors)
3. Quantity Discounts (It is a reduction in price offered by seller on orders of large quantities)
4. Cash Discounts (This discount offered by suppliers as an incentive to pay invoices promptly)
5. Geographical Pricing (A price based on geographical location of the buyer and its reflect the costs of shipping to different location)

12.5.5 Competitive Analysis

Pricing strategy can be competition driven. In this case an organization can price to beat competition by providing information on product quality, technical expertise and delivery performance of the competitor and this information will help in price to meet competition. It is necessary for the firm's appointed market research to know about the competitor's information and position, based on this available information the industrial marketer can use price as mechanism to position the product.

12.5.6 Government Regulations

Government regulations effect on the pricing decision with a view to protecting weak supply and buying organizations from stronger ones. The regulation aimed at achieving and sustaining macroeconomic stability in the economy. With this regulation the government prevents extremely low or high prices that will undermine the macro economy in the long run.

Check Your Progress

Discuss the factor which affects the price decision.

12.6 Pricing Strategy

Pricing strategies of the industrial organization are varying from the move of product through its life cycle.

12.6.1 Introductory Stage

12.6.1.1 Market Skimming Strategy:

When a new product is introduced into a market, the main aim of this strategy is to build high awareness about the products. Advantage of this strategy products those have high brand value and customers ready to pay high price for that product. The price is high so as to recover the high profit per product. If a genuine need exists and the company has adopted the right promotional activities that will for high awareness and instant adoption of the product, then the customers would certainly be willing to pay for the benefit the product provides.

Due to high profit margins, more competitors will be attracted and the companies who have high brand values enjoy this pricing strategy.

12.6.1.2 Market Penetration Strategy:

This strategy can be adopted by the industrial organisation when the market is price sensitive. As the term indicates the organisation deliberately prices its product very low. This strategy ultimately to achieve fast market penetration and large market share within short span of time. This strategy makes sense when the market is large and market is unaware of the product. This strategy normally used when high product competition and cost decrease with high volume. The low price will increase sales and encourages rapid product acceptance among the prospective buyers who have very much price sensitive. But on the other hand at the beginning of the operations costs are high but the margins low. The firm only in the long run can achieve the economies of scale and draw the learning curve effect. The company adopts and works with this strategy for profit through large market share instead of short term profit.

12.6.1.3 Pricing Strategy at Growth stage

In the growth stage, more than one supplier enters the market the industrial marketer focuses his attention on the product differentiation,

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extension of product line and making a new market in this stage. At this stage the buyer follow the purchasing policy to buy the product more than one supplier. Hence the prices need to be cut to remain competitive.

12.6.1.4 Pricing Strategy at Maturity stage

The market is aggressive and due to large number of suppliers existing in the maturity stage, the industrial marketer has to cut into the competitor's market share. Hence, by adopting the low prices to match the competitor's price is the challenge in this stage.

12.6.1.5 Pricing Strategy at Decline Stage

There are numerous strategies available for the industrial organisation in the decline phase are subject certain condition. For industrial marketer cost cutting becomes a major exercise. As regards the price, if the firm has a reputation of high product quality and dependable services then it is not necessary to cut prices.

12.7 Summary

In this unit we understand the pricing decision, the factors which influence the pricing decision are pricing objectives, demand analysis, cost analysis, competitive analysis, and government regulations. The concepts of economies of scale and experience curve are useful tool for cost reduction. A part from these concepts we also understand different pricing strategies which is implemented when the product moves across the introduction stage, growth stage, maturity stage and decline stages.

12.8 Key Terms

Market Skimming: The skimming strategy is the implication of organization to get maximum profit in the initial stage of the product life

cycle by targeting niche market where the product will get benefits and have a high value.

Market Penetration: This objective is to plans to capture huge amount of market share and calls for to charging the lowest possible price to win price – sensitive buyers it is used when the competition is high.

Product Differentiation: The product differentiation is the strategy in which the features, image, design, technology or customer service of product are unique for this company charges little higher prices than the competitor's price.

Pricing Policies: The industrial marketer set a price structure in this way to covers entire range of the product, here range refers to the particular product who different size and different specification.

Competitive Analysis: In this case an organization can price to beat competition by providing information on product quality, technical expertise and delivery performance of the competitor and this information will help in price to meet competition.

Question & Exercise:

- Q 1 What do you understand by the pricing? Explain briefly its characteristics?
- Q 2 Explain with suitable examples how the pricing objectives influence the pricing decisions
- Q 3 Discuss the important factors in industrial marketing pricing strategy
- Q 4 Discuss the pricing over the product life cycle.
- Q 5 Explain the pricing process in industrial marketing

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Further Reading and Exercise

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2. Richard M.Hiii, Ralph S.Alexander & James S.Cross (2003), *Industrial Marketing* (4th ed.), All India Traveller Book Seller Publishers And Distributors, Delhi.
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UNIT 13: INDUSTRIAL DISTRIBUTION CHANNEL

NOTES

- 13.0 Introduction
- 13.1 Objectives
- 13.2 Marketing Channels
- 13.3 Physical Distribution
- 13.4 Factors Affecting the Nature of Industrial Channels
 - 13.4.1 Geographic Distribution
 - 13.4.2 Channel Size
 - 13.4.3 Characteristics of Intermediaries
 - 13.4.4 Mixed System
- 13.5 Structure of Industrial Channel
 - 13.5.1 Direct Channel
 - 13.5.2 Indirect Channel
- 13.6 Types of Industrial Middlemen/Intermediaries
 - 13.6.1 Industrial Distributors (Dealers)
 - 13.6.2 Three Main/major Categories of Industrial Distributor:
 - 13.6.3 Manufacturers' Representatives
 - 13.6.4 Brokers
 - 13.6.5 Value-Added Reseller
- 13.7 The Channel Design Process
- 13.8 Controlling Channel Conflicts
- 13.9 Summary
- 13.10 Key Terms
- 13.11 Question & Exercise
- 13.12 Further Reading and Exercises

NOTES

13.0 Introduction

When an organization produces finished product it has arises one question where we have distribute it. For industrial organization they have to sell them their product to industrial customers generally they are wholesalers, retailers, manufacturers, educational institution, governments, hospitals, public utilities and other institutions. There are number of task which are under taken by a variety of external agency or intermediaries distribution activities, transportation, storage, and marketing task include pricing and selling. Now the marketers have choice and control over these intermediaries we called as marketing channel. These interdependent agency or organization (Marketing Channels or Distribution Channel) are involved in the process transferring finished product from manufacturer to the end user.

13.1 Objectives

- Ø To understand the nature and structure of the industrial distribution system.
- Ø To understand the role, importance and the nature of industrial channel.
- Ø To understand the reasons why distributors are preferred by industrial buyers.
- Ø Appreciate the functions performed and the responsibilities undertaken by distributors.

13.2 Marketing Channels

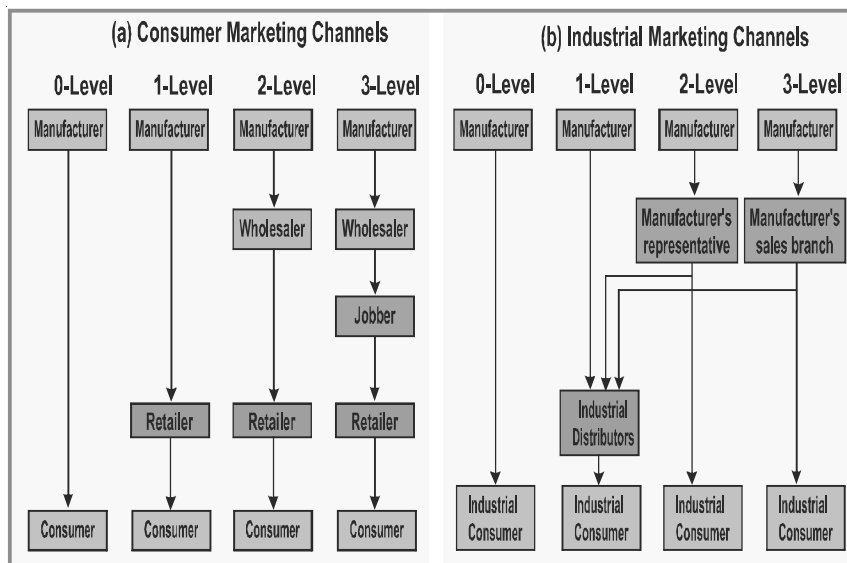
- Also call as distribution channel or trade channel.
- Define as a set of interdependent organizations that make a product or service available for end user.
- The decisions are long term decisions.

- It very difficult to change the decisions on distribution channel, rather in pricing and promotion.
- Also call as physical distribution.
- Consist of delivering the completed products to customers and channel intermediaries.
- To assist in performing the tasks of storing and moving their goods and services, the business firms have to engage the services of warehouses and transportation companies.

