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Business-to-business marketing

Professor. Suleiman Saleem Ali

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Suleiman Saleem Ali

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Chapter one: Introduction to Business- to- Business Marketing

1-1 Definition of the business to business marketing

The **business marketing** *is the process of selling your product and services to other businesses, where those products and services will either be used as a raw material for the manufacturing of other products. Or those businesses buy the products or services and resell them.*

We can also say that the business market *is where one business sells products or services to the other businesses; it is either to resell or reuse those products or services.*

It is important to note that, Business marketing also referred to as "Industrial marketing" or "B2B marketing" or "Organizational marketing".

The business organizations objectives are buying products and services to satisfy many objectives like production of goods and services, solving problems related to product usage, reducing warranty claims , making profits, reducing costs, and, so on.

1-1-1 Exchange process

The needs and objectives of business buyers are satisfied through the following exchange processes.

1-Product Exchange

The features of a product or service involved have a significant impact on the industrial exchange process. The ease of exchange depends upon the ability of the seller to identify the buyer‘s needs and the product‘s potential to satisfy those needs.

2- Information Exchange

The information consists of technical, economic, and organizational questions: pre and post-sale maintenance and servicing must be exchanged to the participants of business organizations. Products and services must be planned 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.

3- Financial Exchange

The granting of credit or the need to exchange money from one currency to another at the time of dealing with foreign buyers/customers is included in this exchange.

4- Societal Exchange

Societal exchange is important to reduce uncertainty between buyer and seller, avoiding short-term difficulties, and maintaining the long-term exchange relationship to one another. A number of aspects of an agreement between buyers and sellers in the business market are based on arbitration and mutual trust, not fully formalized or based on legal criteria until the end of the transaction period.

1-2 Business marketing Vs. consumer marketing:

1- Consumer Market is where businesses sell their products and services to the end consumers. As compared to the buyer market, the consumer market has many sellers and the selling market is very competitive.

2- Business buyers would buy the products or services to produce some new products for sales. The business won’t buy the next shipment until the sale of already prepared products.

3- Unlike the temporary relation of the consumer market, the business market involves a long term interaction of buyer and seller. That's what makes the relationship very stable and volatile at the same time. It's good if it keeps working well.

4- The consumer market is very precise about the demography of its targeted audience like age, gender, beliefs, social status, attitude, and behavior. All of those factors vary in terms of geographical regions, it's because people in different regions have different preferences, likes, and dislikes

Differences between B2B and consumer marketing

Some of the characteristics of business markets are given below, we'll discuss them one by one in both business markets and consumer markets. Here it follows;

Table (1-1-) shows difference between B2B marketing and consumer marketing.

Point of difference	*B2B market*	*Consumer market*
Market Characteristic	• *Geographically concentrated* • *Relatively fewer buyers* • *Oligopolistic Competition*	• *Geographically distributed* • • *Mass markets* • *Monopolistic competition*
Product characteristic	• *Technical complexity* • *Customized*	• *Standardized to some extent*
Service characteristics	• *Service, timely delivery & availability is very important*	• *Service, timely delivery & availability is somewhat important*
Buying behavior	• *Involvement of various functional areas in both*	• *Involvement of family members*

	buyer & supplier firms *• Purchase decisions are mainly made on rational/performance basis* *•Technical expertise* *• Stable interpersonal relationship between buyers &sellers*	*• Purchase decisions are mostly made on physiological, social, psychological needs* *• Less technical expertise* *• Non-personal relationship*
Channel characteristics	*• More direct* *• Fewer intermediaries*	*• Indirect* *• Multiple layers of Intermediaries*
Promotional Characteristics	*• Emphasis on personal selling*	*• Emphasis on advertising*
Price characteristics	*• Competitive bidding & negotiated prices* *• List prices for standard Products*	*• List prices or maximum retail price (MRP)*
Demand	*• Derived demand* *• Joint demand* *• Cross-Elasticity of Demand*	*• Direct* *• Mostly elastic* *• Less volatile*

1-2-1 market characteristics (market structure)

Briefly speaking, the significant differences exist between B2B markets and consumer market characteristics are the following.

A-Size of the Market

Compared to the great number of households that constitute the mass market for consumer goods and services, In the case of B2B markets, it is common to find few organizations to represent the total market for an industrial product or service. For example, a provider of jet engines needs call on only a few potential customers such as Airbus and Boeing, who manufacture the majority of commercial airliners.

B- Geographic concentration:

Business markets are also concentrated geographically because of natural resources and manufacturing processes. The geographic location of natural resources explains the concentration patterns of most energy-producing firms. Only a handful of counties in California, Oklahoma,Texas and Louisiana produce the bulk of USA gas and oil.

For technology-driven companies, a key “raw material” is personnel, so some industries form around pockets of qualified personnel. For example, the “silicon prairie” (Richardson, Texas, a suburb of Dallas) is the U.S. home of many global telecommunications companies, including Nortel (formerly Northern Telecom) from Canada, Alcatel from France, and Ericsson from Sweden. New companies locate in the silicon prairie because of the availability of engineers with telecommunications experience.

C- Competitive nature

In the business markets, oligopolistic buying organizations, organizations that are very large firms, tend to dominate many markets. For instance, the small number of large automobile producers in the United States purchase 60 percent of all synthetic rubber, 60 percent of all lead, and 72 percent of all plate glass produced in the United States. These oligopsonists reactions to changes in one another's buying practices affect industrial marketing strategy decisions.

1-2-2 product characteristics

1-In business marketing, the products or services are generally technically complex and not purchased for personal use. They are purchased as components parts of the products and services to be produced or serve the operations of the organizations.

2- Because of the importance given to the technical aspects of products, the purchases are made based on the specifications by the buyers. For example, some cars can be ordered via a dealer showroom directly from the production unit. This enables customers to specify the interior and exterior finishes, grade of in-car entertainment and perhaps a range of other cosmetic touches.

1-2-3 service characteristics

1- Service is a strategic weapon in business marketing and there is more focus on cost of maintenance of equipment.

2- In business marketing, greater importance on timely delivery or availability of product is given because any delay in supply will have a major impact on production or operations.

1-2-4 buying behavior

1- B2B Market involve that the buying unit involves more buyers. Thus, the, the Decision Making Unit (DMU), is larger.

2- More people will be involved in purchase decision. The more complex the purchase, the more likely it is that more people will be involved in the decision-making process. For instance, a new airplane purchased by an airline is not a decision made by one person. On the B2C market, usually the DMU is much smaller. It may be one person buying groceries, or the family deciding together.

3- B2B Market characterized with professional purchasing effort. In many cases, business buying is done by trained purchasing agents. They are specialized on learning how to buy better.

4- The relationships between the sellers and buyers are highly valued and they become stable in the long run because of a high degree of interdependence

5- Business buyers usually face far more complex buying decisions than do buyers on the B2C market, because business purchases often involve much larger sums of money, more complex technical and economic considerations, and interactions among much more people at many different levels of the buyer's organization.

6- Furthermore, the buying process of the B2B market is usually more formalized than the consumer buying process as it involves more detailed product specifications, written purchase orders, as well as careful supplier selection and formal approval. Also think of contracts, warranties and so further.

1-2-5 channel characteristics

1- In B2B markets, the distribution channel is more direct from the manufacturer to the customer as stock control is very much important factor in the business organizations. Whereas, in consumer marketing there are long channels with multiple levels of intermediaries because the household consumers are geographically dispersed all over the country.

2- Business organizations use their own sales/marketing personnel to sell the products directly to major customers. But, in case of selling to small-scale customers, many manufacturers use either distributors and dealers, or representatives, which also helps in minimizing the cost of marketing.

1-2-6 promotion characteristics

1-Promotion in business-to-business markets relies heavily on personal sales. The largest portion of a business marketing budget is often accounted for by the sales force.

2-Establishing and maintaining relationships through dialogue. Hence, highly trained sales people are required to make a convincing case to sophisticated customers.

3- Communications in business-to-business markets are targeted, not generally seen by mass markets. Consumer markets are dominated by advertising, a less personal monologue. Messages are broad based, seldom involving the specific needs of an individual.

1-2-7 Price characteristics

1- In consumer markets, list prices are usually the norm and limited discounts applied to them, especially for more expensive items. Hire purchase and credit-based schemes are designed to spread the financial risk, make purchase more accessible for a greater number of consumers and so increase the perceived value to a consumer.

2- Negotiation is not usually a feature of pricing in consumer markets, the exceptions being cars and houses.

3- In business markets prices associated with transaction exchanges will be based largely on list prices, quantity discounts and competitive bidding. As exchanges become more relational, so price becomes an integral part of the design, specification, development, trial and finishing processes.

4- Discounts and allowances become more varied and complicated and reflect the risks and opportunities faced by the two parties.

5- Negotiation becomes an important aspect of pricing in B2B markets. Large projects and intricate technical offerings often require complex financing arrangements, while pricing for international markets introduces new risks and financial uncertainties.

1-2-8 Business Demand

One of the key factors is the nature of demand in business markets. Three aspects of demand are considered: derivation, variance and elasticity.

1- Business marketers must recognize that the demand for their products and services is ***derived demand***; that is, demand for their products and services is derived from the demand for their customers' products and services (whose demand may also be derived). For instance, a firm supplying personal security systems to home builders would be affected significantly by the number of new homes or apartments built in a particular area.

2- ***Joint demand***, which occurs when one industrial product is useful if other product, also exists. In another word, refers to situations where two products are used together and are demanded together. For example, in generating electric power, only electric generator is not sufficient unless it is run by diesel engine. Hence, there is a joint demand for both generator as well as diesel engine.

3- ***Demand is inelastic*** in business markets. Once a manufacturer has incorporated a differentiated product into its processes, unforeseen and uncontrollable supplier price increases have to be absorbed until a revised or redesigned product can be developed, eliminating the original materials or part. On the basis that manufacturers are generally reluctant to let their customers down by a delayed or failed delivery while searching for new suppliers, these price increases have to be incorporated, at least over the short to medium term, hence the inelasticity or low price sensitivity.

1-3 Types of business customers

There are three types of business customers, as illustrated in Exhibit below, government organizations, institutional organization and commercial organizations.

1-3-1 Commercial organizations

There are four main sectors in commercial B2B, all characterized by the different ways in which they use products and services. They share common buyer behavior characteristics and associated communication needs. These four commercial organizational types are:

Exhibit 1-1 types of business organizations (customers)

Source:Fill,C and Fill,k,(2005) B2B marketing

A- **Distributors**

These organizations are sometimes referred to as intermediaries. The most common types are **wholesalers, distributors/dealers and value added resellers.** Their role is to facilitate the transfer of products through the marketing channel and to add value, perhaps by providing credit facilities, storage or service support. Ownership and physical possession of the goods often pass from one distributor to another, but there are occasions when this might not always be true.

Value added resellers are a relatively recent type of intermediary. Their role is to bring together a variety of software and hardware products to design customized systems solutions for their business customers. They provide integrated systems by drawing on a network of providers and in doing so create a value network, at the business customer level.

Distributors/Dealers supply both end-user business customers and original equipment manufacturers. They take full title to the industrial goods they purchase for resale and fulfill the important role of providing a wide range of products from a number of different manufacturers, offering easy access to them for their customers. In addition dealers and distributors provide advice, repair and credit facilities where necessary.

B- Original Equipment Manufacturers (OEMs)

OEMs purchase materials that are subsequently built into the products that they market to their customers. These materials may take many forms, such as parts, finished and partly finished goods, and even sub-assemblies which have been outsourced. When a company purchases a product or service to be included in its own final product, the company is called an original equipment manufacturer (OEM). For example, General Motors may buy gauges for installation in the dashboards of its automobiles. In this instance, General Motors is an OEM.

c- Users

Users are organizations that purchase goods and services to support their production and manufacturing processes. Users consume these materials; they do not appear in the final offering but contribute to its production. When GM purchases copier paper from Xerox, General Motors is considered a user.

C-Retailers

are companies that sell goods and services produced by other firms without materially changing them. Walmart and Target are two big retailers you are familiar with. Large wholesalers, brokers, and retailers have a great deal of market power. If you can get them to buy your products, your sales can exponentially increase.

1-3-2 government organizations

Governments, and related institutions, are responsible for a huge volume and enormous value of business purchases. Health, environmental protection, education, policing, transport, national defense and security are just some of the areas that attract funding and sellers.

Business-to-government (B2G) markets, or when companies sell to local, state, and federal governments, represent a major selling opportunity, even for smaller sellers. In fact, many government entities specify that their agencies must award a certain amount of business to small businesses, minority- and women-owned businesses, and businesses owned by disabled veterans.

1-3-3 institutional organizations

There are not-for-profit organizations such as churches and charities, there are government-related organizations such as hospitals, schools, museums, libraries and universities and there are community-based organizations such as housing associations.

All these organizations need to buy a range of goods, materials and services as part of their drive to satisfy their customers' needs. Therefore, a smart B2B marketer will look at all the markets we have mentioned to see if they represent potential opportunities.

 The purchasing processes used by the government can be frustrating and complex, particularly because the government seeks to accomplish social objectives through purchasing. Policies designed to encourage the growth of minority- or women-owned businesses as well as small businesses are examples of social objective policies that influence government purchasing. But there are three types of procedure for the award of public supply contracts as the following.

A- The open procedure: This involves the submission of tenders from a huge variety of suppliers, most of who will not be known to the government.

B- The restricted procedure: This involves only those suppliers previously invited by the contracting organization to tender for the work.

C- Negotiated procedure: Subject to special conditions, specified by the contracting authority which may choose five suppliers and enter into negotiations with them, as long as, among other things, all parties are treated fairly.

1-4 Classification of business goods and services

If the production process is adopted as the template it is possible to discern three main categories of goods. These are input goods, equipment goods and supply goods.

1-Input goods (Material and Parts): These goods enter the product directly.

A-Raw material (Basic Products like iron ore, crude oil, fruits)

B-Manufactured items (Acids, fuel oil, steel, chemicals).

C- Components parts (semi-finished parts like bearings, TV Tubes)

2-**capital good (equipment goods)** is a durable good (is a good that does not quickly wear out) that is used in production of goods or services. These goods are used in production process.

- Light equipment or accessories (Hand tools, computer terminals.).
- Installations or heavy equipment's (machines, turbines).
- Plant and building (Offices, plants, warehouses, parking lots, housing, which are real estate property).

3-Supplies and Services

These goods /services support the operations

Supplies – These are operating maintenance supplies like fuels, packaging materials, lubricants, paints, electrical items

Services – Companies need a wide range of services like Legal, auditing, advertising, courier, marketing research agency.

Conclusion:

This chapter provided explanation to B2B marketing and focused on the differences between business and consumer marketing and draws a picture to the nature and types of business organizations and its goods classifications.

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Questions

1) Multiple choices questions

1- …….Market characterized with professional purchasing effort.

A-B2B B-B2C C-C2C D-B2G

2-Refers to situations where two products are used together and are demanded together.

A-derived demand B-joint demand C-elastic demand

D-latent demand

3-Their role is to bring together a variety of software and hardware products to design customized systems solutions for their business customer.

A-distributors B-wholesalers C-retailers D-value added resellers

4-…………are organizations that purchase goods and services to support their production and manufacturing processes.

A-users B-Retailers C-distributors D-wholesalers

2) Essay questions

1- The needs and objectives of business buyers are satisfied through the following exchange processes; identify them

(Answer time 15 minutes paragraph 1-1-1)

2-identify the main differences exist between B2B markets and consumer market characteristics.

(Answer time 15 minutes paragraph 1-2-1-)

3-Write down the key classification of business goods and services

(Answer time 15 minutes paragraph 1-4)

4-explain briefly buying behavior in B2B market

(Answer time 15 minutes paragraph 1-2-4)

Chapter two: B2B Marketing Environment

2-1 Business environment definition

The business marketing environment refers to the internal and external influences that affect the marketing function. The marketing environment is defined as follows:

A company's marketing environment consists of the actors and forces outside marketing that affect marketing management's ability to build and maintain successful relationships with target customers.(Philip Kotler -12th Edition)

There are different levels of environmental forces. Some are close and internal forces whereas others are external forces.

External forces may be related to national level, regional level or international level. These environmental forces provide opportunities or threats to the business community. Every business organization tries to grasp the available opportunities and face the threats that emerge from the business environment.

Business organizations cannot change the external environment but they just react. They change their internal business components (internal environment) to grasp the external opportunities and face the external environmental threats. It is, therefore, very important to analyze business environment to survive and to get success for a business in its industry. A business firm gets human resources, capital, technology, information, energy, and raw materials from society. It follows government rules and regulations, social norms and cultural values, regional treaty and global alignment, economic rules and tax policies of the government. Thus, a business organization is a dynamic entity because it operates in a dynamic business environment.

On the basis of the above argument, it is important to highlight the main features of business environment.

2-2 Business environment features

1- Majority of business environment are external forces.

2-Business environment includes both specific and general forces. Specific forces (such as investors, customers, competitors and suppliers) affect individual enterprises directly and immediately in their day-to-day working. General forces (such as social, political, legal and technological conditions) have impact on all business enterprises and thus may affect an individual firm only indirectly.

3-Different elements or parts of business environment are closely interrelated. For example, new health products and services have, in turn, changed people's life styles.

4-Business environment is dynamic and keep changing.

5-Business environment is largely uncertain as it is very difficult to predict future happenings.

6-Busiess environment is a complex phenomenon to understand.

7-Business environment is a relative concept since it differs from country to country and even region to region.

2-3 Importance of studying business environment

1-It enables the firm to identify opportunities and getting the first mover advantage.

2-It helps the firm to identify threats and early warning signals.

3-It helps in tapping useful resources, like finance, machines, raw materials, power and water, labor, etc.

4-It helps in coping with rapid changes such as turbulent market conditions, less brand loyalty, divisions and sub-divisions (fragmentation) of markets, more demanding customers, rapid changes in technology and intense global competition.

5-It helps in assisting in planning and policy formulation as environment is a source of both opportunities and threats for a business enterprise. Its understanding and analysis can be the basis for deciding the future course of action (planning) or training guidelines for decision making (policy).

6-It helps in improving performance.

2-4 Dimensions of business environment

The business marketing environment can be classified into internal or external environment.

2-4-1 internal environment

The internal environment comprises those factors that operate within the firm (the corporate culture and history, staff behavior and attitudes, the firm's capabilities).

The firm's internal environment is staff relationships, organization culture and resource constraints that affect all of the activities and decisions made by the organization.

A-staff relationships and human resources management

The relationships between staff within the organization are important in ensuring an effective working environment. Management should be able to create an environment in which staff relationships can grow.

There are two common structures.

-**The formal structure** is shown on the organization chart and shows where each person fits into the overall hierarchy.

-**The informal structure** is not shown on any organizational chart. It comprises the friendships and alliances which are developed by people who share some activities together (a lift home, or who have lunch together every day, or who meet at the photocopier or coffee machine).

B-corporate culture

Often the beginning of a corporate culture is the firm's mission statement, in which the company lays down its long term aims and overall beliefs. The corporate culture and ethical standards are also among the factors evaluated by many companies in the selection of suppliers, distributors, collaborators etc.

3-resource constraints

All organizations suffer from a lack of resources, but of course some suffer more seriously than others. What is more important is the way the organization uses its resources and plays to its strengths.

2-4-2 macro environment

2-4-2-1-Micro environment

This consists of customers, competitors and suppliers. These forces affect individual firms differently. Each firm has different customers, different competitors and different suppliers.

1-competitive influences

The competitive environment in B2B markets includes primarily those firms in the industry that offer the same or similar products and services to one another. The more

Exhibit 2-1: Competitive Forms in Business-to-Business Markets

Pure Competition

- Many buyers and sellers exist with no single entity having much effect on the price – no leverage positions. The market is significantly larger than any one entity (buyer or seller).

Monopolistic Competition

- Many buyers and sellers but product is differentiable such that a range of prices is possible.
- Products can vary in terms of quality, features, style, and so on, such as in specialty steel fabrication or in advertising services.

Oligopolistic Competition

- Market consists of a few sellers who are highly sensitive to each other's strategies.
- Products can be uniform or non-uniform. Typical examples include autos, airlines, steel industries.
- Few sellers exist because of barriers to entry.
- Price has often been aimed at maintaining stability (note chaos in airline industry).

Pure Monopoly

- *Consists of one seller.*

similar are products and services, the easier will it be for competition to take away customers. B2B competitive market includes the following aspects:

A-B2B competitive market structure

Competition can vary greatly between industries, but in the structure of competition in the same industry can be categorized as exhibit 2-1 shows:

B-Knowledge of the competitor

It is crucial that any B2B organization is aware of the strengths and weaknesses of the competition in every market where it has a presence or is likely to have a presence. Factors to consider about the competition include:

The nature of the competition, market share, market growth

✓ Existing and potential competitors

- ✓ Competitors’ strengths and weaknesses and likely reaction to competitor activity
- ✓ Corporate image and longevity, brands and unique selling propositions
- ✓ Present and future strategic direction
- ✓ Core competencies, e.g. skilled employees, technology, information, innovation
- ✓ Access to distribution channels
- ✓ Learning curve and experience curve scale advantages
- ✓ Organizational buyer base
- ✓ Product portfolio, value added and unique selling propositions, patents
- ✓ Cost and price structures and strategies.

C-Market leaders and followers, major and minor players

There are many hundreds of thousands of small, medium-sized and large B2B manufacturers around the world that offer commodity component products at rock-bottom prices to any buyer in the market.

D-Competitive intensity

The competitive intensity of any market segment will depend on both the present levels of demand and whether the market is growing or declining. It will also depend on those factors identified by Porter. This model offers a way of assessing the likely strength of competition in any given market. The five forces are as follows:

1. **The bargaining power of suppliers**. If suppliers have strong bargaining power, the competitive pressure will be greater.

2. **The bargaining power of customers**. Customers with strong bargaining power will be more demanding and can set one supplier against another. This will make the competition fiercer.

3. **The threat of new entrants**. If it is easy for new companies to set up in the same business, the competition will be strong: if it is difficult for new firms to enter the market, the existing firms can become complacent.

4. **The threat of substitute products and services**. If close substitutes are readily available, the competition will be stronger.

5-**Rivalry among current competitors**.. In new or rapidly-growing markets such rivalry will tend to be stronger and therefore the competition will be stronger.

E-Dynamic market conditions

- ✓ Ease of entry, barriers to trade, power relationships and the availability of substitute products and processes have the possibility of changing as markets develop and change.
- ✓ Life cycles cause industries, markets and products to reach maturity and die out.
- ✓ Technology brings new knowledge, new processes and new ways of working.
- ✓ New products supersede old, patents end, trading agreements finish and new legislation causes old ways of working to become illegal.

- ✓ Some industries, especially those involving new technology, will change more quickly, but no market can have barriers to entry for ever and the advent of more competition is inevitable

2-Customer and markets

-The major types of markets in B2B are outlined here. These are producers or manufacturers, intermediaries or resellers, retailers, service suppliers, raw material suppliers, governments and not-for-profit.

A-Raw material suppliers

Raw material supplies include everything from agriculture, fishing, energy, Forestry and water to aggregates, iron ore, chemicals, rubber and precious metals. Much of this is imported and accounts for only a small amount of the GDP in modern economies.

B-Service suppliers

Service suppliers are by far the largest customer types in B2B markets and consist of both buyers and sellers. The service industry accounts for nearly 75 per cent of the UK GDP.

C-Producers or manufacturers

Producers buy goods and services to use in the production of other goods and services, hoping to generate a profit. In the UK manufacturing accounts for about 23 per cent of GDP.

D-Intermediaries or resellers

Resellers are similar to wholesalers and retailers in B2C marketing. They buy goods and services to resell on to other B2B organizations to use in the production of goods and services either for other B2Bs or to B2Cs.

E-Retailers

Retailers are at the end of the supply chain offering a whole range of goods and services for consumer use. The retail sector in modern economies will account for about a quarter of GDP. Both B2B and B2C suppliers will sell into retailers: B2C finished goods and services to sell on to the consumer and B2B goods and services for the retailer's own use in the running of the business.

F-Not-for-profit (NFP)

Not-for-profit organizations buy goods and services to help in providing other goods and services based not on making a profit but on providing services that help, aid and advise others with some kind of social need. The NFP organization will have many stakeholders, all with differing concerns about the way the organization is run and the types of goods and services bought.

G-Government

Governments, national, regional and local, are the single largest buyers of B2B, purchasing goods and services for government usage across a range of areas including social security, defense, health, roads and bridges, fire service and ambulance services. There are differences in marketing between typical commercial companies and government agencies will generally recognize that government agency purchasing can be subject to more public scrutiny than commercial firms

3-suppliers

-An important force, in the micro environment of a company is the suppliers, i.e., those who supply the inputs like raw materials and components to the company. The importance of reliable source/sources of supply to the smooth functioning of the business is obvious.

Bargaining power of suppliers

The bargaining power of suppliers is determined by the factors shown in exhibit (2.2.)

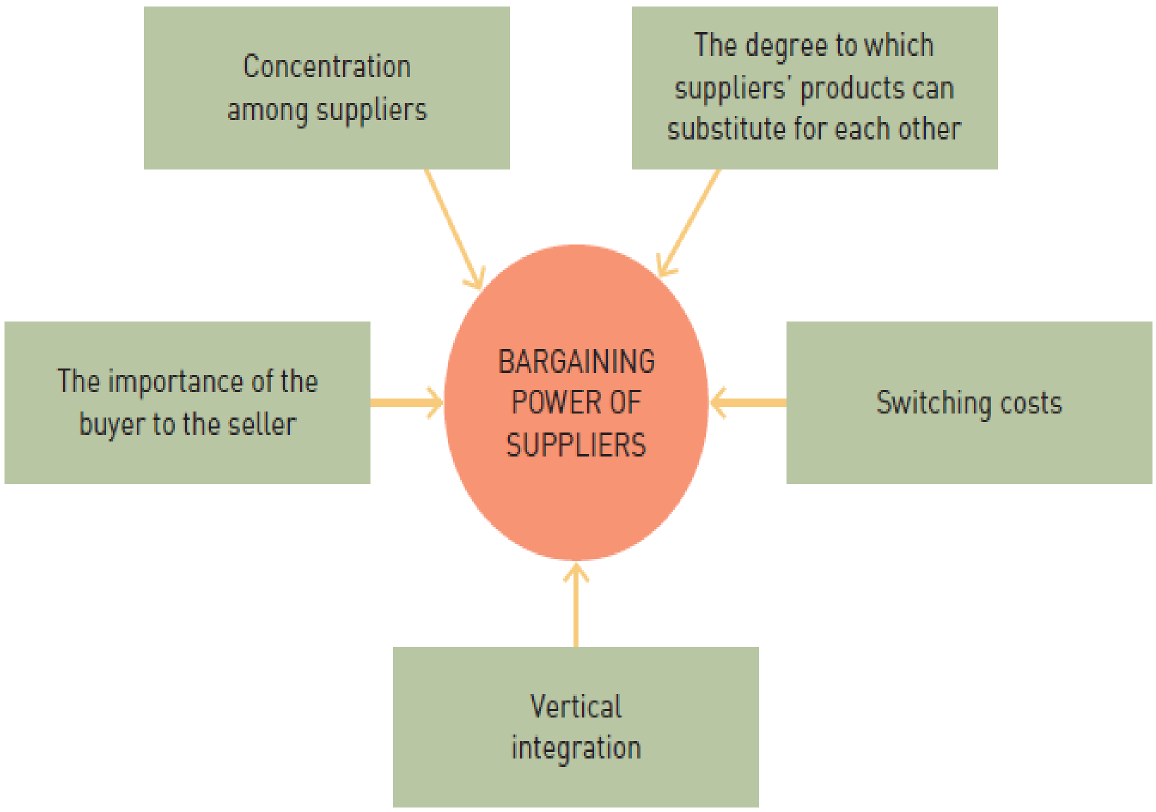
a- Concentration between suppliers

If there are few suppliers, hence, Suppliers in this case set up the terms for business between them. For example, hairdressing businesses in the UK have little buying power as they have a choice of only six or seven suppliers of hairdressing products.

b- The degree to which suppliers' products can substitute for each other.

A typical example is the motor industry: spare parts for Ford cars will not fit Toyotas and vice-versa, so the garage business is forced to buy from a small group of suppliers.

Exbition2-2- power of supplier



c- The importance of buyers to the supplier

is about the extent to which a buyer represents a strategic opportunity for the supplier. Large buyers such as major retailers may control the market. for example, the toy industry is largely controlled by Toys R Us.

D-Vertical integration of the industry

refers to the degree to which the supply chain is owned or controlled by a few firms. A highly integrated industry (for example the oil industry, where a few companies control everything from extraction through refining and distribution to the petrol forecourt) does not allow many opportunities for competitors to enter.

E-switching cost

It would be expensive to switch from one supplier to another; the suppliers occupy a strong position.

2-4-2-2-Macro environment

The macro forces are, generally, more uncontrollable than the micro forces. When the macro environment is uncontrollable, the success of a company depends on its adaptability to the environment. The key forces are

1-Economic forces

A-the economy

-The state of the economy also plays the biggest part in the success or failure of business-to-business companies and most would like to have a stable and growing economy with low inflation, low interest rates and constant exchange rates.

B-Interest rates and inflation

The changing of interest rates and inflation in one direction or another at very high rates would affect organization ability to buy and sell in the future.

C- Exchange rates

The rising and falling in currency exchange rate has a great impact on business in terms of exporting and importing with other organizations around the world. For example, UK strong pound will help companies that import goods and services but will be crippling for those needing to export.

2-Social forces

Cultural conformity in B2C markets

-because of the widespread communications, the sale of universal products and the internet all contribute to decrease in cultural differences across the world, especially among the young.

- Although the degree of cultural diversity has never been so important in B2B markets as in B2C, it has nevertheless still been a necessary concern. - As companies expand by joint ventures, mergers and acquisitions of foreign companies, they bring universal ways of working as well as giving employees the opportunities to live and work in company divisions elsewhere in the world.

3-Cultural differences

Many academics and practitioners argue that cultural differences in the B2B market still exist and are important when serving different markets. For marketing managers to use their own cultural values and priorities as a frame of reference can lead to misunderstandings, confusion and lost contracts. Japanese culture for example, foreign businessmen and politicians are often frustrated because they do not and cannot get 'straight answers', not understanding that Japanese communications operate in ways that are subtly different. There are many difference related to business culture due to believe, norms, behavior, etc. around the world.

4-Technological forces

Improved technologies in telecommunications, information technology, transportation, storage and inventory handling, distribution management and financial services mean that virtually all producers, no matter what size, are now able to consider supply sources from around the world.

A-IT and closer partnerships

-information technology (IT) can now make 'real time' information instantly available to all companies involved in the supply chain relationships.

-The internet has been adapted to become the extranet, a closed and private internet system where all supply chain members are able to have instant access to such things as buyer inventory movements, sales figures and individual product needs.

B-Technology and the negotiating situation

-The use of technology has also irreversibly changed the relationship between buyer and seller, making the actual sales procedure and sales presentation much more professional than in the past.

C-Company websites

Many companies have taken advantage of IT by joining together with other like-minded supply chain members. They have set up both B2B and B2C internet sites that act as online marketplaces and exchanges, functioning as intermediaries between buyers and sellers.

D-Other technological influences

External technological advances will have a greater or lesser effect on an organization depending on many factors, including the size of the company, the operating marketplace, the amount of competition and the types of products and services offered. Three main areas where technology has a significant effect in B2B marketing are:

- ✓ Products and services – product testing, product upgrades, new product development.
- ✓ Processes, both internal and external – productivity improvements, customer relationships, distribution and supply chain relationships.
- ✓ Management techniques – involved with the marketing and administration of the business and internal and external communications.