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13.3 Physical Distribution

Consists of delivering the completed products to customers and channel intermediaries



13.4 Factors Affecting the Nature of Industrial Channels

- Geographic Distribution
- Channel Size
- Characteristics of Intermediaries
- Mixed System

NOTES

Check Your Progress

Explain the need for distribution channel in industrial marketing?

13.4.1 Geographic Distribution

Business intermediaries (such as distributors or dealers) are highly concentrated in the industrial market. They are found where business market exits, in large cities or towns with business estates.

13.4.2 Channel Size

To handling the products of business channel are short and involve a type of intermediary. Industrial market fewer channels of distribution. Even sometimes the channels without intermediaries are direct from the manufacturers to the customers. When the organizational buyers expect product availability, technical expertise and serving capabilities the shorter channel is most suitable. The intermediary (distributor or dealer) and the manufacturer are who have fulfilled these expectations.

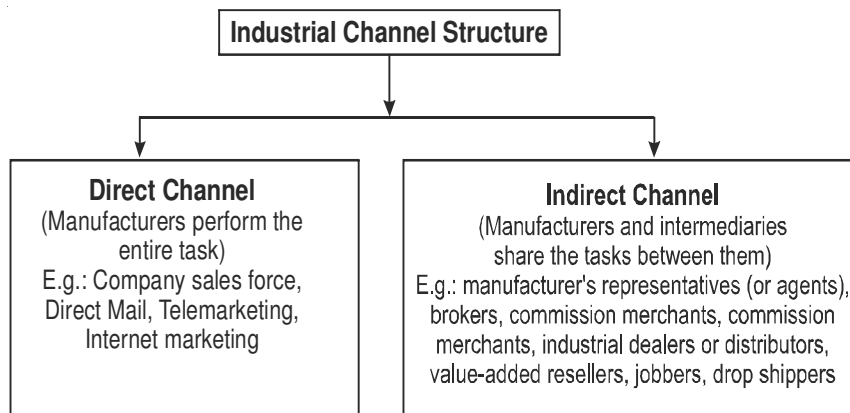
13.4.3 Characteristics of Intermediaries

Business intermediaries are very technically qualified and they have close relationship with the industrial organizations. Manufacturers have a tendency to depend on member of the channel and may also support to channel member. Industrial marketers use industrial distributors, manufacturers' representatives, or brokers to reach customers.

13.4.4 Mixed System

Some industrial marketers use a combination of direct and indirect channels to cater to meet the requirements of different market segments and or when the company resource constraints. The business firm generally use there its own sales force to cater a large-volume customers. They use independent distributors or dealers to cover small-scale organisations.

13.5 Structure of Industrial Channel



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INDUSTRIAL CHANNEL STRUCTURE

13.5.1 Direct Channel

- The manufacturers perform all the functions
- Approach is viable when:
 - a) The value of each transaction is large
- The selling includes extensive technical and commercial negotiations at various levels
- The buying process lengthy
 - b) The industrial buyers insist on buying directly from the manufacturers

13.5.2 Indirect Channel

- The manufacturer and the intermediaries share the tasks between them.
- Approach is appropriate when:
 - a) The value of transactions or sales are low
 - b) The manufacturer has limited resources

- c) The industrial buyers purchase many product items in one transaction

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Why Industrial Marketers use Intermediaries?

- a) Buying
- b) Promotion and Selling
- c) Assorting
- d) Financing
- e) Warehousing
- f) Grading
- g) Transportation
- h) Information
- i) Risk taking
- j) Technical Service

Why Industrial Customers Buy from Distributors?

- Dependable Delivery
- Information
- Variety
- Liberal Credit

13.6 Types of Industrial Middlemen/Intermediaries

- Industrial Distributors(Dealers)
- Responsibilities
- Main Categories
- Brokers
- Commission Merchants

- Value-added Resellers(VARs)

13.6.1 Industrial Distributors (Dealers)

Most important intermediary in distribution channel.

- Generally, industrial distributors are small and independent business firms serving narrow geographic market.
- Industrial distributor performs a variety of functions or tasks. (Called as full-function middlemen).
- Industrial Distributor Responsibilities or functions :
 - a) Buying
 - b) Storage or warehousing
 - c) Promotion
 - d) Selling
 - e) Offering credit
 - f) Transporting or g. delivering of products
 - g) Providing information.

The main functions are selling and ensuring customer service.

13.6.2 Three Main/major Categories of Industrial Distributor:

1. The general-line distributors who have a wide variety of generalized industrial products that are demanded by the industrial buyers.
2. The specialized distributors who have focus on a narrow range of related products such as:
 - a) Valves and fittings
 - b) Cutting-tools,

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- c) Hydraulic equipments and components.
- d) are growing in size and numbers in recent years due to a trend toward specialization.
- 3. The combination house,
 - a) As they sell some products directly to industrial/business customers and
 - b) Some to other (retailers or dealers), who in turn sell to final consumers.
 - c) In other words, they sell to both consumer and business markets.

13.6.3 Manufacturers' Representatives

They are also called agents or sales agents or manufacturers'.

- Their main function:
 - a) To promote sales
 - b) Secure orders.
 - c) Full fill the market information.
- Ø They do not buy, store, or finance the transactions.
- They are paid a commission on sales which varies from industry to industry and also
- According to tasks involved in the selling job.
- Manufacturer's Representatives are generally needed by small and medium sized business firms.
- These firms find it economical to have independent reps, who are paid commission only when the orders are generated.
- There are no other selling costs.
- These agents have :
 - a) Good product knowledge,

- b) Sound understanding of the markets cover by them,
- c) Excellent contacts with the industrial buyers
 - They represent a number of manufacturers whose products complement one another but are not competitive.
 - The business marketer may use their own sales force in high potential industrial markets to support the selling expenses of salaries, parks, travelling, lodging, and boarding.
 - But in territories with low market potential, they find it economical to use the independent representative or agent.

13.6.4 Brokers

- These middlemen bring together buyers and sellers by providing information on what is available and required.
- They may represent either the buyer or the seller.
- This relationship is a short-term one.
- Their function is to find potential buyers, negotiate, and complete the sale.
- Brokers do not buy or handle products.
- They are paid on commission basis.
- They deal with standard products or raw materials, and
- Their role is vital when information on market and products is not available completely.

13.6.5 Value-Added Reseller

A VAR (value-added reseller) is a company that adds features or service to takes an existing product, or in the other words, adds its own “value such as integrating, customizing, consulting, training and implementation”, the term usually computer in the form of a specific

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Check Your Progress

How does the industrial marketer select the intermediaries?

application for the product (for example, a special computer application), and resells it as a new product.

13.7 The Channel Design Process

Step 1 End-User Focus : Define Customer Segments



Step 2 Identify and Prioritize Customers' Channel Requirements by Segment



Step 3 Assess the Firm's Capabilities to Meet Customers' Requirements



Step 4 Benchmark Channel Offerings of Key Competitors



Step 5 Create Channel Solutions to Customers' Latent Needs



Step 6 Evaluate and Select Channel Options

Source : Adapted from V. Kasturi Rangan, *Transforming You Go-To-Market Strategy : The Three Disciplines of Channel Management* (Boston : Harvard Business Press, 2006), pp. 73-94

Step 1: Define Customer Segments

While defining the customer segments the manufacturer don't consider channel members as customers instead of look beyond them to the buying unit who has the real need.

Step 2: Customers' Channel Needs by Segment

Next to step in designing the channel is to identify and prioritize channel functions requirements for each segment. For e.g. Need of one customer top priority for the product should provide quality assurance while another need of customer to gather the information about as top priority.

Step 3: Assess the Firm's Channel Capabilities

The next is to analyze the segment's channel strengths and weaknesses and identify gaps between what the segment functionally desires and what the channel is providing

Step 4: Benchmark to Competitors

- What go-to-market strategies are key competitors using?
- Understanding what competitors are doing, or not doing.

Step 5: Create Channel Solutions for Customer's Latent Needs

Latent needs are those that are not obvious. Sometimes discovering them can even lead to a whole new service.

Step 6: Evaluate and Select Channel Options

- Channel options need to be considered in light of a cost/benefit analysis.
- The degree of control exercised on them.
- The degree of adaptability of channels to the market situations.

13.8 Controlling Channel Conflicts

Sources of Channel Conflicts

- Differences in Objectives (For maintaining long-term relationship manufacture is to offer good customer services to distributor while if that distributor making somehow short-term profits, it will rise conflict among two.)
- Dealings with Customers (when manufacturer tries cater large customers and distributor hamper their business growth by serving small customers)

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- Differences in Interests (When distributor focuses on profit and fast moving product in the market he tries to contact those to manufacturer, then it creates conflict to other manufacturer on whose product the products do not focus)
- Differences in Perceptions (When manufacturers feels that a promotional will increase their business on the other distributor feels that these promotional scheme decrease their margins then this will arise conflict)
- Compensation (When distributor demands more commission while the manufacturer feels existing commission is to high, then it cause conflict.)
- Unclear Territory boundaries (When the area of distributors is not properly demarcated then it cause conflict.)