5-Political forces

Political forces influence the legislations and government rules and regulations under which the firm operates.

The following are the main aspect of political forces:

A-Laws, rules and regulations

Political control of the economy becomes apparent through formal laws and formal rules and regulations such as, taxes to be paid, subsidies on offer, environmental protection demanded, employee and consumer safeguards and basic human rights.

B-Political intervention

Politicians will always be tempted to intervene in the running of the economy for short-term political reasons, rather than for long-term economic success, especially at election times. So interest rates are moved up and down, taxes increased and decreased and there is more or less public spending. This can cause violent fluctuations in the economy, leading to the economic condition known as boom and bust.

C-Pressure and interest groups

-Trade associations are created to take on the role of pressure groups to promote the wishes and the welfare of their members, seeking to persuade policymakers to act in ways that will be beneficial to their particular industry.

-Many specialized lobbying consultants exist to help in the process of lobbying and for a fee they will advise industries and/or companies about the best methods to use in achieving beneficial results.

Conclusion:

This chapter has dealt with the marketing environment in terms of external and internal forces that B2B firms should pay a great deal on investigating this environment and assess the threat and opportunities that business organizations might face. Assessing the business competitive intensity and identifying the business sectors also have been discussed.

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Questions

Multiple choices questions:

1-the corporate culture and history is a

A-external environment B-internal environment C-micro environment

2-It would be ……….. to switch from one supplier to another; the suppliers occupy a strong position.

A-easy B-cheap C-expensive D-better

3-Refers to the degree to which the supply chain is owned or controlled by a few firms.

A-vertical integration of industry B-horizontal integration of industry

C-competitive intensity D-supplier power

4-……….are at the end of the supply chain offering a whole range of goods and services for consumer use.

A-retailers B-wholesalers C- agents D-manufacturers

Essay questions:

1-The bargaining power of suppliers is determined by the factors: identify them.

(Answer time 15 minutes paragraph 2-4-2)

2-Write down the importance of studying business environment

(Answer time 15 minutes paragraph 2-3)

3-identify the main forces of micro environment

(Answer time 15 minutes paragraph 2-4-2)

4-identify the main forces of internal environment

(Answer time 15 minutes paragraph 2-4-1)

Chapter three: Organization buying behavior

3-1 Meaning of organizational buying behavior

Webster and Wind defined organizational buying as follows: **Organizational 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 supplies*.

Although no two companies buy in the same way, the seller hopes to identify clusters of business firms that buy in similar ways to permit marketing strategy targeting.

3-1-1-Purchasing objective of business organizations

Basically, the objective of the purchase department in an organization is defined as *"buying the right items in the right quantity, at the right price, for delivery at the right time and place" to define what is "right" for each dimension is the responsibility of management*. The objectives of the purchasing function are as follows:

A-Delivery and availability of goods and services

The prime objective of the purchasing department is to ensure that purchased goods and services are available and delivered on time. On the other hand, the supplier's reliability in delivery is the most important criterion at the time of vendor evaluation.

b-the correct quality

Choosing the right level of quality is an important element in the purchasing function, because quality impacts manufacturing and marketing in both cost and potential contribution.

C-the lowest total cost

It is important to understand that purchase price is not the only cost, but also delivery, storage, service, and more can add costs. Several concepts are used by purchasing departments to examine and compare costs; these are the total cost of ownership, economic order quantity, and value analysis.

D-services

The business buyers need many types of services to accompany the purchase of goods for achieving the goals of organization. These services include prompt and accurate information from suppliers, application or technical assistance, spare-parts availability, repairs and maintenance capability, and training, if required.

E-Supplier relationship

Develop a good long-term supplier/vendor relationship & to develop new sources of supply. Buying members are influenced by both purchasing objectives of the firm & personal objectives like higher status, job security, salary increments, promotions, & social considerations (friendship, mutually beneficial relationships etc.)

3-2 Buying Situation Types

The business buyer faces many decisions in making a purchase. These are as the following

Straight Re-buy

The straight re-buy is a buying situation in which the purchasing department re-orders on a routing basis (e.g. office supplies, bulk chemicals). The buyer chooses from suppliers on an "approved list". These suppliers make an effort to maintain product and service quality. They often propose automatic reordering systems so that the purchasing agent will save reordering time. In these circumstances the buyer needs no new information, and does not need to engage in much negotiation either

Modified Re-buy

The modified re-buy is a situation in which the buyer wants to modify product specifications, prices, delivery requirements or other related items. The modified re-buy usually involves additional decision participant on both sides. The in-suppliers become nervous and have to protect the account. The out-suppliers see an opportunity to propose a better offer to gain some business.

New Task Buying

This type of buying situation comes about when the task is perceived as being entirely new. Past experience is therefore no guide, and present suppliers may not be able to help either. Thus the buyer is faced with a complex decision process. Judgmental new task situations are those in which the buyer must deal with technical complexities of the product, complex evaluation of alternatives, and negotiating with new suppliers. Strategic new task situations are those in which the final decision is of strategic importance to the firm.

Various strategies to reduce risk will be adopted by buyers, such as extended search, asking for referees, detailed specification and contract negotiation, and, where possible, trial purchase.

3-3 The buying center (decision making unit-DMU)

Webster and Wind call the decision-making unit of a buying organization the buying center. **The buying center** *is a collection of people with a stake in the buying process and who contribute to the purchase decision; these individuals will have specialties related to their professional discipline and purchase function in products, components, organizational needs and the firm's culture.*

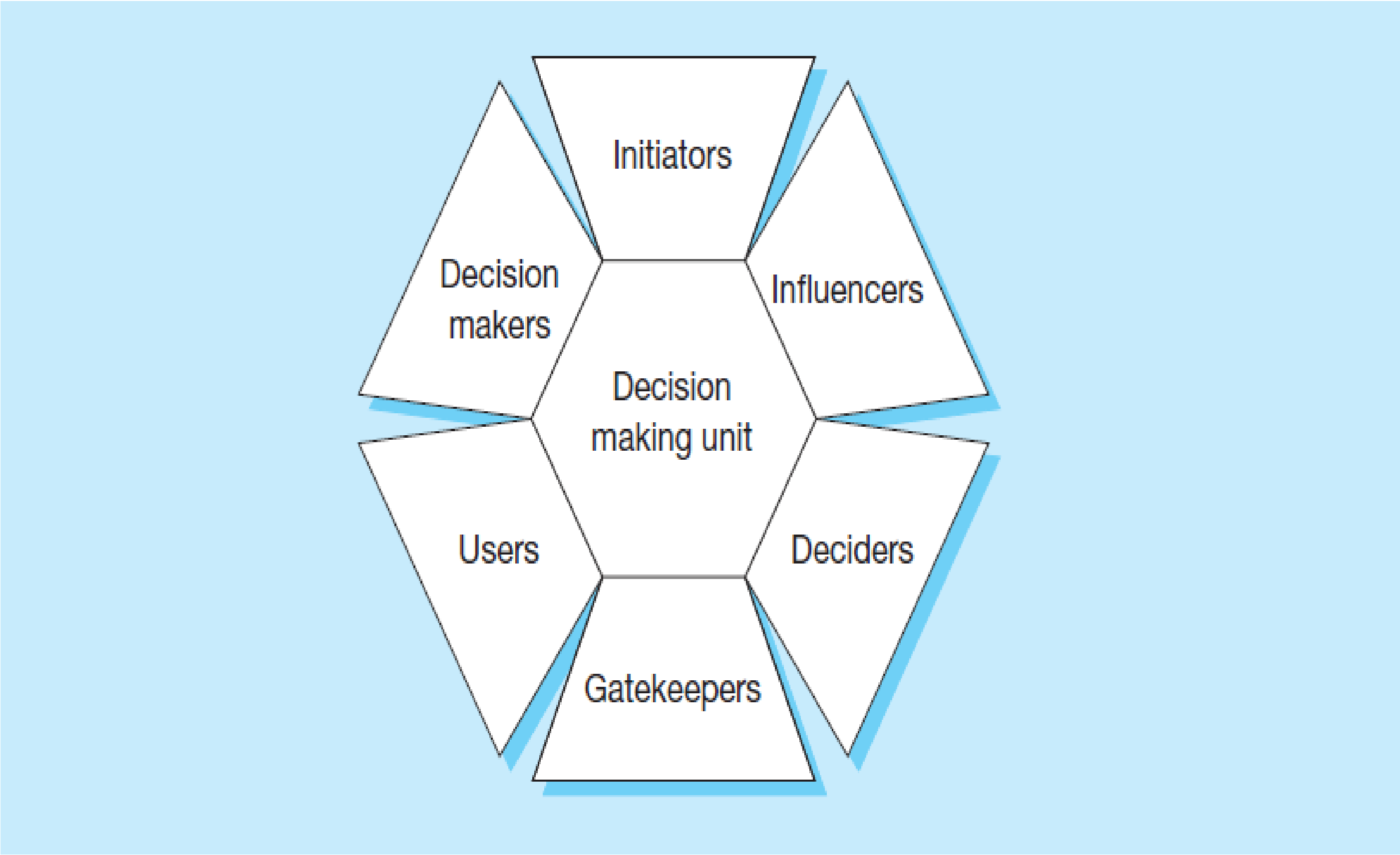
The decision-making unit is thought to contain the following categories of members as figure (3-1) below shows:

- ✓ **Initiators**. These are the individuals who first recognize the problem. They are often the users of a product/ service and play the role of initiator. They may help develop product specification, and also provide feedback about product performance based on their use.
- ✓ **-Gatekeepers**. People who have the power to prevent sellers or information from reaching members of the buying center. For example, purchasing agents, receptionists, and telephone operators may prevent sales persons from contacting users or deciders.
- ✓ **-Buyers**. The individuals given the task of sourcing suppliers and negotiating the final deal. Often these are purchasing agents who complete the administrative tasks necessary for buying. These people often work to a specific brief, and may have very little autonomy, even though they may be the only contact a supplier's salespeople have at the purchasing organization.
- ✓ **Deciders**. These are the people who make the final decisions, and may be senior managers or specialists. They may never meet any representatives of the supplying

companies. Deciders generally rely heavily on advice from other members of the DMU.

-Users. These are the people who will be using the products which are supplied: they may be engineers or technicians, or even the cleaning

Figure (3-1-) DMU



Source: fill, K and Fill C (2005) business to-business marketing

- ✓ Staff who use cleaning products. Their opinions may well be sought by the deciders, and in many cases the users are also the initiators.
- ✓ **Influencers**. Those individuals who influence the buying decision are known as influencers. Generally, technical people such as designers, quality control engineers have a substantial influence on purchase decisions. Sometimes, individuals outside the

organization, who are experts or consultants, play the role of influencers by drawing specifications of products or services.

3-3-1 Important members of the buying center

The key members in buying decision Centre are:

Top Management

Top management includes Managing Director, President, Vice-President or General Manager is the top management persons. They take decisions in making purchase policies, approval of annual budgets and deciding the purchases of high-value capital equipment.

Technical Persons

These are, Design Engineers, Production Manager, Maintenance Manager, Quality Control Manager and Industrial Engineers. They are involved in product specifications, technical evaluation of offers received from suppliers, negotiations with suppliers and performance feedback.

Purchase department members

They are involved in most of the steps of the purchase activities. They coordinate with technical persons, top management, accounts or finance persons within an organization, as well as, with suppliers externally.

Accounts/Finance Persons

The contribution of finance/accounts persons are seen while finalizing commercial terms such as modes of payment, issuance of bank guarantees, financial approval of capital purchases, issuing payments to suppliers, and so on.

Marketing Persons

The marketing people always insist on good quality products with good quality of packaging to minimize the rejection of goods and services or damage in transit.

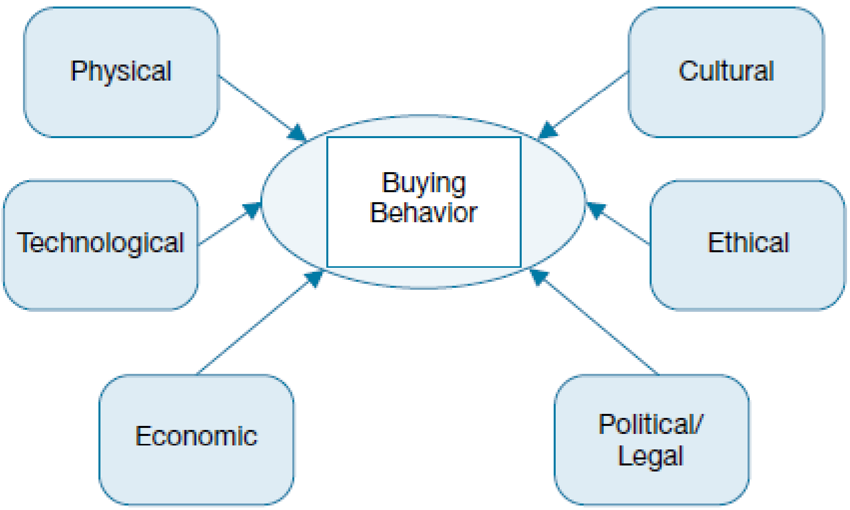
3-4 Influences on Business Buying

Business buyers respond to many influences when they make their decisions. These are the main factors

3-4-1 Environmental Factors

The main environmental forces are as figure (3-2-) shows:

Figure (3-2-) shows Environmental influences on buyer behavior



Source: zemmerman,A and Blyth,J (2013).

A-Physical influences.

The location of the purchasing firm relative to its suppliers may be decisive, since many firms prefer to source supplies locally.

B-Technological influences.

The level of technological development available among local suppliers will affect what the buyer can obtain. The technology of the buyer and the seller must also be compatible.

c- Economic influences.

The macroeconomic environment is concerned with the level of demand in the economy, and with the current taxation regime within the buyer's country. These conditions affect buyers' ability to buy goods as well as their need to buy in raw materials: if demand for their products is low, the demand for raw materials to manufacture them will also be low.

D-Political and legal influences

Governments frequently pass laws affecting the way businesses operate. Trade sanctions, trade barriers, specifically non-tariff barriers, preferred-nation status and so forth all affect the ways in which buyers are permitted or encouraged to buy.

E-Ethical influences.

In general, buyers are expected to act at all times for the benefit of the organization, not for personal gain. This means that, in most cultures, the buyers are expected not to accept bribes, for example. However, in some cultures bribery is the normal way of doing business, which leaves the vendor with a major ethical problem – refusing to give a bribe is likely to lose the business.

f- Cultural influences.

Culture establishes the values, attitudes, customary behavior, language, religion, and art of a given group of people. When dealing internationally, cultural influences come to the forefront: in the UK it might be customary to offer a visitor a cup of tea or coffee, whereas in China it might be customary to offer food..

3-4-2 Organizational Factors

Every organization has specific purchasing objectives, policies, procedures, organizational structures and systems. Business marketers need to be aware of the following organizational trends in the purchasing area.

Purchasing department upgrading:

Purchasing departments in the past occupied in a low position in the management hierarchy, in spite of managing often more than half of the company's costs. A typical firm spends about 60 percent of its net sales on purchased goods and services. However, recent competitive pressures have led many companies to upgrade their purchasing departments and elevate their administrators to vice presidential level.

Cross – functional roles:

In recent survey, most purchasing professionals described their job as less clerical, more strategic, technical, team oriented and involving more responsibility than before.

Centralized purchasing:

In multidivisional companies, most purchasing is carried out by separate divisions because of their differing needs. Some companies however have started to recentralize their purchasing. Headquarters identifies materials purchased by several divisions and buys them centrally, thereby gaining more purchasing clout.

Decentralized purchasing of small – ticket items:

At the same time, companies are decentralizing some purchasing operations by empowering employees to purchase small – ticket items. This has come about through different systems such as credit – card systems.

Vertical decision making

Buying centers will have both a vertical and a horizontal dimension. The ***vertical dimension*** is concerned with how many layers of management are involved in the buying process. In bureaucratic, tall structured organizations such as some government departments, this could involve as many as six, seven or eight layers of management, from director level down to factory floor level, which must be consulted before decisions can be made. In flatter structures there might be only one or two layers of management that need to be consulted and the task might be significantly easier.

Horizontal decision making

The horizontal dimension is concerned with how many other departments might have an interest in the buying process as well as any bodies such as contractors and outsourcing companies. Company type, size and structure will have a bearing here. A company bidding for a long-term road building contract will need to communicate and consult with every department of the organization.

3-4-3 Interpersonal Factors

Buying centers usually include several participants with differing interests, authority, status, empathy and persuasiveness. The business marketer is not likely to k\now what kind of group dynamics takes place during the buying decision process, although whatever information he or she can discover about personalities and interpersonal factors would be useful.

Individual Factors

Each buyer carries personal motivations, perceptions and preferences as influenced by the buyer's age, income, education, job position, personality, attitudes towards risk, and culture. Buyers definitely exhibit different buying styles. There are "keep – it – simple" buyers, "own – experts" buyers, "want – the – best" buyers, and "want – everything – done" buyers. Some younger, highly educated buyers are computer experts who conduct rigorous analyses of competitive proposals before choosing a supplier. One of the individual factors that have been found to influence buyer behavior is experience, or years in purchasing.

3-5 The B2B buying decision-making process (DMP)

There are 8 stages in the buying decision process which are as the figure below shows:

1- Problem Recognition

The buying process beings when someone in the company recognizes a problem or need that can be met by acquiring a good or service. The recognition can be triggered by internal or external stimuli. ***Internally***, the most common events leading to problem recognition are the following:

•The company decides to develop a new product and needs new equipment and materials

•A machine breaks down and requires new parts

•Purchased material turns out to be unsatisfactory, and the company searches for another supplier.

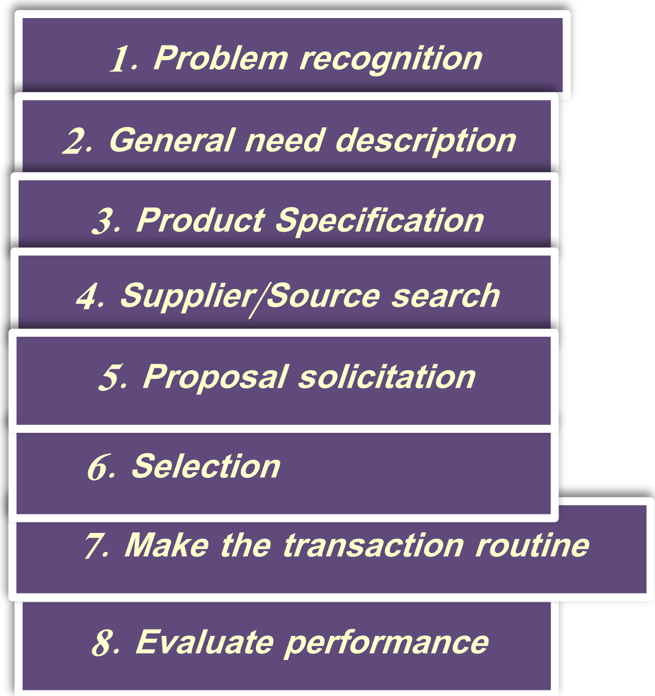
•A purchasing manager senses an opportunity to obtain lower prices or better quality.

Externally, the buyer may get new ideas at a trade show, see as advertising or receive a call from sales representatives who offers a better product or a lower price. Business marketers can stimulate problem recognition by direct mail; telemarketing and calling on prospects

2-general need description

Once the problem is recognized, the buyer must determine the quantity and the characteristics of the item needed. This is not difficult for general items but for technical products, the industrial buyer will have to consult with engineers, users and so on to define the general characteristics.

Figure (3-3) -buying decision process in B2B



3-product specification

The buying organization, in the third stage, develops a precise statement of the specifications of the product or service needed. These features may include detailed performance requirements, product attributes, service support needs, etc. During this stage the purchase department takes the help of their technical personnel, or if required, outside sources such as suppliers or consultants.

4- Supplier research

At this stage, purchasing organization will be looking for appropriate suppliers by looking and searching for the acceptable supplier by using both formal and informal approaches when looking for new suppliers. Examples are shown below:

- ✓ Recommendations – probably the most successful and safest method, especially if the recommendation comes from a well-respected company.
- ✓ Building a shortlist – managers will shortlist maybe three or four known suppliers and ask them to submit product or service specifications. This can then be measured against weighted values such as benefit solutions, quality, price, service levels, delivery times, exclusivity, and so on.
- ✓ -Selecting from trade association sources – trade associations will usually have codes of conduct and will also make recommendations. This will offer some degree of safety.
- ✓ -Using outside agencies – as with all business processes, supplier selection can be given over to expert agencies. This is particularly apt when marketing internationally.
- ✓ Managers' experience and intuition – depending on the value of the product or service needed, companies may rely on managers' experience and intuition

5- Proposal solicitation

At this stage, the buyer will now request qualified suppliers to send their proposals based on the product specifications. Suppliers who respond to their request will submit a proposal by sending a catalogue, making a sales call, or a detailed written offer specifying product or service features, terms of supply and price.

6- Supplier Selection

Evaluates the proposals of qualified suppliers and selects one or more suppliers. The decision makers may rate the suppliers on various attributes or factors like:

- ✓ -past reputation
- ✓ -quality of product
- ✓ -delivery and payment terms
- ✓ -guarantees, warranties, discount and assurance offered by suppliers
- ✓ -price of the product or services
- ✓ -after sale services
- ✓ Supplier reliability

Buying centers often use a supplier evaluation models such as the one shown in the table below.

It is important for the buying organization to decide how many suppliers to use. Many businesses prefer multiple suppliers so that they will not be totally dependent on one supplier and they will also be able to compare the prices and performances of competing suppliers.

Table (3-1) shows some attributes to assess suppliers

		Rating Scale			
Attributes	**Importance Weights**	**Poor (1)**	**Fair (2)**	**Good (3)**	**Excellent (4)**
Price	0.30				X
Supplier reputation	0.20			X	
Product reliability	0.30				X
Service reliability	0.10	X			
Supplier flexibility	0.10		X		

Total Score: 0.30(4) + 0.2(3) + 0.3(4) + 0.10(2) + 0.10(3) = 3.5

7-Make the transaction routine

The choice will be eventually made and the order placed or the contract signed. The deal might be for a one-off order, allowing the buyer to measure the level of service before more orders are given, promises of a series of repeat purchases, or a longer term contract of some kind. In some cases a probationary period might be demanded so as to test out the promises of the new supplier.

8-evaluate performance

All suppliers will be judged on the promised level of service and some type of post-purchase evaluation will be bound to take place. This might be by comparing actual benefits to those that were promised or measurement against predetermined standards. In the former case salespeople who over-promise on benefits, or benefits that don't match up to expectations, can cause customer loss of faith and no more purchases, thus bringing the company into disrepute. In the latter case, not meeting standards can lead to penalties and fines, depending on the terms and conditions built into the contract. Whatever the situation, loss of a customer can be disastrous in B2B where buyers might be few, whereas in B2C, although unfortunate, the customer will be only one among millions.

Conclusion:

This chapter has explained the differences between B2B buying behavior and B2C buying behavior by focusing on B2B buying objectives, buying situational types, buying center and B2B buying decision process.

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Questions

Multiple choices questions

1- People who have the power to prevent sellers or information from reaching members of the buying center are called

A-gatekeepers B-deciders C-initiators D- buyers

2- At this buying situation, buyer is faced with a complex decision process.

A-straight rebuy B-modified rebuy C-new-task buying

3-They take decisions in making purchase policies, approval of annual budgets and deciding the purchases of high-value capital equipment.

A-marketing manager B-top management C-finance manager

D-technical manager

4-…………….. is concerned with how many layers of management are involved in the buying process.

A-vertical decision making B-horizontal decision making

C-decision making unit D-decision making management

Essay questions:

1-identify the main stages in B2B buying decision process

(Answer time 15 minutes paragraph 3-5)

2- Business marketers need to be aware of the following organizational trends in the purchasing area: identify them.

(Answer time 15 minutes paragraph 3-4-2-)

3- The decision makers may rate the suppliers on various attributes or factors like:

(Answer time 15 minutes paragraph 3-5-)

1- Identify the main Purchasing objective of business organizations
(Answer time 15 minutes paragraph 3-1-1)

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Chapter four :Developing business-to-business marketing strategy

4-1 Concept of strategy

Strategy can be defined as:

the pattern of major objectives, purposes, or goals and essential policies and plans for achieving those goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be.

Mintzberg et al. (1998) argue that strategy needs five definitions. These are the five P's for strategy:

1. ***Strategy as a plan***; some sort of consciously intended course of action, a guideline (or set of guidelines) to deal with a situation. By this definition strategies have two essential characteristics: they are made in advance of the actions to which they apply, and they are developed consciously and purposefully.

2. ***Strategy as a pattern***; this is the realized strategy, meaning that strategy is a consistency in behavior over time.

3. ***Strategy as a position***; by this definition strategy becomes the mediating force, or "match", between organization and environment, that is, between the internal and the external context.

4. ***Strategy as a perspective***; A company's fundamental way of doing things.

5. ***Strategy as a ploy***; Strategy can refer to clever moves designed to outwit competitors.

4-1-1 strategic decisions principals

Strategic decisions are concerned with seven principal areas:

1- They are concerned with the scope of an organization’s activities, and hence with the definition of an organization’s boundaries.

2- They relate to the matching of the organization’s activities with the opportunities of its substantive environment. Since the environment is continually changing it is necessary for this to be accommodated via adaptive decision-making that anticipates outcomes – as in playing a game of chess.

3- They require the matching of an organization’s activities with its resources. In order to take advantage of strategic opportunities it will be necessary to have funds, capacity, personnel, etc., available when required.

4- They have major resource implications for organizations – such as acquiring additional capacity, disposing of capacity, or reallocating resources in a fundamental way.

5- They are influenced by the values and expectations of those who determine the organization’s strategy. Any repositioning of organizational boundaries will be influenced by managerial preferences and conceptions as much as by environmental possibilities.

6- They will affect the organization’s long-term direction.

7- They are complex in nature since they tend to be non-routine and involve a large number of variables. As a result, their implications will typically extend throughout the organization.

4-2 Stragetic problem solving

The elements of strategic problem-solving are summarized in Figure (4-1-).

4-2-1 Strategic analysis

Focuses on understanding the strategic position of the organization, which requires that answers be found to such questions as:

- ✓ What changes are taking place in the environment?
- ✓ How will these changes affect the organization and its activities?
- ✓ What resources does the organization have to deal with these changes?
- ✓ What do those groups associated with the organization wish to achieve?

4-2-2 Strategic choice has three aspects

- ✓ The generation of strategic options, which should go beyond the most obvious courses of action
- ✓ The evaluation of strategic options, which may be based on exploiting an organization's relative strengths or on overcoming its weaknesses
- ✓ The selection of a preferred strategy which will enable the organization to seize opportunities within its environment or to counter threats from competitors.

4-2-3 Strategic implementation

Is concerned with translating a decision into action, which assumes that the decision itself was made with some thought being given to feasibility and acceptability. The allocation of resources to new courses of action will need to be undertaken, and there may be a need for adapting the organization's structure to handle new activities, as well as training personnel and devising appropriate systems.

4-3 Marketing strategy development

4-3-1-Market strategy definitions

Dibb and Simkin defined ***Marketing strategy*** as indicates the specific markets towards which activities are to be targeted and the types of competitive advantage to be exploited.

A **strategy** can be defined as a set of decisions taken by management on how the business will allocate its resources and achieve sustainable competitive advantage in its chosen markets (Doyle)'.

Marketing strategy is the marketing logic by which the business unit expects to achieve its marketing objectives.'(Kotler).

Piercy also asserts that choosing market targets and a strong market position based on differentiating capabilities to create a robust and sustainable value proposition to customers and networks of critical relationships.'

Thus from the above definitions one can assert that a marketing strategy is a process that can allow an organization to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage. A marketing strategy should be centered on the key concept that customer satisfaction is the main goal.

4-4 B2B strategic marketing process

There are three strategic planning models. all three contain common elements—a process for reflecting on the purpose of the enterprise a situation analysis that attends to both environmental and organizational elements, some more careful consideration of the competitive forces in specific markets, and the detailed objectives, budgets, and plans for strategy execution.

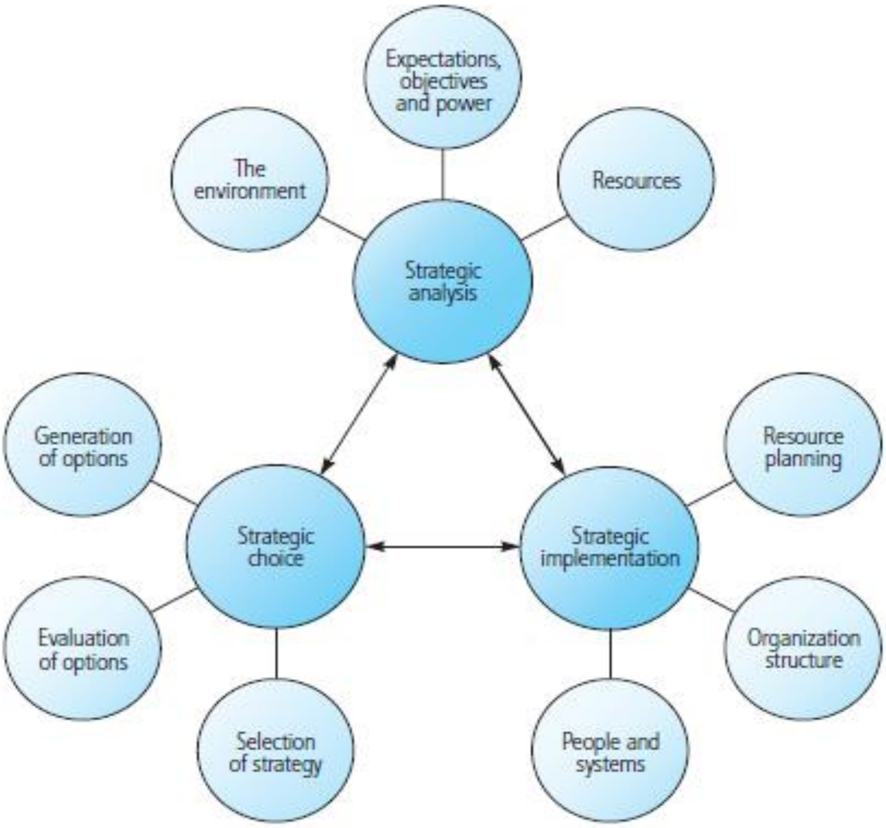


Figure (4-1) adopted from Wilson,R and Gilligan,C (2005)

4-4-1 Situation Analysis: where are we now?

Searching the environment includes massive amount of information. The difficulty that faces the B2B marketing manager, is where and how to start this information gathering process: how to decide what information is relevant and should be collected and considered.

The job of the audit is to collect, classify and analyze information so that understanding can take place and realistic decisions be made about future organizational direction.

This stage consists of two important parts:

1-Collection and classification of information

As discussed earlier in chapter two, Information can be classified into external and internal information or marketing audit.

Factors in the external environment

Macro environment. The factors to be considered here can be identified under the acronym PEST, which stands for: Political/legal – Economic/demographic – Social/cultural – Technical/physical

Information that might be needed from the macro environment on the B2B market, at both national and global levels, would include the following:

- ✓ Relevant law now and in the future
- ✓ political climate
- ✓ stability of the market region under investigation
- ✓ economic level GDP, per capita income, disposable income
- ✓ interest/exchange/inflation/employment rates
- ✓ organizational demographic movements

micro environment includes the following factors:

- ✓ **Suppliers**: by identifying the power along the supply chain – the producers, the intermediaries or the buyers, how efficient are they? What are the pricing and delivery policies? How is value added along the supply chain?
- ✓ **Publics:** identify the source of pressure groups, local communities and the media in any particular industry.