13.9 Summary

In this unit we cover the concept of marketing channels in which the industrial marketer has to take appropriate decisions on channel management by selecting the right intermediaries based on the various steps. A part from this the industrial marketer also understand why industrial marketer use intermediaries. The industrial marketers also need to understand the types of industrial middleman or intermediaries. Channel designing is process in which the industrial marketer has to develop either a new channel system or modify an existing one.

13.10 Key Terms

Marketing Channels: Define as a set of interdependent organizations that make a product or service available for end user.

Physical Distribution: Consists of delivering the completed products to customers and channel intermediaries

Direct Channel: The value of each transaction is large. The selling includes extensive technical and commercial negotiations at various levels

Indirect Channel: The manufacturer and the intermediaries share the tasks between them.

NOTES

13.11 Question & Exercise

- Q 1 What is the need for channel designing and what are the various stages involved in the process?
- Q 2 How does the industrial marketer select the intermediaries?
- Q 3 Explain the need for distribution channel in industrial marketing?
- Q 4 How does industrial distribution channel differ from the consumer goods distribution channel?
- Q 5 What are the functions of industrial distributors?

13.12 Further Reading and Exercises

1. Hawaldar, K. Krishna (2002), Industrial Marketing (1st ed.), TATA McGraw-Hill Publishing Company Limited, New Delhi.
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UNIT 14: INDUSTRIAL MARKETING LOGISTICS

NOTES

-
- 14.0 Introduction
 - 14.1 Objectives
 - 14.2 Logistics system / Physical distribution
 - 14.2.1 Physical Supply
 - 14.2.2 Physical Distribution
 - 14.3 Just-in-time (JIT) system
 - 14.4 The marketing logistics/physical distribution.
 - 14.5 Tasks of Physical Distribution
 - 14.6 Total Cost Approach
 - 14.6.1 Total Distribution Costs
 - 14.6.2 The level of service provided to customers
 - 14.6.3 Determining customer service level
 - 14.7 Elements of Customer Service
 - 14.7.1 Presale service
 - 14.7.2 During- Sale service
 - 14.7.3 Post-sale service
 - 14.8 Impact of Marketing Logistics on Intermediaries
 - 14.9 Role of Marketing Logistics
 - 14.10 Summary
 - 14.11 Key Terms
 - 14.12 Question & Exercise
 - 14.13 Further Reading

NOTES

14.0 Introduction

Marketing Logistics/Physical Distribution is the activities in which marketer achieve superior level of service at lower cost by delivering the completed products to customers and channel intermediaries. It is the management of activities which involve transportation, inventory and warehousing. The basic function of logistic is the storage and movement of products and information from the place of origin to the place of end user.

14.1 Objectives

To understand the logistics and the logistic management.

To understand the process of marketing logistic / physical distribution.

To understand the total cost approach

14.2 Logistics system / Physical distribution

In business, logistics system has two major product movement:

- i) Physical supply
- ii) Physical distribution

14.2.1 Physical Supply

When a supplier supplies the raw material and components for the manufacturing process this is a part of materials management or purchase function.

14.2.2 Physical Distribution

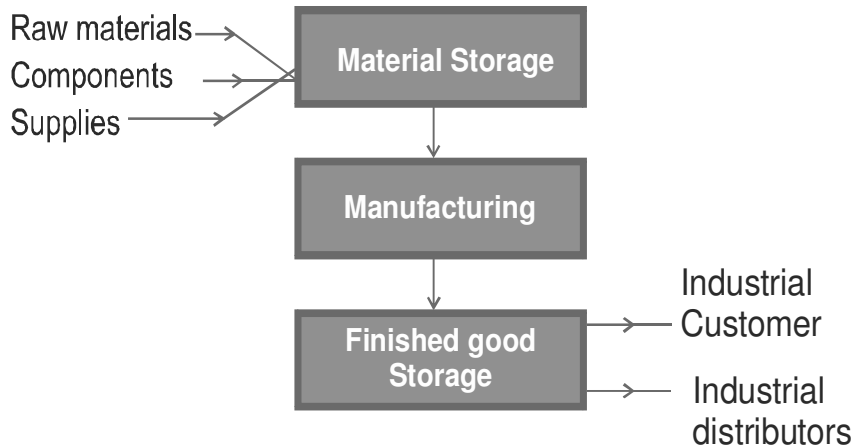
When industrial marketer forwarded movement of consisting of delivering the completed (or finished) product to customers and intermediaries. It involves several other decision making areas like customer services, materials, inventory, order processing , logistic ,etc. and is a part of marketing management and is also called as marketing logistics.

Physical supply

Industrial
manufacturer

Physical
distribution

*Industrial Marketing
Logistics*



Business Logistics System

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Method

14.3 Just-in-time (JIT) system

The system expects the suppliers to deliver the products at the precise time and in the exact quantity needed by the customer. There are number of factors which are advantageous for implementing this method, they are as follows:

- Leads to efficiency and effectiveness.
- It increases the effective communication system in the organization and also outside the organization.
- Reduces the cost of purchase
- It minimizes the amount of work in process inventory
- Covering all the above factors will automatically reduces the cost of production

Check Your Progress

What do you understand by the concept of marketing logistic?

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14.4 The marketing logistics/physical distribution.

- a. Transportation b. Warehousing c. Inventory control d. Packaging e. Material Handling f. Order Processing g. Communication. h. Factory and Warehouse Locations. i. Customer Service.

14.5 Tasks of Physical Distribution

Sl No	Tasks	Brief Description
1	TRANSPORTATION	It is most important and expensive activity that involves movement of goods from the manufacturer to the customer.
2	WAREHOUSING	A storage place where space are provided for products and made available when customer needed.
3	INVENTORY CONTROL	To make sure about that the products are available to customers in the right product mix, at the right location, & at the right time.
4	PACKAGING	Packaging protects the products and its identity when its place in the market.

	MATERIAL HANDLING	It is the process of maximizes speed, minimizes costs of order- picking, movement of product from storage , loading & unloading operations.
6	ORDER PROCESSING	It communicates essential activities which are needed to deliver the products to customers and starts the physical distribution process. In order processing speed & accuracy affect customer service & costs.
7	COMMUNICATION	It assists in information exchanged between the countries physical distribution or marketing logistic department & its customer.
8	FACTORY AND WAREHOUSE LOCATIONS	Choosing right locations for the factory and warehouse increases the customer service and reduces transportation cost.
9	CUSTOMER SERVICE	Total focus of physical distribution activities is on creating customer value and that has impact on market shares, total costs & profitability.

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14.6 Total Cost Approach

Focuses on balancing two important elements:

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14.6.1 Total Distribution Costs = Freight + Warehouse Cost + Inventory Cost + Cost of Lost Sales due to delayed delivery

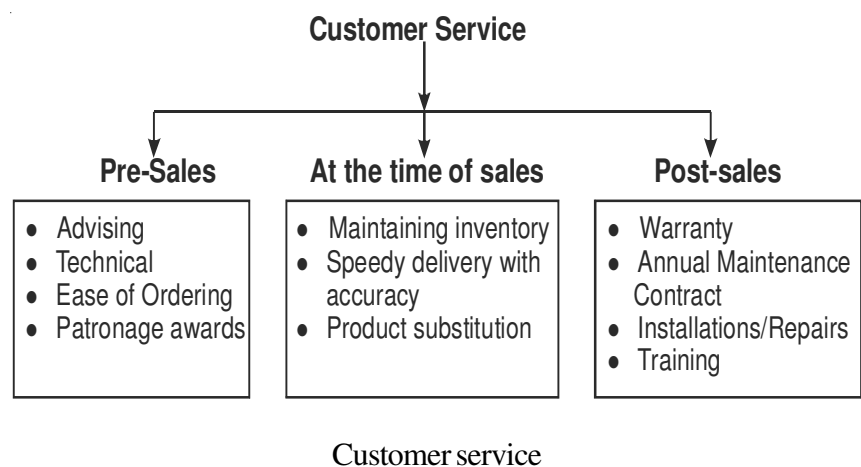
14.6.2 The level of service provided to customers

- (a) customer's service need.
- (b) competitor's service level.
- (c) company's profitable objective.

14.6.3 Determining customer service levels

- Set the goals of customer services levels for each of the important service elements.
- Measure the actual performance for each service element.
- Analyse the variance between actual service performance and the goal.
- Take corrective actions to minimize the variances.

14.7 Elements of Customer Service



14.7.1 Presale service

- Advising Service
- Technical Service
- Ordering ease
- Patronage Award

14.7.2 During- Sale service

- Keeping Adequate stocks
- Speed and accuracy of delivery
- Product substitution

14.7.3 Post-sale service

- Product warranty
- Maintenance contract
- Repair service
- Installation service
- Customer training

14.8 Impact of Marketing Logistics on Intermediaries

The industrial marketer can improve the performance of physical distribution in the entire channel system by taking the following steps:

1. Industrial marketer should design computerized information system that will link individual channel members to the manufacturers system. As a result manufacturer gets the real time information about the sales and the inventory of the channel members.

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Check Your Progress

What is Physical
Distribution and
explain the total cost
approach?

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2. For well-organized operations that should be assisted by the standardized packaging and material handling at all channel members.
3. The performance of their respective tasks should be improved by the manufacturer and the channel members. It means to improve their marketing effectiveness the physical distribution must be integrated with channel members.

14.9 Role of Marketing Logistics

- Should be considered as a long term strategic issue.
- Considered as a source of creating a unique competitive advantage.
- Important role in future due to global competition, worldwide sourcing, JIT system and TQM.

14.10 Summary

In this unit we understand the concept of marketing logistic / physical distribution which optimizes the activities of transportation, inventory, warehousing. There are two movements of logistics first one is physical supply and another one is physical distribution. A part from in this unit we also understand the total cost approach that involves a total distribution cost and the service level of the customers.

14.11 Key Terms

Marketing Logistic: Marketing Logistics/Physical Distribution is the activities in which marketer achieve superior level of service at lower cost by delivering the completed products to customers and channel intermediaries.

Physical Supply: When a supplier supplies the raw material and components for the manufacturing process this is a part of materials management or purchase function.

Physical Distribution: When industrial marketer forwarded movement of consisting of delivering the completed (or finished) product to customers and intermediaries.

Just-in-time (JIT) system: The system expects the suppliers to deliver the products at the precise time and in the exact quantity needed by the customer.

NOTES

14.12 Question & Exercise

- Q 1 What do you understand by marketing logistics?
- Q 2 What is Physical Distribution and explain the total cost approach?
- Q 3 Marketing logistic or physical distribution consists of various activities. Decscribe these activities:
- Q 4 Explain how total cost approach is useful in managing the complexities in relationship between various activities of marketing logistics.

14.13 Further Reading

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***Industrial Marketing
Logistics***

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**UNIT 15: SALES FORCE
MANAGEMENT IN
INDUSTRIAL MARKETING**

NOTES

- 15.0 Introduction
- 15.1 Objective
- 15.2 Sales management means
- 15.3 Sales force management involves
- 15.4 Monitoring Efforts
- 15.5 Functions of Sales Force Management
 - 15.5.1 Organize the sales force
 - 15.5.2 Key account management
 - 15.5.3 High Performing Account Managers
- 15.6 Sales Management
 - 15.6.1 Selection
 - 15.6.2 Training
 - 15.6.3 Supervision
 - 15.6.4 Motivation
 - 15.6.5 Compensation
 - 15.6.6 Evaluation and Control
- 15.7 Actionable Behaviour of sales manager
- 15.8 Characteristics of Good Sales Manager
- 15.9 Sales Manager being a team member
- 15.10 Qualities of Good Sales Person
- 15.11 The Future of Sales Management
- 15.12 Summary
- 15.13 Key terms
- 15.14 Question and Exercise
- 15.15 Further readings

NOTES

15.0 Introduction

In industrial marketing the management of sales force is one of the important task for industrial managers and decisive in the achievement of the sales objectives of a marketing organization. In sales force management, they are working together by powering toward the customer-centric goals a long with taking a great care in selecting the right personnel who can help them to increase their sales. In this unit the study will be focusing on personal selling, sales tasks, and approaches. The objectives of sales are generally described in terms of revenue and profit or number of customers. Industrial marketer is not just making sales but finding mutual success through building relationships, provide sales team proper product training, learning about customers through data, supervise their performance, online social interactions and frequently motivate them by offering compensations.

15.1 Objective

- To understand how to effectively manage a sales force
- To understand management of industrial sales force
- To understand the qualities of a successful sales person

15.2 Sales Management Means:

- Planning
- Organizing
- Directing &
- Controlling the Personal Selling Efforts

15.3 Sales force management involves

- Estimating the forecasts
- Determining the size of sales force and
- Selecting -

- Training
- Deploying
- Establishing activity & financial goals
- Motivating
- Monitoring sales peoples' efforts

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15.4 Monitoring Efforts

- Identify Problems
- Assess the efficiency, effectiveness and profitability of the salesperson

15.5 Functions of Sales Force Management

- Organize the sales force
- Mange key accounts
- Select high – performing account managers

15.5.1 Organize the sales force

a) Geographical Organization

Reduces travel time, which means less overhead. A disadvantage is that each salesperson must understand how to sell every product you want sold in his assigned region.

b) Product Oriented Sales Organizations

Sales persons relatively specialize in relatively narrow components of total product line. Sales people have deeper product knowledge level.

c) Market Centered Organization

d) When salespeople learn specific requirements of industry.

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Check Your Progress

What do you understand by sales management?

15.5.2 Key account management

Key Account: While in the key accounts it involves numbers of organizational members for purchasing decision. The group of key account manager and team of sales Marketing, Finance, Logistics, Engineering and other Functional Areas. Large firms expect their suppliers to provide coordinated and uniform services for all its geographically dispersed divisions.

15.5.3 High Performing Account Managers

Now the manager need to accumulate the right people and gather the right information for to solve their customer's problems. This process brings building and maintaining the strong relationships. This relationship will help full in design and align proposals that fulfills the need of the buying firm's by the selling's firm's capabilities (solutions).

15.6 Sales Management

15.6.1 Selection

While selecting personnel the marketer arises one question should the company hire experienced salespeople or hire and train inexperienced people? It depends on the size of firm, nature of selling task, Firm's training capability and Market experience. The process starts with the personal profiles of the candidates, sources of the availability for the right candidate. For successful achievement of sales objective the marketer to weed out unqualified people and assure that good candidates are considered.

The candidates have some ideal characteristics for the selection in industrial sale force. The potential salesperson should be well disciplined, well qualified, technically sound, adaptable to situation, honest, god

presenter, self-starter, innovative, friendly and considerate, etc. These qualities have given them preference for the short listed next stage.

Various sources where industrial marketers get good quality candidate

- Placement Agencies (Recruitment consultants, websites, etc.)
- References (Customers, existing sales force, suppliers, employees of the organization)
- Publication (Trade magazines, business newspaper)

Factors which are considered while selecting sales personnel

- Application in blank (A written formal application).
- References (Persons that guarantee of his integrity).
- Preliminary interview (To form the opinion of applicant's appearance, resourcefulness and the philosophy of selling).
- Psychological testing (Reaction of applicant which considered as replica of his behavior)
- Medical examination (Salesman's job needs physical fitness in addition to mental).
- Final interview (Stands on the threshold of final interview or selection).

15.6.2 Training

In this competitive world the salesmen need to have the right knowledge, skills and attitude to be successful in selling. Training play crucial aspect in developing the right knowledge level, skills and attitude needed to be successful salesmen. The objective of the any organization is to enhance the sales because whole credibility of the organization is depend on the sales, that sales build the image of the company and its product. Finally, spending considerable time and money in the training helps them to do effective sales.

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Good training programme have following content

Product information – Information about the product is very important for the sales people because it provides details of the product line and their features so that they can easily deliver the information to their customer.

Market Information - It provides the complete information about the customer behavior, competitor's strategy, their needs, opportunity, threat etc.

Company's Information – Here sales people are trained for their company related information such as they have the knowledge about the company's history, objectives, organizational structure, key persons, and complete details of company's performance during the last few years.

Company's promotional activities – Sales people update about the promotional activities of the organization like the promotional schemes, discounts band any other offer.

Competitor Information – Here an organization must discussed product range of competitors and his selling and their negotiations skills to sales persons, this will help seller to formulate strategy.

Selling skills – Sales people have to learn and develop the selling skills, sales presentation, negotiating skills and customer relationship management.

15.6.3 Supervision

Generally supervision is the prime responsibility of immediate supervisor and who have spent time to working with employees to guiding the day-to-day activities aware of the responsibilities of their job and how to perform them correctly. A part from this they are also boosting their morale, efficient time management, maintaining cordial and healthy working atmosphere, allocating territory to each salesperson, evaluating

the sales and revenue in a particular location, etc. There are several other activities which include;

- Tell us about company policies and strategies
- To solve the deficiencies and problems of sales force
- Establishing standards of performance
- Building up favorable work and strong relationship with sales person
- Time to time provide training and development to the sales representatives

15.6.4 Motivation

Motivation is necessary and important for the sales person because many of the salesperson are in the market and they away from his supervisor and colleagues, they experience sometimes fluctuations in their behavior because of negative response from their client. It is very necessary for the sales person to have high morale and adequate reward for their efforts and they are sufficiently motivated to sustain high performance level. Motivation is also very important because of long working hours, commission-based pay, working out of office etc. They are motivated by different needs.