- ✓ **Intermediaries**: by identifying the structural role of the intermediary and how much control do they have over distribution channels?
- ✓ **Competition**: identify the major players and market leaders in the relevant market, and gather information related to the competitors' product portfolios and product advantages.
- ✓ **Customers and markets**: to include information related to size, spending power and how might they be distributed across the country or global market.

Factors in the internal environment

Factors under this category can be classified as the eight Ss and the eight Ps.

The eight S: Which consist of the following?

Structures: it is about organization structure, the chain of command, and divisional makeup that outline how the operations function and interconnect.

Strategies: Is the plan deployed by an organization in order to remain competitive in its industry and market.

Systems: refer to the daily procedures, workflow, and decisions that make up the standard operations within the organization.

Staffing: refers to the personnel of the company, how large the workforce is where their motivations reside, as well as how they are trained and prepared to accomplish the tasks set before them.

Skills: refers to the talents and capabilities of the organization's staff and management, which can determine the types of achievements and work the company can accomplish.

Shared values: are the commonly accepted standards and norms within the company that both influence and temper the behavior of the entire staff and management.

Style: speaks to the example and approach that management takes in leading the company, as well as how this influences performance, productivity, and corporate culture.

Sustainable competitive advantage: comprises of the core assets of the organization that might help it build and maintain sustainable competitive advantage: its culture, its people skills, its approach to technology and innovation or having access to a valuable customer database or long-term channel relationships and alliances built on trust and loyalty etc..

The eight Ps

At the heart of the B2B marketing audit is the marketing mix. The eight Ps are as the following:

Products/services, Place or the channels of distribution, Price, Promotion People, Profit, Physical evidence and process

2-Analysis of the information collected

Many different models are available to simplify and help in the process of analysis. One of the below methods can be used. These are

SWOT Analysis

One of the most productive and memorable planning tools is a SWOT analysis. This is a self-assessment framework for examining organization Strengths and Weaknesses, Opportunities and Threats. **Strengths** include the pockets of excellence in the organization, perhaps a strong sales office, a good supply relationship with XYZ, a good inventory system, or a solid financial position.

Weaknesses are also characteristics of the organization itself and may include products with poor market positions, a disadvantageous cost structure, or old technology.

Opportunities are favorable conditions in the organization’s task environment. They can be recognized in access to growing markets, a market of escalating distribution service standards. **Threats** are challenges and barriers face the firm.

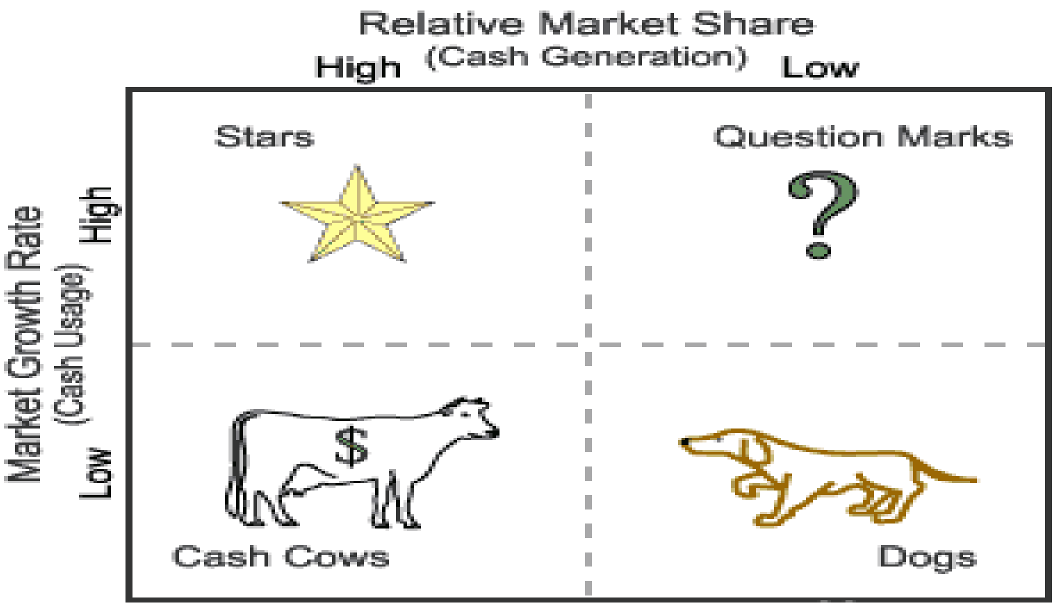
Force field analysis

It is a method of weighing up the pros and cons for making one decision rather than another and is a useful technique for looking at all the forces for and against a plan. It helps participants to weigh the importance of these factors and decide whether a plan is worth implementing. To carry out a force field analysis, follow these steps:

- ✓ List all forces for change in one column and all forces against change in another column.
- ✓ Assign a score to each force from 1 (weak) to 5 (strong).
- ✓ Draw a diagram showing the forces for and against change. Show the size of each force as a number next to it.

BCG Matrix (Boston Consulting Group)

Figure (4-2)



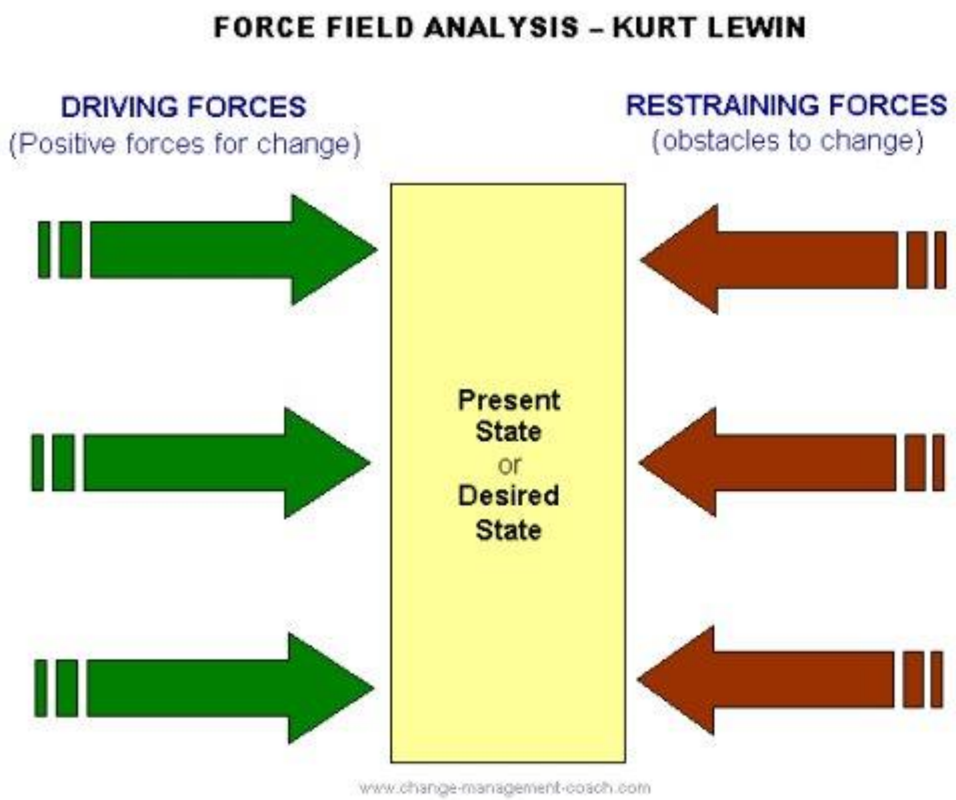


Figure (4-3)

BCG provides a useful way of screening the opportunities open to the company and helps to think about where one can best allocate resources to maximize profit in the future. BCG matrix has four cells

Stars (High Market Share / High Market Growth)

A Star is being able to generate huge sum of cash because of their strong relative market share, but simultaneously it also consumes large amounts of cash because of their high growth rate. So the cash being spent and brought in approximately nets out. If a star can maintain its large market share it will become a cash cow when the market growth rate declines.

Cash Cows (High Market Share / Low Market Growth)

As leaders in a mature market, a cash cow demonstrates a return on assets that is greater than the market growth rate – so they generate more cash than they consume. These units should be 'milked' extracting the profits and investing as modest as possible.

Question Marks (Low Market Share / High Market Growth)

Question marks are the products that grow rapidly and as a result consume large amounts of cash, but because they have low market shares they don't generate much cash. The result is large net cash consumption. A question mark has the potential to gain market share and become a star, and eventually a cash cow when the market growth slows. If it doesn't become a market leader it will become a dog when market growth declines. Question marks need to be examined carefully to determine if they are worth the investment required to grow market share.

Dogs (Low Market Share / Low Market Growth)

Dogs have a low market share and a low growth rate and neither generates nor consumes a large amount of cash. However, dogs are a cash trap because of the money is being tied up in a business that has little potential. Such businesses are candidate for divestiture.

There are typically four different strategies can be applied after analyzing all collected information related to organization market growth and market share. These are as follows

- ✓ **Build Market Share**: Make further investments (for example, to maintain Star status, or to turn a Question Mark into a Star).
- ✓ **Hold**: Maintain the status quo (do nothing).
- ✓ **Harvest**: Reduce the investment (enjoy positive cash flow and maximize profits from a Star or a Cash Cow).

- ✓ **Divest**: For example, get rid of the Dogs, and use the capital you receive to invest in Stars and Question Marks.

4-4-2 Strategic choice: Where do we want to go?

At some point in the B2B planning process the company mission should be clearly defined and overall corporate objectives set. The importance of the B2B organizational mission statement and its corporate objectives must not be forgotten as marketing planning will need to take place within the framework set by both the mission statement and the corporate objectives.

The mission statement

The mission statement should lay down the long-term corporate aims and values and answer the following questions:

1. What business are we in?

2. What constitutes value to our shareholders employed?

3. Who are our customers?

4. How should the company conduct its business with regard to our customers, our employees, all other stakeholders, and the environment?

For a mission statement to work,

- ✓ it should be offered in a simplified form,
- ✓ have meaning for all employees
- ✓ and be in use continuously in the day-to-day running of the business.

Organization objectives

Organization objectives should be quantified over time (SMART) so that results can be monitored and controlled.(specific, measurable, achievable (agreed), realistic, time-based).

Marketing objectives

- ✓ -The marketing objectives are the overall performance targets for the whole of the marketing function and will tend to be set in terms of sales volumes, units, market share and profit, and should be SMART.
- ✓ -However, an organization will sometimes use **open or secondary objectives**. These objectives are less defined and not capable of clear measurement: ‘to create greater customer satisfaction’; ‘to develop more innovative products’; ‘to contribute to a safer environment.
- ✓ -An important function of the B2B marketing manager is to identify demand and forecast future sales potential and of course marketing objectives cannot be set without this taking place.

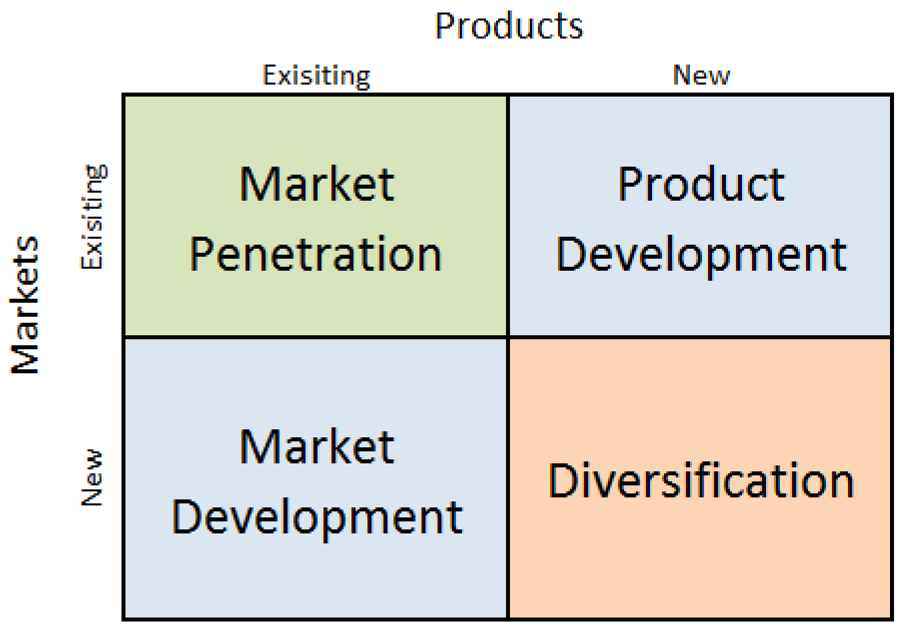
B2B marketing strategies

To choose the strategic marketing alternatives – must now be analyzed to find the most fruitful and productive methods by using Ansoff Matrix

Ansoff Matrix illustrates four different strategy options available for businesses. These are market penetration, product development, market development and diversification.

1-**Market penetration**. Market penetration refers to selling existing products to existing markets. This strategy will only be possible if there is market growth and/or one company is able to take sales from another. It tends to be more difficult to gain more market share in a B2B market than in a B2C because of limited buyers, existing loyalties and almost instant information being available on competitive movements.

Figure (4-4) Ansoff Matrix



2- **Product development**. This involves developing new products to sell to existing markets. B2B buyers will always welcome new solutions as long as they offer more productive ways of running a business.

3- **Market development**. Market development strategy is associated with finding new markets for existing products. This might be new customers, new usage or new geographical markets. The more ambitious B2B company will have salespeople scouring the world in search of market opportunities. The growth in the internet will have greatly helped this process.

4- **Diversification**. Diversification involves developing new products to sell to new markets. This might be considered the most risky because of the 'double' risk involved with developing both new products and new markets at the same time. The risk can be lessened in B2B markets by the development of strategic alliances and partnerships.

Criteria product and market models

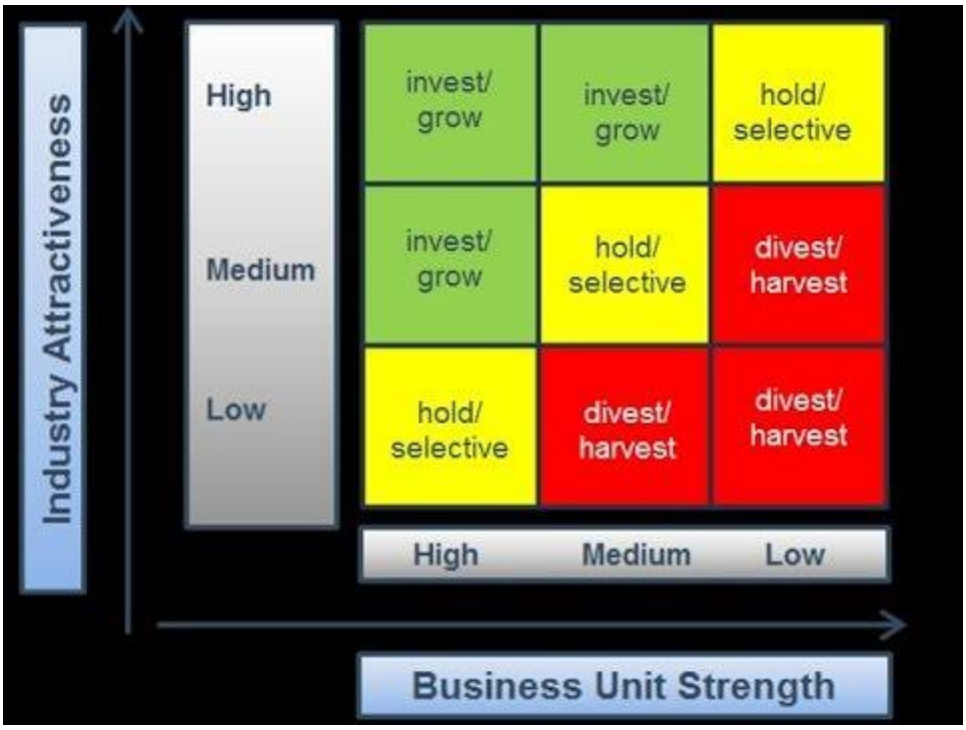
Many models exist to help formulate discussion and argument among senior managers when looking towards strategy analysis and choice which can be used in either B2B or B2C markets. These are

1-General Electric matrix

This is a 3×3 matrix (Figure 4-5) that attempts to put a measure on internal factors, under the heading of ‘competitive business strengths’, and external factors, under the heading of ‘market attractiveness’:

✓ Market attractiveness is measured and weighted under criteria such as ‘market growth rates’, ‘market size’, ‘competitor strength’, ‘sales and profit opportunities’, and so on.