- Need for status (e.g., need for recognition and promotion)
- Need for control (e.g., need to be in control and influence others)
- Need for respect (e.g., need to be seen as experts who can give advice)
- Need for routine (e.g., need to follow a routine that must not be interrupted)
- Need for accomplishment (e.g., need more money and challenges)
- Need for stimulation (e.g., need to seek outside stimulation and challenges)
- Need for honesty (e.g., need to believe in the rightness of their practices)

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Check Your Progress

What activities involved in managing a sales force?

15.6.5 Compensation

Sales compensation programs are ones to attract; those are fair, motivating and will excel in their job and achieve the goals of the company.

For effective sales compensation it should be financial secure and stable.

There are some different types of compensation plan which company offers.

- Straight salary: Degree of security, Lower turnover, No direct incentive
- Straight commission: Based on a unit of accomplishment, Base, rate and starting point, provides incentive
- Combination: Overcomes some of the weaknesses of straight salary and straight commission plans
- Team Selling: Difficult to provide rewards, Shared commissions/ group bonuses
- Optimum Pay Plans: Forces individuals to focus on items which maximize profits for the company

15.6.6 Evaluation and Control

Performance of sales person must be evaluate effectually and controlled. Generally an organization measures the sales performance mainly on the result rather than sales activities.

The results are units sold, new customers obtained, contribution to profit, revenue realized etc. and sale activities are number of calls made, kilometers covered, number of sales presentations etc.

15.7 Actionable Behaviour of sales manager

1. Clarify the direction your business is taking.
2. Set goals and objectives.
3. Be decisive and timely.
4. Be accessible.

5. Demonstrate honesty and candor.
6. Give frequent, specific, and immediate feedback.
7. Offer an equitable compensation plan.

15.8 Characteristics of Good Sales Manager

- a) Should Flexible
- b) Good Communicator
- c) Works for the good of the team
- d) Consider to be trust worthy
- e) Can Motivate and lead them

For effective mentor the sales manager should follow several guideline

- a) Prepare and observe (Sales person know that the sales manger joining them to observe them and sales manger understand the objective of calls sales person making).
- b) Give feedback (Sales manger should avoid asking question in form of “yes’ or “no” instead of ask them open ended question).
- c) Be a role model (Provide opportunity to the sales people to use the same tactics as sales manager did).
- d) Follow-up (sales person know that sales manager follow them).
- e) Trust (high level of trust between sales manager and sales people will be more.)

15.9 Sales Manager being a team member

- Get involved
- Generate idea
- Be willing to collaborate
- Be willing to lead initiatives

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- Develop leaders
- Stay Current
- Anticipate market changes
- Drive sales manager own growth
- Be a player for all seasons

15.10 Qualities of Good Sales Person

- Should have an effective presentation to customers
- An efficient ability to clinch the orders/deals fast
- Providing prompt and quality service to the customers
- To understand the customer's requirements better
- To inviting more questions from the customers and handling objections by giving convincing answers
- To organizing the place of work in a better way
- To having wide contacts within the industry
- Creating good impression and getting more business
- Good knowledge about the products

15.11 The Future of Sales Management

- Incorporate Globalization
- Increase the integrity and character of leaders
- Incorporate new ways of thinking about leadership
- Integrate technology
- Demonstrate return on investment

15.12 Summary

In this unit we study the broadening on making the sales management effective. A sales man has play a several for the organization, he have ability to convert prospect into customer. In this part we understand

the task of sales managers who manage the sales force. The sale managers have to select right candidate and train them effectively by supervising their activity. Another important task he have an ability to motivate the sales personnel by providing compensation and control over them.

15.13 Key terms

Selection: For successful achievement of sales objective the marketer to weed out unqualified people and assure that good candidates are considered.

Training: In this competitive world the salesmen need to have the right knowledge, skills and attitude to be successful in selling.

Supervision: Generally supervision is the prime responsibility of immediate supervisor and who have spent time to working with employees to guiding the day-to-day activities aware of the responsibilities of their job and how to perform them correctly.

Motivation: Motivation is necessary and important for the sales person because many of the salespersons are in the market and they away from his supervisor and colleagues, they experience sometimes fluctuations in their behavior because of negative response from their client.

Compensation: Sales compensation programs are ones to attract; those are fair, motivating and will excel in their job and achieve the goals of the company.

15.14 Question & Exercise

- Q 1 What activities involved in managing a sales force?
- Q 2 What are the contents of good training programme ?
- Q 3 What are the various compensation offered to the sales person?
- Q 4 What are the qualities of a successful sales person?

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15.15 Further Reading

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- 1 Industrial Marketing: A Process of Creating and Maintaining Exchange by Krishnamacharyulu Csg,,Lalitha R, Publisher: Jaico Book House
- 2 Industrial Marketing by Ghosh, Publisher: Oxford University Press
- 3 Industrial Marketing by K. K. Havaladar, Publisher: Tata McGraw-Hill Publishing Company limited
- 4 Industrial Marketing Management by Govindarajan, Publisher: Vikas Publishing House Pvt Ltd.
- 5 Industrial Marketing by Phadtare M. T, Publisher: Prentice Hall of India Private Limited Industrial Marketing Text Book: ICMR

UNIT 16: SALES PROMOTIONS IN INDUSTRIAL MARKETING

Sales Promotions in Industrial Marketing

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- 16.0 Introduction
- 16.1 Objective
- 16.2 Meaning and Definition
- 16.3 Need for Sales Promotion
- 16.4 Methods of Sales Promotion
 - 16.4.1 Trade Shows
 - 16.4.2 Public Relations
 - 16.4.3 Publicity
 - 16.4.4 Catalogs
 - 16.4.5 Promotional Letters
 - 16.4.6 Samples
 - 16.4.7 Sales Contests
 - 16.4.8 Entertainment
 - 16.4.9 Promotional Novelties
 - 16.4.10 Demonstration
- 16.5 Direct Marketing
 - 16.5.1 Direct Mail
 - 16.5.2 Telemarketing
 - 16.5.3 Online marketing channels
- 16.6 Summary
- 16.7 Key Terms
- 16.8 Question & Exercise
- 16.9 Further Reading

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16.0 Introduction

Sales promotion strategy is an activity used by the industrial marketer to inform persuade and influence to boost immediate sales of a product or service. It is used for decision making power for to increase the sales by prospective customers and existing customer, rewarding them and also motivating the sales force to get more business. B2B promotional strategy is differ from those of business to consumer, the industrial marketer generally used communication channels aimed at specific industries and business audiences.

16.1 Objective

- To understand the concept and meaning of sales promotion
- To understand the need for a company to use sales promotion
- To understand the various techniques of sales promotions

16.2 Meaning and Definition

Sale promotion is an action which is used for stimulating customer. It includes several added value provides to customers, wholesalers, retailers, or other organizational customers to stimulate instant sales. This is the one of the important aspects of promotional mix and this aspects deal with some different techniques are contests, coupons, freebies, loss leaders, point of purchase displays, premiums, prizes, product samples, and rebates.

16.3 Need for Sales Promotion

1. Introducing a new product in the market
2. To help in new uses of the product for influencing the public
3. To enhance the frequency of purchase by each buyer

4. To cheer dealers to stock more goods
5. To withstand in the competitive field
6. By imparting special training to salesmen to increase the sales.

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16.4 Methods of Sales Promotion

There are numbers sales promotional techniques some of them are as follow:

16.4.1 Trade Shows

This is the most important promotional technique for the industrial marketer which influencing in buying decisions of industrial purchases. In trade shows the manufacturer demonstrate and exhibit their product under the one roof and the parties which are interested for gathering the information about the product or to be a prospect customer are present over there for short period of time. All the information which is exchange between the buyer and trade fairs are cover by the communication, so it means communication is the important tool. This is the regular schedule events where manufactures demonstrate their products and take orders and it is the only tool that bring buyer and seller together to create commercial environment. This is the forum where potential buyer who have special interest in buying the product. The shows organized by trade association annually at place where means of transportations are available. The trade shows represent technological development, information and innovation regarding trade able goods and services by this forum. The trade's shows can be classified as local, regional, national, and international, according to the audience addressed.

Advantages of trade shows

- The benefit of trade shows is to increase the awareness about the company and its product for his existing customer and potential customer.

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- Advantage of organizing trade shows is that there is no intermediaries involved while exchange of product between the seller and buyer.
- The trade shows have large gathering for making database of prospective customers
- With the help of trade shows the organization developing their goodwill with maintain of relationship with the potential buyers
- This is the place where company demonstrating their non-portable (bulky) equipment, otherwise it is difficult for the organization to demonstrate each to each prospects.
- Finding out new and innovative products of competitors
- The shows provide the opportunity to get new idea by regular interaction with customer.
- This is platform where newly joined salespersons who get on the job training by interacting with varied customers
- The trade shows provides the leads for new business

Disadvantages of trade shows

- For promotion of the company and its product this is one of the expensive form.
- Difficult in finding the potential customer among the huge gathering.
- It is difficult to attract the customers at one place.

16.4.2 Public Relations

This is the organization's department which is located at the top level and it deals with an organization's publics, including consumers, stockholders, press and legislators. The aim of this department builds up the image of the organization by handling and heading off unfavorable rumors. The department builds a long term public relationship activities for the image of organization or its product. Fewer expenses are incurred in comparison with personal selling, advertising, and sales promotions.

The public relation consist of

- Writing press releases,
- Holding special events,
- Conducting and publishing consumer surveys about a product or the company

Objectives of Public Relation

- Public Affairs – Building and maintaining national or local community relations.
- Lobbying – Building and maintaining relations with legislators and government officials
- Investor Relations – Maintaining relationships with shareholders and others in the financial community.
- Development – Public relations with donors or members of nonprofit organizations to gain financial or volunteer support.
- Location PR – Enhancing the image of a city, region, or country.
- Press Relations – Creating and placing newsworthy information in the news media to attract attention to a person or product.
- Product Publicity – Publicizing specific products to consumers as well as other organizations.

Tools of Public Relation

- News,
- Speeches,
- Special Events,
- Mobile Marketing,
- Written Materials,
- Audiovisual Materials,

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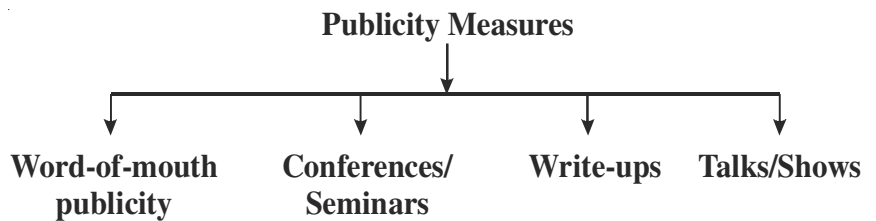
Check Your Progress

What do you understand by the concept of sales promotion

- Corporate Identity Materials, and
- Public Service Activities.

16.4.3 Publicity

When any information about the product is informed to the people through the medium of like radio, television and newspaper, this kind of act known as publicity. This is a very cost effective tools where either no or minimal cost are involved. Here some publicity measures:



a) Word-of-Mouth Publicity

Publicity by word of mouth is done by existing customers who are very happy with suppliers. This is the unpaid form of promotion in which happy customers with the product, or with post sales measures, or pricing and commercial terms or hassle free relationship and so on. Supplier normally provide such references to the prospective buyers and when contact with these references the get the knowledge about the product, commercial terms offered, service rendered by the supplier or its dealer. With this tool the prospects get confidence about this first hand information.

b) Conferences

Many organization organizing the conference/ seminars where they invited the existing and prospective customers to participate. The organizing organization also encourages their representative to participate in the conference. The conference followed by questions and answer sessions and that is benefit for the buying organization where they get the technical information which related to his activity. That buildups new

contacts of the buying organization and creating a favorable image of the company.

c) Write-ups

Write-ups about company or the products are invited by some trade journals or periodicals or by news paper. The contribution and their affiliation get publicity.

d) Talks / Shows

Some channels of electronic media invite a talk or an interview on special occasion for their audience and the people who participate in this show get coverage and benefit.

16.4.4 Catalogs

Many organizations use catalogs for the products especially if they have long product line with different features, size and shapes. This is the printed form of promotional tool which provide the all relevant information that a buyer seeking about the company and its particular product. The company representative meets the potential buyer where they explain product features by offering catalogs. A catalog contains the following information:

- Product specifications
- Performance Data
- Service requirements
- Application of products
- Illustration and drawings etc.

16.4.5 Promotional Letters

The promotional letter is a very effective tool which included technical specifications about the existing or new products which are to be launched and sent to the individual customers along with catalogs and coupons. This is very cost effective tool in comparison of personal visits

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of sales representatives. The organization created special correspondence section for effective correspondence where they take the advice of salesperson regarding the kind of letter to be sent.

16.4.6 Samples

Sample is the free offerings given to the prospective buyers. There are number of ways in which sample is can be distributed. The basic motive of distribution of sample is to get aware about the product, its technical specification, uses of product and how that product satisfies them. For this they provided promotional literature sent via post or give them personally, many firms who are dealing in developing of anti- virus software is offered free for couple of days through internet and some samples of goods and services are given on the basis of trial.

16.4.7 Sales Contests

Many of industrial organization organizing the sales contest to boost up the morale of the employee. Through sales contest they improve the sales performance over the period of time. And those who perform well get cash prizes, gifts or foreign trips.

16.4.8 Entertainment

Entertainment are used by manufacturers for highly standardized products and which can have positive or negative effect it depends on the buying situation, the nature of products, policies of buyer's organization and the buyer' culture. It also depends on the type of product they deal.

16.4.9 Promotional Novelties

Another technique of sales promotion is promotional novelties where organization giving small gift to its existing customer and potential customer. The gifts contain the logo and name which is printed on them. The novelties which are include diaries, key chains, calendars, pens, bags etc. and these are inexpensive items and are eye catching. These novelties are offered according to the type of customer.

16.4.10 Demonstration

The industrial organization to improve their sales presentation by using demonstration aids.

- It helps to improve the buyer attention and interest while presentation.
- Demonstration aid are flip charts, product photographs, slides, audio and cassettes, movies and actual product samples
- Helps buyer in remembering the products features and benefits
- If the product is not handy it is demonstrated in the trade shows
- It is effective when the buyer buys the product first form.

16.5 Direct Marketing

Now a day's most of the industrial organization uses this technique to get sale without using intermediary and done by directly contacting the target customer. Direct marketing play a key role in reducing marketing cost as compared to the cost of company sales force who directly meeting the customers. The direct marketing uses number of tool likes direct mail, online marketing channels and telemarketing for finding out the potential customer or new customers.

16.5.1 Direct Mail

For prospective and existing customers the industrial firm mailed the promotional letters, product leaflets, audiotapes, videotapes, diskettes etc, where they are provided information about the company's products and services. It is posted mail that advertises your business and its products and services and it offers target customers selectively at low cost with flexibility in timing. And this is the one of the cheapest tool which used by the industrial market. The main of this tool is to sell a product or service, introduce a new product and collect sales. The company obtained by companies from websites, telephone companies, trade publications, mailing list brokers, industrial directories, company's database etc.,

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Check Your Progress

Explain some methods of sales promotion?

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16.5.2 Telemarketing

In telemarketing customers are contacted through telephone and provided with all the required information. After that by this information they converted to sales lead depending on their interest towards the company product. Telemarketing is capable and interactive in generating new customer prospects. It helps in reducing the sales force and increase the sales volume.

Types of telemarketing include:

- Cold-calling – To generate a new lead calling someone for the first time
- Warm-calling – This techniques designed to create a rapport, or a call made to follow-up on an initially positive response
- Follow-ups - calls designed to turn a lead into a prospect
- Fundraising calls – Call for seeking charitable donations
- Market research - calls to individuals made for to gather information for research surveys
- Database clean up - calls made to update customer records

16.5.3 Online marketing channels

With this tool they are used by many industrial marketers for direct marketing of their products where they use this tool to find, reach, communicate and sell to organizational buyers. This is very effective tool even for small organizations.

16.6 Summary

In this chapter we understand the concept of sales promotion which is used by the industrial marketers to boost their sales by providing benefits and services to the customers, intermediaries and employees. A part from this we also understand why a company does sales promotion and what techniques are adopted by industrial marketer to promote their

sales. The sales promotion methods which are adopted by industrial marketing are trade shows and exhibitions, catalogs, samples, promotional letters, sales contests, seminars, promotional novelties and entertaining the customers. Promotion of sales by publicity is cheapest technique as compared to others. Public relation activities maintain the good relations with the internal and external environment. In direct marketing a company directly interacts with the customers without involving any intermediary. The tools used are direct mail, telemarketing and online marketing.

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16.7 Key Terms

Sale promotion is an action which is used for stimulating customer. It includes several added value provides to customers, wholesalers, retailers, or other organizational customers to stimulate instant sales.