✓ Competitive/business asset strength is measured and weighted under criteria such as ‘market share’, ‘customer base’, ‘alliances and distribution’, ‘access to technology’, and so on.Figure (4-5) General Electric Matrix



2-Shell matrix

Very similar to the GE matrix, the Shell matrix adopts the 3×3 matrix but uses ‘prospects for sector profitability’ on the horizontal axis (instead of market attractiveness) and ‘enterprise’s competitive capabilities’ (instead of competitive/ business strength) on the vertical axis.

3-Balanced scorecard approach

The balanced scorecard suggests that organization can be viewed from four perspectives and, to develop metrics, collect data and analyze it relative to each of these perspectives.

- ✓ Learning and growth perspective.
- ✓ Business growth perspective.
- ✓ Customer perspective.
- ✓ Financial perspective.

4-4-3 Strategic implementation: How are we going to get there?

The difficulties involved with the implementation of a B2B marketing plan are the following:

- ✓ Planning and attempting to look into the future will by its nature have a level of unpredictability.
- ✓ Making certain that all departments and divisions work together can be most difficult because of rivalry, confused and competing objectives, differences in culture and bad communications. This becomes even more of a problem when attempting to work with alliance partners.
- ✓ Poor information dispersion and communication systems.
- ✓ Inadequate skills and confused allocation of responsibilities.
- ✓ Lack of cohesive leadership and disagreements over priorities.
- ✓ Failure to have the right resources available when needed.
- ✓ Lack of adequate monitoring, feedback and control mechanisms.

4-5 Implementation process key elements

There are many elements that involved with the implementation process. These are:

(1)-Marketing tactical objectives: The overall marketing objectives need to be broken down into short-term objective, the tactical marketing objective.

(2)- Detailed target segment and organizational profile: This will consist of such facts as the number of organizations, their size, growth rate, product benefits wanted etc..

(3)- Timing: The tactical plan will be broken down into realistic and relevant time periods over the 12 months across all program areas, detailing clearly what needs to be done by whom and by when.

(4)- Allocation of responsibility: The managers who have to implement the plan must be adequately empowered and will need to have personal and interpersonal skills in organizing, garnering and allocating resources, monitoring progress, and communicating and interacting with others, both inside and outside the organization.

(5)- Detailed marketing mix planning

(6)- Budgeting: budgets are very important as it will determine what needs to be spent to achieve a certain level of sales.

(7)- The marketing control process: The numbers must be constantly monitored from the top of the organization down through all levels to the very smallest department or activity. Management must find ways of making this happen, even in cases where open and not closed objectives are used.

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Questions

Multiple choice questions:

1-…………… need to be examined carefully to determine if they are worth the investment required to grow market share.

A-dogs B-stars C-question mark D-cash cow

2- The overall marketing objectives need to be broken down into short-term objective.

A-tactical objectives B-strategic objectives C-operational objectives

3- ……………. refers to selling existing products to existing markets.

A-market development B-Market penetration

C-product development D-diversification

Essay questions:

1-identify the main aspects of strategic choice.

(Answer time 15 minutes paragraph 4-2-2)

2-write down the key principal of strategic decision.

(Answer time 15 minutes paragraph 4-1-1)

3-what are the main dimensions of balanced scorecard.

(Answer time 15 minutes paragraph 4-4-2)

4-identify the elements that involved with the strategy implementation process.

(Answer time 15 minutes paragraph 4-5)

Chapter five: Market research and competitive analysis

5-1 B2b market research concepts

Market research is the systematic collection and interpretation of specific data related to the resolution of a specific problem or to satisfy a specific objective.

Need to approach the research in a logical manner. Difference between good and bad research can depend on the quality of the inputs.

- ✓ Must be conducted in a systematic manner
- ✓ Involves a series of steps/processes

- ✓ Data may be available from different sources
- ✓ Research applies to any aspect of marketing that needs information
- ✓ Findings must be communicated to the appropriate decision maker

5-2 Key differences between B2C and B2B market research

There are major differences between the two fundamental types of research, including:

5-2-1 Respondent differences

1-B2B market research involves those who, in their capacity as owners or employees, are involved in decision making or operations on behalf of their company.

2- Respondents hard to reach. Experts or high-level executives are busy people who deal with a myriad of requests from different people on a daily basis.

3- Decision-making in B2B organizations doesn't rest solely on an individual but an entire body of individuals who use the same product differently.

4- Respondents can be quite geographically dispersed, and while this is no longer quite as much of a problem as it used to be now that the internet and online research have opened up.

5-2-2 Sample and sample size differences.

1- B2B product buyers are limited. This explains why a minimum of 50 interviews is the rule of thumb used to determine the reliability of a B2B market research, versus thousands in a B2C research.

2- Another key difference from consumer research is that in B2B work, a researcher might need to speak to more than one person in an organization in order to meet the research objectives.

3- Frequently, B2B research needs to employ ‘one to one’ personal interviewing techniques, as getting hold of the individuals who are relevant for samples is not easy, and such interviews recognize the contribution they can make.

5-2-3 Content differences

B2B research enquires into complex aspects like technology, markets, and the design and features of products. Hence, both the researcher and those contacting respondents must be fluent in the specialized language required to undertake the research.

5-3 Benefits of B2B Research

B2B market analysis helps businesses in many ways. Changes in industries, markets, and the economy and even in society can significantly impact organizations from year-to-year. Main benefits are as follows:

1. Understanding the market awareness and perception of your business by customers and prospects
2. Determining if your customers are familiar with your primary products or services
3. Mapping your B2B marketplace and understanding your competitors Clearly defining what sets you apart
4. Determining how and where customers find you
5. Finding out how important price is to your B2B buyers
6. Understanding what keeps clients coming back
7. Gaining vision into opportunities which are around the corner in your industry
8. Tuning your marketing content to resonate with what buyers are searching for uncovering your strengths and weaknesses
9. Finding out how your pricing compares to the competition
10. Discovering whether there is demand for your new product or service
11. Identifying emerging trends in your industry or marketplace

12. Developing key topics for digital content marketing strategy to engage your buyers and build your authority.
13. Identifying whether your ideas about your company match what the public thinks about you
14. Finding out why your customers chose you over a B2B competitor

5-4 Types of research

Marketing research can be classified into

1- Exploratory research.

Research designed to ascertain context and possible relationships. It's used as a first assessment of potential in a market or markets for product concepts, strategic opportunity definition, pricing iterations, channel modifications and communications messages and channels.

2- Conclusive research.

Research designed to confirm preliminary findings, often with more of a quantitative approach. This allows the marketer to make more definitive decisions, but presupposes that data can be collected in a timely and cost effective manner and that the data are a valid representation of the market or customer reactions to marketing variable. These data may be so expensive to obtain or so invalid, that the marketer may design the marketing program based on exploratory research. The design would then allow the constant collection of data that would indicate how well the market is responding and would further allow the adjustment of strategy and tactics as this "conclusive" information is collected and interpreted.

3 -Performance monitoring (routine feedback) research.

Monitoring research is the way in which comparisons can be made between what was planned and what actually happened. Not only should marketing mix variables and the salient variables of the environment be subjected to careful evaluation, but also such measures as sales, market share, profit and ROI.

5-5 B2b marketing research process

B2b marketing research goes through the following steps:

stage1-defines the problem and research objectives

Clearly, the most important aspect of marketing process research is the accurate definition of the problem. This is the step which causes the most problems and can lead a firm down expensive results.

Most of the time, organizations only become aware of a problem after its effects become apparent (e.g. quality issues, performance gaps, work-related accidents, environmental damage, etc.). b2b research uses both external respondents and internal respondents in order to clarify the opportunity or problem in the market.

Research using external respondents

Most research is done with respondents who are external to the client company and covers the following issues:

1- Decision making. What are the key criteria used by customers or potential customers for decisions?

2- Market sizing and assessment. How big is the potential for a product? What share could the firm aim for? Which markets or regions are ready for a product or service?

3- Products and services. Where are there gaps (if any)? Are there any opportunities for innovation, new products or service ideas, or new applications?.

4- **Performance assessment and tracking**. How well the products or services performing are (compared with last year, or compared with others in the field)?

5- Marketing and communications. What are the key messages that underpin a company or a company's products? How best can these be advertised and communicated to the business audience?

6- Branding and corporate reputation. How is the company perceived?

How does this differ across groups in the customer base, across stakeholders, or with opinion formers?

7-Segmentation. How can the customer base be segmented into different types? What are the needs of the different segments?

Research using internal respondents

1- Quality assurance/productivity studies. How do staffs perceive the operations/the problems/opportunities for improvement? What improvements can they suggest? How can internal systems be improved to give a better experience for the customer?

2- Employee research/climate studies. This gauges employees' satisfaction with the company, their division or their jobs. It looks at staff morale, suggestions, or readiness to embrace change.

Stage 2: develop research design

Source of data: data can be divided into secondary data and primary data.

Secondary data: *Secondary data are defined as those which have already been developed for some other purpose*. These data are available from many sources, including governments, trade associations, and publications.

The disadvantage of secondary sources may be not giving a full and accurate picture. To begin with, secondary data are often out-of-date. It is often unclear how the data were collected and whether the respondents were relevant to the problem faced by the researcher. Especially using Internet sources, it would be wise to have several independent sources of information giving the same relative answer before proceeding confidently.

Primary data: *The Collection of data directly from respondents in the population in question. The marketer determines what data needs to be collected and sets out to obtain it.*

There are three major ways to develop primary data: through surveys, observation, or experimentation.

Survey: In business marketing, personal interviews are often used for determining customer requirements or to forecast future needs of key customers. Where questions are complex, personal interviews are often the best method.

There are many tools to use in survey. These are:

1-**personnal interview**: the main advantages are:

- ✓ -Ask complex questions
- ✓ Show/demonstrate product or concept
- ✓ Get qualitative (why)answers
- ✓ High response rate

The main disadvantages are:

- ✓ Most costly method
- ✓ The most time-consuming method
- ✓ Risk of interviewer bias
- ✓ Results usually not projectable to entire market

2-focus group: If respondents are geographically concentrated, it can be less costly to conduct focus groups with five to ten individuals. Focus groups are best used with respondents who identify more readily with their profession than with their employer.

Focus groups main advantages are:

1- Less costly per respondent than personal interviews

2- Focus groups allow for the gathering of a great deal of information in a limited amount of time.

3- Ability to obtain answers to probing questions that get to the heart of a customer's thinking process.

4- In addition, focus groups often give researchers special insight into the influence others have on the decision making processes of all the members of the buying center.

The disadvantages of focus groups are:

a- Relatively costly, though less per respondent than personal interviews

b- Possible moderator bias

c- Dominance by on e /few respondents

d- Relatively time-consuming

e- Usually not projectable to entire market

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3-telphone survey: Telephone surveys are frequently used to get information from business respondents. When respondents are easy to identify and reach by phone. Main advantages

1- Lower cost than personal interviews or focus groups

2- Fast

3- Projectable with large enough sample

Disadvantages of telephone survey are

1-Limits types and length of questions

2- Possible interviewer bias

3- Possible misinterpretation of respondent

4- Inability to show concept or demonstrate product

4-mail survey: Mail surveys are the least expensive market research approach. Just about any respondent is a possible target for mail research and this method can completely eliminate interviewer bias. The major disadvantages to mail surveys are the low response rate and the complete lack of control over who actually responds.

5-internet survey: The Internet is being widely used for both surveys and focus groups. The **major advantages of** using the Internet in this way are speed and low cost .The ability to show some products or advertising or software to respondents is an advantage for the Internet approach. However, **there are some disadvantages**.

a) Possible invalid sample
b) Control of qualified respondents
c) Need to recruit and pay respondents

6-internet focus group: the main advantages are:

- ✓ -may be lower cost than traditional focus groups
- ✓ Faster than traditional focus groups
- ✓ ability to show some concepts or products

The main disadvantages are:

- ✓ Control of qualified respondents
- ✓ Lack of face-to-face interaction

Observation: Observation simply means “watching” either users or decision makers. A business to business firm might, for instance, use time-lapse photography in a factory to determine how workers use a color measuring device in a production line. Some firms have also been known to observe the number of containers flowing out of a competitor’s factory to measure their sales rate.

Experimentation: Experimentation is not often used in business to business research. It involves developing matched sets of respondents and varying stimuli to each to determine what reactions might be obtained. This method is more often used in consumer market research. Test marketing is probably the main way in which experimentation might be used in B2B research, but asking selected customers to use a product for a trial period is also a possibility, particularly when a close relationship exists between the firm and its customers.

B2b sampling

A key part of gaining usable answers from research is developing the proper sample. In business markets, the number of individuals is usually limited. In addition, Pareto’s Law often applies (simply put, about 80 percent of the results come from about 20 percent of the entities). So, in many markets a handful of corporations will buy most of the product.

Because of this, marketers use stratified random sampling where a specific subset of potential respondents is selected and then specific respondents are chosen by chance from this subset. In some markets there are so few potential respondents who may purchase the product that a 100 percent review of the population is possible. Stratification of a sample, or 'quota sampling', is useful and may be applied where there are different categories of respondents within the overall population that must be interviewed.

Selection of sample size

There are many factors will influence the decision of how large a sample should be, including:

1-population size. For example, if there are only 10 major suppliers of the market, it is useful interviewing these 10 respondents is what will be required.

2-the important research result decision.

3- The type of research being conducted.

4- How accurate (or predictive) the final data must be.

5- Budgetary limitations.

Questionnaire development

Design a good questions require the following.

First, questions should be placed in a logical order, with the most sensitive questions at the end of the questionnaire.

Second, all questions should meet the research objectives

Third, open-ended questions are best for focus groups and personal interviews because they start discussion and lead to explanation by the respondent. For telephone and mail surveys, closed-ended questions are best.

Fourth, Avoid double-barreled questions, that is, questions that ask for two answers at the same time. Such as "have you bought electronic equipment from us and are you satisfied" might be answered yes.

Fifth, Do not use wording that the respondent may not know. Frequently respondents are not familiar with the terminology the manufacturer considers quite basic. Rather than admit ignorance, respondents will often give answers which are completely misleading or uninformed.

Sixth, Provide convincing introduction which tells the respondent why they should help the researcher gather the information needed. In some cases, respondents may be promised a summary of the results. If this isn't possible, simply stating that results will be used to help improve service can be effective.

Stage three: data analysis

The steps in the analysis of data are as follows:

1 -Put the data in order by

-Editing involves, for example, checking the questionnaire to ensure that all the questions have been answered and that the respondent has given unambiguous answers.

-Coding involves the assignation of a number, usually to each particular response for each question.

-Tabulation involves arranging the data such that their significance may be appreciated; data are placed into appropriate categories which are relevant to the research objectives.

2- Make a survey of the data

Unprocessed data need to be transformed. The most common way to compress data is to calculate the data's central tendency: mean median or mode. Other measures of central tendency include such measures of dispersion or range, variance and standard deviation.

3-Select an appropriate method of analysis

Results may be analyzed using available software programs which describe data or help to develop forecasts. Significance tests (t-tests) are extremely important in determining how likely it is that the results from the sample represent the opinions and beliefs of the entire population.

Stage four: presentation of the finding

The final step is to present the findings. In most cases, a firm will request a written report as well as an oral presentation. The advent of the Internet and presentation software allows a firm to receive electronic copies of the written report and to view a presentation electronically which can then be used for further presentation within the firm.

5-6 Competitive analysis

In today's increasingly competitive market, it is no longer enough to understand customers for a firm to succeed. Firms must pay close attention to their competition. They need to constantly compare their products, prices, channels and promotional efforts with their close competitors, to identify areas of competitive advantage and disadvantage.

Organizations in B2B should study and investigate the market from different perspectives. Here are some ideas of the factors to be evaluated:

financial factors (turnover, profits, margin, year-on-year evolution); **geographical factors** (territories served, specificity of your market and adaptation to it); **customer satisfaction factors** (is the customer satisfied by your competitors' products/services? how do your competitors respond to customers' "pain points"?); **commercial factors** (price levels, flexibility, speed of commercial response, size of the commercial force on the national market). To determine these factors, do not hesitate to brainstorm with someone who knows the market well. Expert, indeed, even if you can find a lot of factual information online (mainly figures, but also opinions), the point of view of an expert can only be better translated in a discussion. It will also be an opportunity by establishing a relationship of trust to obtain information that might not have been made public.

The study of your competitors can be completed by an overall view using one of the many existing analysis schemes, for example, Porter's 5 forces.

The five forces are:

1. **Supplier power**. An assessment of how easy it is for suppliers to drive up prices. This is driven by the: number of suppliers of each essential input; uniqueness of their product or service; relative size and strength of the supplier; and cost of switching from one supplier to another.

2. **Buyer power**. An assessment of how easy it is for buyers to drive prices down. This is driven by the: number of buyers in the market; importance of each individual buyer to the organization; and cost to the buyer of switching from one supplier to another. If a business has just a few powerful buyers, they are often able to dictate terms.

3. **Competitive rivalry**. The main driver is the number and capability of competitors in the market. Many competitors, offering undifferentiated products and services, will reduce market attractiveness.

4. **Threat of substitution**. Where close substitute products exist in a market, it increases the likelihood of customers switching to alternatives in response to price increases. This reduces both the power of suppliers and the attractiveness of the market.

5. Threat of new entry. Profitable markets attract new entrants, which erodes profitability. Unless incumbents have strong and durable barriers to entry, for example, patents, economies of scale, capital requirements or government policies, then profitability will decline to a competitive rate.

Arguably, regulation, taxation and trade policies make government a sixth force for many industries.

Conclusion:

The concentration of this chapter was on identifying the main steps in B2B business research process including, data collection methods, research strategy employed, research design, sampling, data analysis and report writing, and also includes the competitive analyzing using porter forces.

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Questions

Multiple choice questions:

1- Research designed to confirm preliminary findings, often with more of a quantitative approach.

A-exploratory research B-conclusive research C-feedback research

2- Involves the assignation of a number, usually to each particular response for each question.

A-coding B-editing C-tabulation D-encoding

3-The Collection of data directly from respondents in the population .

A-primary data B-secondary data C-survey D-case study

4-is the systematic collection and interpretation of specific data related to the resolution of a specific problem or to satisfy a specific objective.

A-market planning B-market research C-market positioning

D-market information.

Essay questions:

1-identify the porter five forces?

(Answer time 15 minutes paragraph 5-5)

2-write down the benefits of B2B research

(Answer time 15 minutes paragraph 5-3)

3-explain briefly the main types of research

(Answer time 15 minutes paragraph 5-4)

4-identify the main steps ofB2B research process

(Answer time 15 minutes paragraph 5-5)

Chapter six: business market segmentation

6-1 B2b market segmentation concept and importance

"In business-to-business marketing, segments are clusters of firms that are distinct from others in terms of what they need and buy as well as how they buy."

6-1-1 Importance of b2b market segmentation

The benefits of market segmentation in your B2B marketing efforts are as the following:

- ✓ Clearly identify disparate customer needs.
- ✓ Plan strategic and tactical approaches that match each and every customer need.
- ✓ Develop a portfolio of products and services that match customer needs.
- ✓ Focus management and worker attention across every department on customers' needs.
- ✓ Build and maintain competitive advantage.
- ✓ Give continuous superior customer satisfaction.
- ✓ Identify new opportunities in existing markets.
- ✓ Identify new opportunities in non-served markets.
- ✓ Help bring sales, profits and organizational success.
- ✓ Prepare all company members for the likelihood of change.
- ✓ Overall, make the company more competitive.

6-2 Effective segmentation requirements

Not all identified segments will be acceptable as marketing propositions for various different reasons.

1-Match the objectives of the organization

All organizations will want to identify markets that match their mission and their marketing objectives. They will want to find market segments that match products and service capabilities already at some stage of definition. They might also want to identify markets that fit marketing strengths in such areas as technology, people skills, distribution capabilities, and sales and promotional potency.

2-Large enough to be profitable

To be attractive to an organization, the identified market segment must be large enough to be profitable. For example, there may be demand for a product or service but insufficient money available to pay, e.g. computer equipment in an underdeveloped country.

3-Market measurement

When a company is looking at potential markets it must be able to measure the size of the various customer groups and assess what the possible demand might be in each segment.

4-Resource capabilities

An organization will also have finite resources depending on its size and asset base. Segment opportunities may be identified but the company is unable to take advantage because of resource limitations.

5-Accessibility

A market segment may be accessible if it can be effectively reached and served. It should be possible to exploit well the potential of the market segment if it is possible to effectively promote and distribute the products in that segment.

6-Ethical, legal and moral perspective

An increasing constraint for many organizations is one that has some form of moral dimension involved. The corporate mission statement or declaration may spell out the manner in which the organization intends to run its business and so constrain it from expanding into selected areas. Ethical and legal constraints may restrict marketing and advertising in other areas, including selling and advertising alcohol and cigarettes to children and drugs for other than medical or industrial use.

7-Differentiable segments

The segments should be distinguishable and should respond differently to separate marketing plans or strategies. For example, if public sector and private sector organizations respond similarly to the relevant set of marketing strategies, then it does not make sense to regard them as different segments.

6-3 Segmentation methods in business-to-business markets

There are two main groups of variables used to segment B2B markets. These are macro segmentation and micro segmentation

Macro segmentation variables

Macro segmentation *uses factors that distinguish one sector from another, one industry from another and one type of organization from another.*

Micro segmentation *looks at the process involved with the purchasing decision and the behavior of those involved in making these decisions.*

6-3-1 Macro segmentation

1. **Industrial and/or consumer markets**

Almost the first decision that has to be made is whether the organization wants to operate in both the consumer and business sectors. Some companies operate in both markets while others choose to market in one or the other. For example, IBM makes computer systems for both B2B and retail. Marketers may wish to subdivide individual industries. For example, although financial services are in a sense a single industry, commercial banks, insurance companies, stock brokerage houses, and savings and loan associations all differ dramatically. Standard Industrial Classification (SIC) codes are often used to get an initial feel for the size of various markets. This enables governments to undertake research and so build a database of information on how different industries are managing and whether they are growing or declining, under the direction of government economic and social policy.

2. Geographic segmentation

Targeting by geographic location is one of the more common methods used to segment B2B markets. In some cases the decision will be self-evident where industries are concentrated in certain areas, e.g. Silicon Valley in California or the car industry in Sunderland However, the use of the Internet and websites means that location need not always be an important factor.

Density: Companies in the same industry often cluster together in a geographic area for many reasons:

- ✓ The infrastructure favors the movement of goods and services; an example is companies clustering around the M25 London ring road.
- ✓ A large company moves in and smaller companies follow to get the benefit of buying and selling nearby.

3. Manufacturing, service or agricultural industries

-Segmenting by the service industries into, financial services, leisure services, legal services, travel services, communication services …etc.

-Segmenting by the manufacturing industries into, food and Kindred Products, tobacco manufacturing, textile mill Products, apparel and other textile products, furniture and fixtures, chemicals and allied products, petroleum and coal products….etc.

4. Segmenting by public, private or not-for-profit sectors

- ✓ Public – government, institutions, departments, non-governmental agencies.
- ✓ Private – small, medium and large companies; PLCs, partnerships, sole traders.
- ✓ Not-for-profit – charities, associations, mutual societies.

5-Segmenting by company size

By segmenting organizations by size it is possible to identify particular buying requirements. Large organizations may have particular delivery or design needs, while purchasing activities in smaller organizations may be heavily influenced by key individuals, such as owners or managing directors.

6. Segmenting by products and services offered

B2b can be divided into three categories

A-users: User customers in the business or consumer market purchase such products as automated manufacturing systems, computer systems, photocopiers, and so on.

b-Original equipment manufacturers: Original equipment manufacturers purchase industrial products to incorporate into their products that are then sold on to business or consumer markets.

c-Dealers or distributors: Dealers or distributors purchase industrial goods to sell on to users.

6-3-2 Micro segmentation

Micro segmentation is a homogenous group of customers within the macro segment. While macro segmentation is based on the general overall characteristics of the buyers, micro segmentation is based on the behavioral characteristics of the buyers.

6-3-2-1-Segmenting B2B by organization buying behavior

Below are some of the major forms of business behavior such as:

1-users history:

Heavy users: It should be obvious that loyal and large spending customers should be targeted through the use of some form of customer relationship management scheme.

2-**buying approaches (policy):** this includes whether a customer has a **centralized or decentralized** approach to purchasing will also dictate segmentation strategy. If it has a policy of centralized buying then all sales approaches will have to be through head office. Conversely, if the policy is one of decentralized buying then separate sales approaches will need to be made to all purchasing divisions. Another policy in this context to include **single source or multiple source users** as matter of policy some firms will buy from more than one company while others might only buy from one. A supplier will want to persuade the multiple source customers always to buy from his or her organization, while the single source customer should be rewarded for continuous loyalty.

3-**relationships nature**: there are two types of business relationships

First: **partnering and non-partnering relationships.** This may be by formal partnerships, joint ventures and strategic alliances or through more informal verbal agreements based on nothing more than a handshake.

Second: **reciprocal relationships**: businesses are often both sellers as well as buyers of products and services. This leads to the reciprocal arrangements where one company will buy from another on the understanding that the seller will then buy its products.

4-Repeat purchaser and one- off buyer

Repeat purchasers will buy the same products and services on a regular basis. While, One-off buyers will usually purchase infrequently and each transaction will terminate and only reactivate if a future need arises.

5-Payment record

Organizations will sometimes have different payment reputations, including those that pay within the standard allocated time for the industry, e.g. 30 days, those that demand extra payment time as part of the deal. Trade organizations exist to credit rate business organizations by a payment risk element.

6-3-2-2-Segmenting by group and individual buying behavior

It can be divide the process under the following headings:

1- Characteristics of purchasing situation

This related to issues like:

1- **Type of purchase being made**, might be a new purchase, and the risk associated with a product never bought before; a modified repurchase or a simple repurchase.

2- Purchasing stage in the decision-making process, Many buying situations can take a very long time before a decision is made and the contract signed.

3- Purchasing criteria as Many organizations, particularly in the public sector, will have purchasing criteria based on supplier reputation, product quality, product availability (often insisting on a quality mark such as ISO 9000), and full service benefits.

4 -Purchasing policies as all companies will have buying policies related to such areas as leasing, rental, price setting, price negotiation and method of payment.

5- Value in use as some organizations are more concerned about added ‘value in use’ in the form of after-sales service, technical support and supply continuity.

6- Decision making unit :An organization’s decision making unit may have specific requirements that influence their purchase decisions in a particular market. There may be policy factors, purchasing strategies, a level of importance attached to these types of purchases, attitudes towards vendors and toward risk, all or some of which may help separate groups of organizations for whom particular marketing programs can be developed/refined and delivered.

2-Individual buyer characteristics.

The following individual buyer factors might need to be considered by the B2B supplier marketing department and the sales team at the micro level:

- ✓ Ambition – high, medium, low, politically (in the business sense) active.
- ✓ Personality – sense of humor, aggressive, non-assertive, and moody.
- ✓ Experience – new to the job, been in the business for years.
- ✓ Attitudes – towards own company and supplier: like, dislike, indifferent.
- ✓ Lifestyle – outgoing, serious, conservative, work driven.

- ✓ Self-image – confident, at ease, insecure, unsettled, need to impress.
- ✓ Risk tolerance – high, medium, low.
- ✓ Decision-making style – consistent, conservative, aggressive, slow, quick.
- ✓ Cognitive style – knowledgeable, quick thinker, slow thinker, interactive.
- ✓ Job responsibility – high, medium, low levels of decision-making responsibility.

6-4 Barriers to segmentation

Dibb and Simkin (2001) point out that one of the major problems associated with segmentation in B2B markets is a failure of businesses to implement segmentation plans. They suggest that there are three main reasons for this failure.

1-**Infrastructure barriers**. These concern the culture, structure and resources which prevent the segmentation process starting. For example, there may be a lack of financial resources to collect market data or a culture that is rigidly product-orientated.

2-**Process issues**: concern the lack of experience, guidance and expertise concerning the way in which segmentation is undertaken and managed. There is little information at both academic and practical levels to help managers with the processes involved with segmentation.

3-**Implementation barriers** concern the way in which an organization can move towards a new segmentation model.

6-5 Market targeting

Once the segmentation process is nearly complete, the firm must choose the target market segments it wishes to serve. A **target market** *is a set of buyers with common characteristics which a company decides to serve*.

To decide on which market segments to target, a firm would decide

a- whether a segment is attractive (table 6-1)below

b- whether the firm has the resources to serve that segment,

c- and whether serving that segment fits with the company's overall objectives.

The main factors in assessing segment attractiveness are:

- ✓ Market Attractiveness–size and growth of the segment; profit potential in the segment.
- ✓ Competitive Attractiveness–number, strength and relative advantage of potential competitors vying for the segment.
- ✓ Channel Attractiveness–accessibility of the segment through channels; power position of the potential channel members.
- ✓ Internal Attractiveness—Playing to Your Strengths–matches well with capabilities and cost structure
- ✓ Attractiveness–Other considerations

Table (6-1) Segment Attractiveness for Hypothetical Example

Attributes	Segments			
Scores on 5-point scale*	Segment 1: Major Turnaround	Segment 2: Stopping Deterioration	Segment 3: Competitive Improvement	Segment 4: Specific Area Improvement
Potential size year 2010 (in $million)	2 $195.0	3 $390.0	4 $585.0	4 $975.0
Growth, percent increase by 2012	4 100%	4 100%	1 50%	5 150%
Need strength	5	4	3.5	3.5 (High variance)
Competitive strength	3	3	4	3 (High variance)
Channel reach	5	5	5	5
Communications reach	4	4	4	4
Capability fit	2	5	5	2
Price sensitivity	2	3	4	3
Overall attractiveness (sum of attribute scores)	27	31	30.5	29.5

6-6 Target Market Strategies

There are three broad strategies which an industrial organization can adopt. These are:

6-6-1 Undifferentiated marketing

The undifferentiated marketing strategy is characterized by market aggression. It treats the whole market as a single unit and they try to tap the entire market with a single marketing strategy.

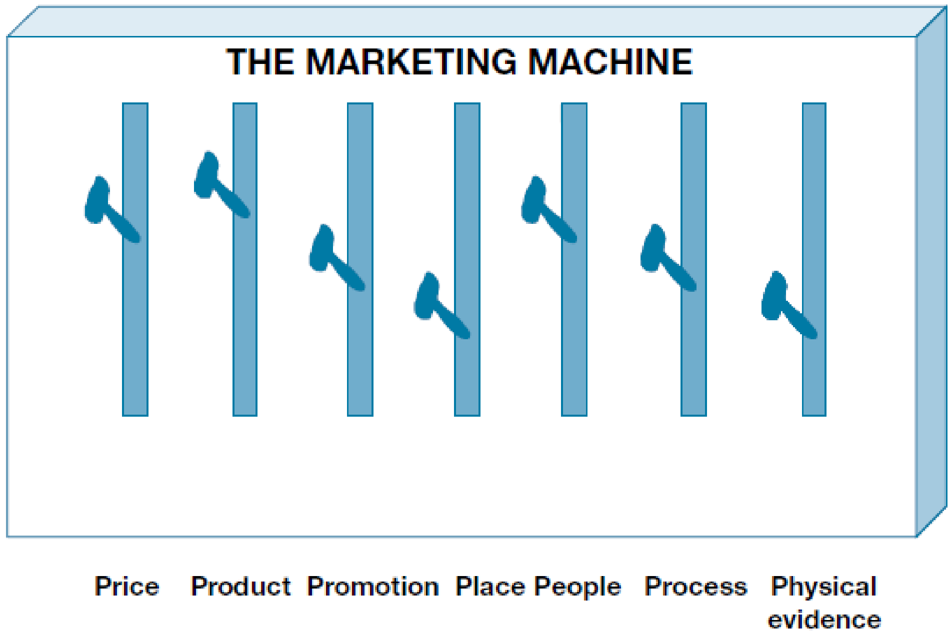
The marketers may be using this strategy due to the standardized products or services sold to a market. Another case is found most often in the earliest stages of a product lifecycle when undifferentiated product will be accepted by customers because there is no other choice. The main advantage of this strategy that it keeps down the total cost including advertising, marketing research, inventory and production. However, the disadvantage of such companies is not in a position to build up higher sales in case the competitors follow a differentiated marketing strategy.