Trade Shows: This is the most important promotional technique for the industrial marketer which influencing in buying decisions of industrial purchases.

Public Relations: This is the organization's department which is located at the top level and it deals with an organization's publics, including consumers, stockholders, press and legislators.

Publicity: When any information about the product is informed to the people through the medium of like radio, television and newspaper, this kind of act known as publicity.

Catalogs: This is the printed form of promotional tool which provide the all relevant information that a buyer seeking about the company and its particular product.

Promotional Letters: The promotional letter is a very effective tool which included technical specifications about the existing or new products which are to be launched and sent to the individual customers along with catalogs and coupons.

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Check Your Progress

What is the role of advertising in industrial marketing?

Samples: Sample is the free offerings given to the prospective buyers.

Sales Contests: Many of industrial organization organizing the sales contest to boost up the morale of the employee.

Entertainment: Entertainment are used by manufacturers for highly standardized products and which can have positive or negative effect it depends on the buying situation.

Promotional Novelties: Another technique of sales promotion is promotional novelties where organization giving small gift to its existing customer and potential customer.

Demonstration: The industrial organization to improve their sales presentation by using demonstration aids.

Direct Marketing: Direct marketing play a key role in reducing marketing cost as compared to the cost of company sales force who directly meeting the customers.

16.8 Question & Exercise

- Q 1 What is sales promotion? Why do industrial marketers go for it?
- Q 2 What are the different methods of sales promotion?
- Q 3 What the advantages and disadvantages of Trade shows?
- Q 4 How does a seminar, a sales contest and entertainment act as sales promotion tool?
- Q 5 How does publicity help the industrial marketer?
- Q 6 Public Relations act as a tool for effective marketing. Explain?
- Q 7 What is direct marketing? What are main methods of direct marketing? Discuss them elaborately.

16.9 Further Reading

- 1 Industrial Marketing: A Process of Creating and Maintaining Exchange by Krishnamacharyulu Csg.,Lalitha R, Publisher: Jaico Book House

- 2 Industrial Marketing by Ghosh, Publisher: Oxford University Press
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UNIT 17: PERSONAL SELLING AND ADVERTISEMENT

*Personal Selling and
Advertisement*

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- 17.0 Introduction
- 17.1 Selling Process
 - 17.1.1 Prospecting
 - 17.1.2 Pre approach
 - 17.1.3 Presentation
 - 17.1.4 Closing of Sales
 - 17.1.5 Post sale Services
- 17.2 Industrial Communication Programme
- 17.3 Effective Communication
- 17.4 Steps involved in Industrial Communication Programme
 - 17.4.1 Determine the communication objectives
 - 17.4.2 Identify the target audience
 - 17.4.3 Determining the Promotional Budget
 - 17.4.4 Developing Message Strategy
 - 17.4.5 Select Appropriate Media
 - 17.4.6 Evaluate the promotion's result
 - 17.4.7 Promotional Integrated Programme
- 17.5 Role of advertising
- 17.6 Objectives Industrial Advertising
 - 17.6.1 Create Awareness
 - 17.6.2 Reaching Inaccessible Places
 - 17.6.3 Improve sales
 - 17.6.4 Reduce cost
- 17.7 Effectiveness of Advertising
- 17.8 Limitations of Industrial Advertisement
- 17.9 Summary
- 17.10 Key Terms
- 17.11 Question & Exercise
- 17.12 Further Reading

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17.0 Introduction

Personal selling is the method where sales people are problem solvers and focuses on meeting of customers needs before, during and after the sale. This is the oldest form of promotion where sales people orally communicate to customer about the company products or services to the potential customer with the intention to make the sale. Personal selling play an important role in overriding the industrial markets because there are less number of potential customers as compared to consumer markets and huge amount of money involved. The process of personal selling starts after determining the target segment in the organization market.

- To understand the selling process
- To understand the how to develop an effective communication strategy
- To understand the role of advertising in industrial marketing
- To understand the measure the effectiveness of advertising
- To understand the limitations advertising has for the industrial products and services

17.1 Selling Process

The steps involved in selling process are as follows:

17.1.1 Prospecting

For getting prospect customers the firm first identifying the list of the potential organization buyers. To find out the list there are number of source are available like referrals, directories, commercially-available databases or mail list, trade shows, in house database, public records and variety of other sources. The sales people identify those potential customers who fit the profile and have genuine interest to buy the product or service.

- Qualifying Prospects

The firm identifies the prospective customers who have willingness, purchasing power and authority to buy. To check the reliability of the firm have credit rating in the commercial market.

17.1.2 Pre approach

This is the initial contact of sales people with prospective customer where he is supposed to make the presentation. In this stage supplier firm thoroughly study the need and expectation of the buyer firm and them also finding out the key influencer interests, activities, habits, psychology are the part.

17.1.3 Presentation

After completion the pre approaches the sales person design the presentation which influence the prospect customer attention. There are number of approaches where sales people attract the prospective customer, the most common which normally supplier firm adopted is AIDA (attention, interest, desire and action).

Attention: The supplier firms spend huge amount of investment to grab the attention of their product.

Interest: When the firm secured the attention, the next target is holding the interest where they promote the product features and clearly stating the benefits.

Desire: To develop the desire many of time firms involved the audience in the demonstration.

Action: If a firm successfully with its AIDA strategy then the buyer agree to purchase its products.

17.1.4 Closing of Sales

In closing the sale the first step to ask the firm to the prospect have they any further question about the offering. When firm assure that they have no question then the firm summarizing the product's benefits.

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Check Your Progress

What do you understand by the personal selling? Briefly explain the selling process.

While summarizing they also describe how the other buyer are satisfied with the product.

17.1.5 Post sale Services

Final stage of personal selling is concern on the no problem occurs in physical delivery, installation, financing and employee training. A part from this they focus on building of goodwill value and brand community. In this stage the industrial marketer provide efficient services after the post sales. It maintain the long relationship with customer. A post sale service also ensures the products are delivered in good condition, right time and install properly.

17.2 Industrial Communication Programme

In industrial Marketing communication has two broad way functions of information flows.

First information flow from the market/customers to the organization and second one information flow from the organization to the market/customers. The organization started their communication program with the making of objective. The communication objectives also define the targeted audiences where they communicated directly.

The industrial marketing communication tends to be informative, rational, generate leads. To maintain and enhanced the relationship between buyers and sellers the organization should managed the communication. The sales force of the firm and personnel communication tool who meets the buyers in the company play an important role in industrial marketing communication. To achieve the objective of communication, it has to ensure that the messages which are encoded by the marketer are properly decoded by the target audiences. The industrial marketer has taken a rational approach for the industrial products which has to be clearly induced for the purchase. Industrial Marketing communication ensures that the market/customers are educated, informed, persuaded

and reminded to accept the value that has been created and offered. To achieve these objectives industrial marketer communicating with customer regarding promotion and advertising in industrial markets and this give way to the marketing communication mix includes the use of advertising, personal selling, sales promotion, public relations, direct marketing, point-of-sale, and packaging. Formulate the central messages to be communicated and attract new customers, nurture relationship with existing customer, create awareness for new products and insist customers to place an order.

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17.3 Effective Communication

The industrial marketer should thoroughly study all the element communication mix for implementing effective communication. For implementing the effective communication the marketer needs to understand the changes in buying center members (Buying center member is also a purchase committee of the organization) awareness level, attitude and his buying behavior. There are number of models for the effective communication. Howard and Sheth have proposed in the theory of buying behaviour: (1) Attention, (2) Comprehension (3) Attitude (4) Intention and (5) Purchase. The model describes the mental process of the buyer from awareness to the development of favorable attitude to buying action.

17.4 Steps involved in Industrial Communication Programme

- 1) Determine the communication objectives
- 2) Identify the target audience
- 3) Determine the promotional Budget
- 4) Develop the message strategy
- 5) Select the media
- 6) Evaluate the promotion's result
- 7) Integrate the promotional programme

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17.4.1 Determine the communication objectives

While defining the communication objective the industrial marketer need to identify the problem and this can be done through market research where he the data about prospecting customer who aware and attitude about the product. This data would be help full in designing the communication objective. The objective of communication programme is to move the potential buyer to actual buyer.

To determine the communication objective, the marketer needs to understand the three stages of buyer behavior -:

1. Buyer's awareness levels
2. Changes in buyer's attitudes
3. Buying action

The industrial marketer knows the customer aware about the product and company but apart from this the marketer identifies what needed further to develop favorable attitudes which lead buying action. Communication mix is the appropriate media where industrial marketers achieve certain objective. For example the objective is to create awareness among the prospective customers, for this they communicate with advertising in business magazines or journals or direct mail of company catalogues may be the appropriate.

17.4.2 Identify the target audience

The industrial marketer identify the target audience at the buying organization which is based on the target market segments and identify the buying factors and attitudes which is used by the buying center members of the organization. To present the desired image of the company and its product in relation to its competitors, the management should assess the target's audience current image in terms of its product with the help of marketing research study. This study provides to understand the awareness levels and attitudes of the buying center member and also helpful in chalking media plan and message study.

17.4.3 Determining the Promotional Budget

This is very complex decision for deciding how much company spend on the promotional budget, there four common methods used to set the total budget for the promotion. These are as follows:

➤ **The affordable method**

The company management set the budget for the promotion at level they think the company can afford. The management starts with the total revenues, deduct operating expenses and capital outlays, and then devote some portion of the remaining funds to the promotions.

➤ **Percentage-of-Sales Method**

Setting the promotion budget in industrial marketing is decided at certain percentage of current or forecasts sales or as a percentage of the sales price.

➤ **Competitive parity Method**

Industrial marketer uses this method as a benchmarks relates the amount invested in the sales on promotion as that of competitors. In industrial market the budget on promotion might differ also from its competitors due to factors like company reputation, resources, opportunity and objectives.

➤ **Objective and Task Method**

In this method the industrial marketer develop their promotional budget on the basis of the objective of the promotion, task which performed to achieve the promotional objective and estimating the cost of performing the tasks. The benefit of this method is that the industrial marketer think in terms of objective, how to achieve those objectives.

17.4.4 Developing Message Strategy

A message strategy can be extremely detailed and it is a foundation for everything a firm does. Developing good message the marketer should

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keep in mind that buyers are fairly knowledgeable or well-informed and while with their client they should focus on the customer benefit instead of discussing the product features.

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17.4.5 Select Appropriate Media

While selecting media each communication media have own strength and weakness. In making media selection the financial allocation, the nature of demand of the product, type of customer their location. Selection of an appropriate media will deliver the message effectively to the prospect customer.

➤ **Create messages**

Created message should be completed with the objective of the communication. It should be matches with features of the target audience and consistent with the medium of media.

➤ **Place the messages in the selected media**

It should in planned schedule with issues of number of messages placed and the time of broadcast and duration of each.

Advertising	Sales Promotion	Public Relation and Publicity	Direct Marketing	Personal Selling
<ul style="list-style-type: none"> • Print media • General business publications • Trade journals • Industrial directories • Internet 	<ul style="list-style-type: none"> • Trade shows • Exhibitions • Catalogues • Sales contests • Promotional novelties (gifts) • Seminars • Demonstration • Promotional letters • Entertainment 	<ul style="list-style-type: none"> • Charitable donations • Adopting villages • Community relations • News item in press 	<ul style="list-style-type: none"> • Direct mail • Telemarketing • Internet and new-age media 	<ul style="list-style-type: none"> • Sales calls • Sales presentation • Team selling • Relationship marketing

Communication / Promotion tools used in Business Marketing

17.4.6 Evaluate the promotion's result

In this step the campaign are evaluated against the standard which are objectives that are specific. Evolution given the feedback about campaign where industrial marketer needs any changes they may instruct to the concern department for changes in communication messages and/or media.

17.4.7 Promotional Integrated Programme

The industrial marketer has to integrate and synergize elements of the communications mix so that the communication plans should be cost effective, consistent and integration across media and messages, across communication instruments and across marketing instruments.

17.5 Role of advertising

The role of advertising in industrial marketing play a key role in creating awareness, increased sales efficiency, enhancing sales effectiveness and in integrated market communication. The industrial marketing communications is a complex process is for industrial products and services in comparison to consumer products. Communication mix (Promotional mix) consists of personal selling, advertising, sales promotion, direct marketing, publicity and public relations. To create awareness, building up company reputation, publicize information of product and generate leads for the sales people these activities are mainly implemented by with the help of advertising, sales promotion, direct marketing, publicity and public relations. For business market communication strategy the most important element is personal selling who provides the clear understanding about industrial product which are technically complex and this element is also very help full in the process of negotiation in selling of industrial product.

This is the most preferred promotional tool in supporting and supplementing personal selling efforts. The budget of advertising for

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Check Your Progress

Discuss the effective communication programme?

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industrial goods is less as compared to that of consumer goods. For implementing effective marketing strategy the industrial marketer should have an integrated and well planned advertisement strategy that blends properly with personal selling efforts. Advertising minimizes the hunt for buyers by creating awareness about the product and services. With help of this promotional activity the firm increases their sales by making more and more distribution channels. It helps industrial marketer for making marketing strategy by supporting and supplementing personal selling efforts.

17.6 Objectives Industrial Advertising

17.6.1 Create Awareness

The industrial supplier creates awareness about its product to the potential industrial buyer who are unaware about the availability of their products in the industrial market.

17.6.2 Reaching Inaccessible Places

Some of the places where the company sales force are reachable and to take the important decision on purchase of product by the purchase committee member cannot not met by sales force. To reach over these places advertising is the only element. Thus, advertising in trade journals, business magazines that are read by R&D Managers, engineers help the companies to reach their target audience.

17.6.3 Improve sales

Advertising increases the sales efficiency and effectiveness of sales people because through advertising people already aware of their company, products, etc.

17.6.4 Reduce cost

Advertising reduces the cost by a single advertising reaches a vast number of people. On the other hand a single salesperson meeting

so many people personally and explaining them in details about the company's products. It means advertising not only reduces cost but also saves time of the company.

17.7 Effectiveness of Advertising

Advertising is the only way to know how the advertisement is performing, is it reaching the targets and is the goal achieved. To evaluate the industrial advertising this is very complex task which measure the effectiveness of it's by evaluating the performance against the advertising objectives. It is effective when the objectives are reached by allocation of the budget. As a result objective generated new leads that will give the firms new quires provide the feedback of advertisement effectiveness. For example: When the firm product is totally depended on the advertisement, the effectiveness and cost of advertisement is determined on the basis of volume of sales generated. There are many factors which affect the advertising like making a brand image, increasing the sales, keeping people informed about the product, introducing new product, etc

17.8 Limitations of Industrial Advertisement

Advertisement is the most effective way to reach the target audience of the firm but there are certain limitations of advertisement, they are as follows:

- Industrial advertisement is not the substitutes of personal selling but it support that effort.
- Advertisement is only used for the providing the information and creating the awareness among the audience. But if this mode is used for providing exhaustive information, convincing the people and converted in to the prospects, which would be costly for the firm.

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- Advertisement not demonstrates any live demonstration of product as a result buyer cannot ask any queries.

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Check Your Progress

What is the role of advertising in industrial marketing?

17.9 Summary

In this we understand the promotional strategy of the industrial goods is different from the consumer goods because of technically differences among them. For the promotion of industrial product the personal selling is the more convenient mode rather than use advertising, sales promotion, publicity, public relations. In effective communication programme like establishing the communication objectives, identifying target audience, determining promotional budgets, developing message strategy, media selection, evaluate the promotion's result, Promotional integrating program. A part from this we also understand the advertising which creates awareness about the product and the company that enhances the sales effectiveness of company. To analysis the effectiveness of advertising, its performance has to be measured against its objectives.

17.10 Key Terms

Personal Selling: Personal selling is the method where sales people are problem solvers and focuses on meeting of customers needs before, during and after the sale.

Industrial Communication: The industrial marketing communication tends to be informative, rational, generate leads. To maintain and enhanced the relationship between buyers and sellers the organization should managed the communication.

Effective Communication: For implementing the effective communication the marketer needs to understand the changes in buying center members (Buying center member is also a purchase committee of the organization) awareness level, attitude and his buying behavior.

Advertising: The role of advertising in industrial marketing play a key role in creating awareness, increased sales efficiency, enhancing sales effectiveness and in integrated market communication.

17.11 Questions & Exercise

- Q 1 What is personal selling?
- Q 2 Compare and contrast between personal selling and advertising?
- Q 3 What is the role of advertising in industrial marketing?
- Q 4 What are the different methods of allocating promotional budgets?
- Q 5 How is the advertising effectiveness measured?
- Q 6 What are the limitations of industrial advertising?
- Q 7 Explain the role of advertising in industrial marketing

17.12 Further Reading

- 1 Industrial Marketing: A Process of Creating and Maintaining Exchange by Krishnamacharyulu Csg.,Lalitha R, Publisher: Jaico Book House
- 2 Industrial Marketing by Ghosh, Publisher: Oxford University Press
- 3 Industrial Marketing 2e by K. K. Havaldar, Publisher: Tata McGraw-Hill Publishing Company limited
- 4 Industrial Marketing Management by Govindarajan, Publisher: Vikas Publishing House Pvt Ltd.
- 5 Industrial Marketing by Phadtare M. T, Publisher: Prentice Hall of India Private Limited Industrial Marketing Text Book: ICMR

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