6-6-2 Differentiated marketing

It designs specific marketing mixes to serve each segment. Obviously, differentiated marketing costs more than undifferentiated marketing and can only be justified when the results outweigh the cost. The easiest way to picture differentiated marketing is to conceive of the marketing machine as shown in Figure (6-1) below.

In this machine, each lever represents one of the 7 Ps. In using differentiated marketing, these levers would be set to best satisfy a particular segment. For the next segment, the levers would be set differently. However, it is important to remember that not all levers have to be changed to serve each segment. In many cases the same product, price, and promotion, etc. may serve two different segments where the only variation required is distribution or service (included under place).

Figure (6-1)



Making different marketing strategies for different target markets increases overall costs since product development, promotional cost, production and administration cost may be separate for each segment. However, the company achieves its objective of higher sales volume and a better position in the chosen market segments.

6-6-3 Concentrated marketing

In the simplest case, a single segment forms the target market of a company and all marketing efforts are concentrated on this segment. It is similar to the focus strategy. This strategy is normally done by a company whose resources are limited. The idea is to build a dominant position in that segment. For example, a firm manufacturing highly sensitive, low-light level television camera focuses its efforts on industrial applications such as unauthorized entry or pilferage. Here again, the marketing machine must be carefully set to serve the specific segment(s) chosen. This is perhaps the most risky targeting strategy since the possibility exists that the segment may experience economic difficulties, or chooses to use a substitute product. Firms using the concentration strategy must be vigilant about the possibility of new segments evolving.

6-7 Positioning

Positioning takes place in the minds of the buyers in the target market. According to Ries and Trout (2001) it is not what you do to a product that matters, it is what you do to the mind of the prospect that is important. This is an important aspect of the positioning concept. Positioning is not about the product but what the buyer thinks about the product or organization. It is not the physical nature of the product that is important for positioning, but how the product is perceived that matters. Therefore, positioning can be defined as

"The distinct place a product or service occupies in the minds of target customers relative to competing products."

Positioning strategy is applied to consumer markets but the principle is the same in business marketing. The difference between the two lies in the types of messages conveyed and the balance of the promotional mix used to deliver the positioning messages. Messages in B2B markets are rational and product-orientated, with the emphasis on personal selling and increasingly on direct marketing.

Business-to-business positioning has developed for two main reasons:

1- Increase in competitive market conditions, where there is now little compositional, material or even structural difference between the products offered by many organizations.
2- Increase pressure to reduce costs and improve margins over the short term.

6-7-1 positining strategies

There are two main approaches to positioning a brand, these are:

Functional positioning functionally positioned brands stress the features and benefit of the product. For example delivering on time. In this strategy marketers have to focus on delivering rational messages.

Expressive (or symbolic) positioning: emphasizes the ego, social and hedonic satisfactions that a brand can bring for example doing business with nice people. In this case marketers have to deliver emotional messages.

6-7-2 positioning tactics

There are many approaches in reality to adopt in b2b positioning strategy. These are as the following:

a- Product features

For example, a product's superior durability, strength or design features are often used to provide customers with a means of differentiating various product offerings.

b- Price/quality

This strategy is more effectively managed than others because price itself can be a strong communicator of quality. A high price denotes high quality, just as a low price can deceive buyers into thinking a product to be of low quality and poor value.

c- Benefit

By turning the feature into a benefit, the focus moves from the product to the customer and their needs. For example, many high technology companies and software vendors position themselves in terms of the benefits provided by their solutions to customer problems.

These might be lower costs, quicker order processing, less wastage, more satisfied customers, and higher levels of service or improved profitability.

d- Experience, depth of knowledge and corporate reputation

Many organizations attempt to position themselves on the grounds of their expertise, leading technical capabilities and, in some cases, the length of their corporate history. Hewlett Packard positions themselves on their ability to be innovative and to bring their customers leading-edge technologies. These types of positions are used by organizations to convey quality, experience and depth of knowledge, to reduce risk and increase trust and credibility.

Conclusion:

At the end of this chapter, it is important to note that segmentation is a very important tool for management decision making. Therefore, this chapter explains deeply these issues regarding the objective of business market segmentation and showed the differences between B2B segmentation and B2C segmentation in addition to state the importance of positioning strategies.

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Questions

Multiple choice questions:

1-use factors that distinguish one sector from another, one industry from another and one type of organization from another.

A-micro segmentation B-macro segmentation C-positioning

2-the distinct place a product or service occupies in the minds of target customers relative to competing products.

A-positioning B-segmentation C-targeting D-quality

3-It treats the whole market as a single unit and they try to tap the entire market with a single marketing strategy.

A-differentiated marketing B-undifferentiated marketing

C-concentrated marketing C-niche marketing

4-is a set of buyers with common characteristics which a company decides to serve.

A-positioning B-segmentation C-Target market

D-potential customer

Essay questions:

1-identify the main barriers to segmentation?

(Answer time 15 minutes paragraph 6-4)

2-write down the importance of B2B market segmentation

(Answer time 15 minutes paragraph 6-1-1)

3-mention effective market segmentation requirements

(Answer time 15 minutes paragraph 6-2)

4-identify target market strategies

(Answer time 15 minutes paragraph 6-6)

Chapter 7: Developing products/services strategies in business-to-business marketing

7-1 B2B product definition

A B2B product can *be anything that satisfies a need or want in exchange for some form of payment offered to the organizational customer for its own use or to be sold on to another organization for its own use.*

Business products contribute significantly to customers' perception and evaluation of a supplier's competitive stance. However, products are more than just the pure physical form and utility they outwardly present. Products have two main types of attribute – tangible and intangible as figure (7-1) shows:

The tangible (or physical) attributes, consist of two elements, core and augmented.

Core attributes: These are the basic features which describe the simple capabilities of the product. These are generic to all product offerings in the market.

Augmented attributes: These are features added to the core attributes, which either provide extra facilities and performance opportunities or provide marks to distinguish and differentiate the basic product from competitive offerings. For example, packaging, brand names and logos, quality achievements and fittings and attachments.

Intangible (support services): Additional elements that are provided to improve the atmosphere that surrounds a product. Technical service and support, financial services, warranties and delivery serve to embellish products and assist differentiation.

7-2 Product life cycle and marketing strategies (PLC)

Products have been likened to living organisms. They are introduced to the market or have a birth. Then they grow (in sales), mature, and at some point, die out. This cycle of development, introduction, growth, maturity, and decline in sales is called the product life cycle (PLC) and is illustrated in Exhibit 7-2.

Figure (7-1) the total product

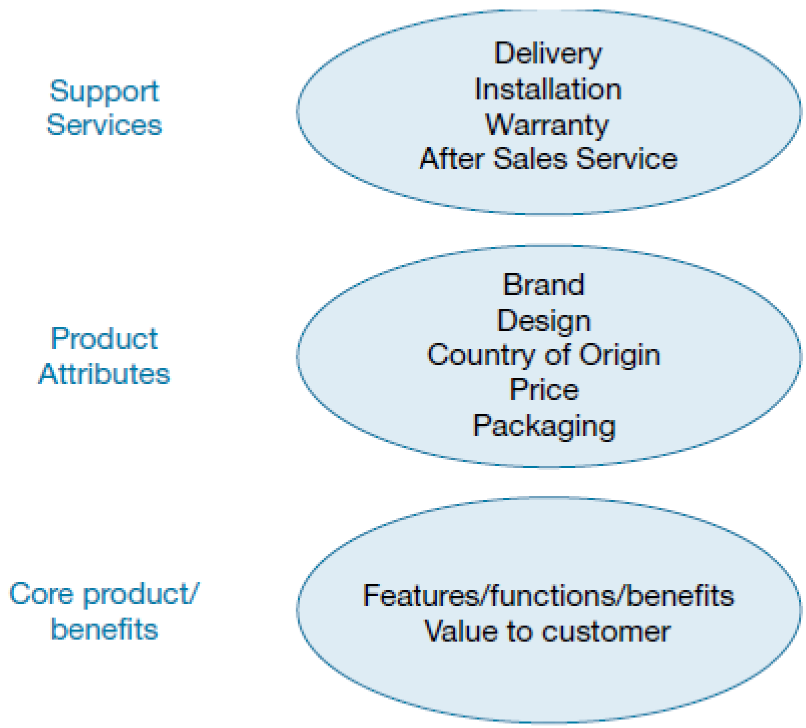
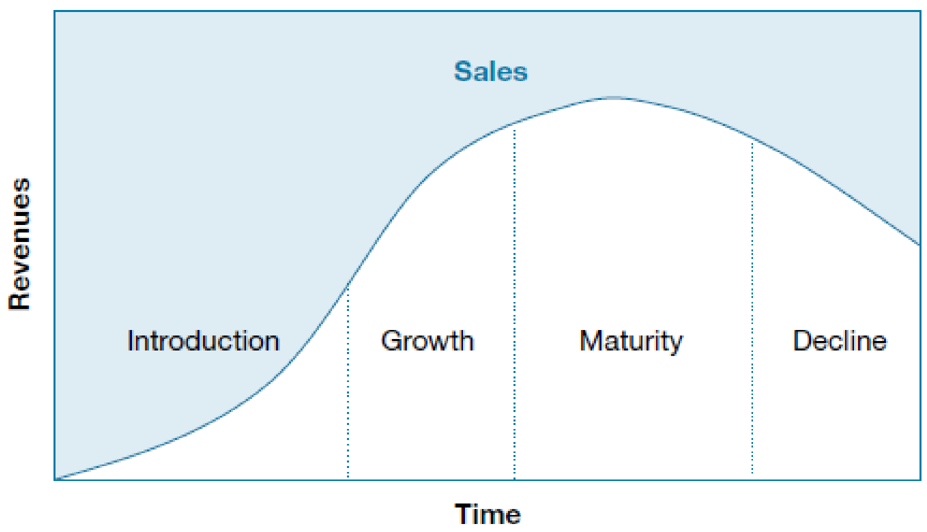


Figure (7-2) product lifecycle



We are not going to talk about the **development stage** in great detail until later in this chapter, but it is important to recognize that products have a development stage, that stage in the product's life when it is designed and readied for market. Some products are never brought to market simply because someone else gets there first or leapfrogs.

A product is leapfrogged when a competitor brings out a product that is at least one step better technologically.

7-2-1 product developed stage

The main features of this stage would be:

A-No sales volume

B-Product is not yet completely defined

C-Profits do not exist

D-Price/value are being determined

E-Promotion may be oriented towards publicity about technological developments

F-Heavy investment to prepare the offering that satisfies customer needs.

7-2-2 introduction stage

At this stage there are many features and marketing implications:

a) Low sales volumes as business customers are unaware of the new products.
b) Product is somewhat basic with very few product variations
c) Profits are typically negative because of the low sales and heavy investment in developing the new product.

d) This stage requires marketers to educate buyers (and channel members) as to the function of the product. Primary demand, or demand for that type of product, must be created.

e) Creating primary demand and educating the market can require a tremendous communication investment in advertising, trade shows, free samples or trials, and other marketing elements.

f) Pricing can be high to regain large investments (skimming) or low to establish market share (penetration).

g) With radically new products the supplier will have developed a new supply chain. During this period the supplier will experience a settling down period as organizations in the supply chain adapt to the new processes and procedures.

7-2-3 growth stage

a) Increased demand boosts sales, which together with profits start to increase quickly and the overall market expands rapidly.

b) Competition against an innovative product is most likely to enter the market in this stage.

c) Organizations need to clearly differentiate their products. This normally involves developing particular attributes and offering a package of support facilities that provides greater value than that claimed by new (later) entrants.

d) Significant marketing investment may still be required in order to create a position for the product separate from others in the market.

e) Pricing strategy should be built to respond to new competitors who come into the market despite adopting a skimming or penetration pricing strategies.

f) Forming strategic alliances in order to increase the marketing channels performance.

g) More investing in Promotion not just for convincing customer to buy the product but to establish the benefits of one particular brand versus another.

7-2-4 maturity stage

a) Demand continues to improve but at a decreasing rate. Most potential buyers have adopted the product and soon sales reach their highest point before starting to slow.

b) At this stage, prices are set by the interplay between suppliers as a result of increased completion and mature markets.

c) In the maturity stage, product differentiation is even more important. With little or no product differentiation, price becomes more important, and companies try to reduce costs.

d) One way to develop or refine value is to further segment the market and to find ways of differentiating the product more clearly by trying to support mature business products with more services or create images of differentiation through effective advertising and trade show promotion.

e) Promotion focuses on persuading and reminding customers, stressing the differences between brands.

f) New customers do not replace sales volumes as old customers move to newer products

7-2-5 decline stage

a) Consolidation usually occurs among suppliers as many firms drop out of a slowing market.

b) The focus of those that remain return to maintaining an efficient production capacity.

c) Product line is reduced to minimize product variation

d) Promotion reduced to minimal levels to accommodate existing customers

e) To reduce cost, place moves toward selective distribution, or in many cases, direct sales through an Internet website.

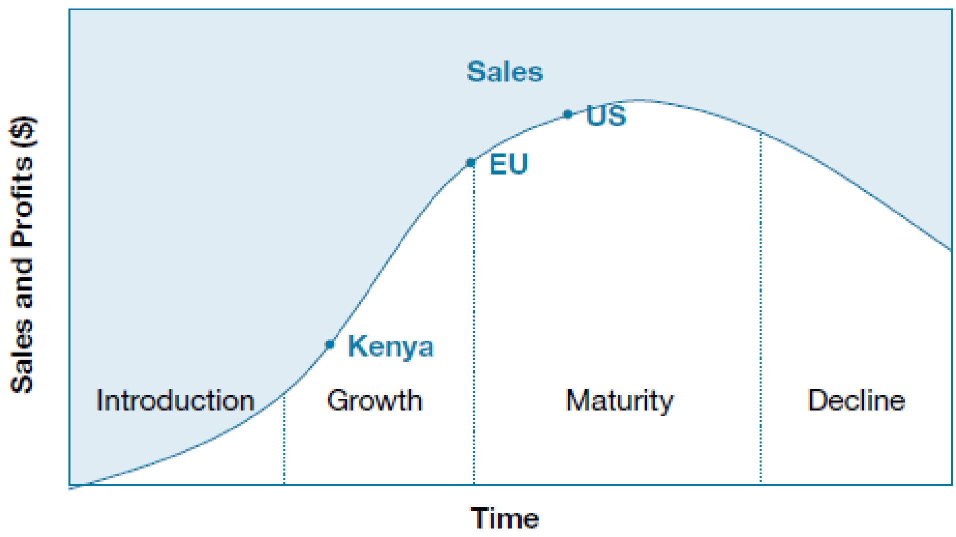
At the end of this discussion it is important to note that

a) Products have a limited life and their sales history follows an S-shaped path, at industry and product levels

b) Products move through the different stages, within an overall cycle at different speeds (development, introduction, growth, maturity and decline);

c) Products move differently through stages of the product lifecycle in various countries' markets .for example, the progress of the iPhone through the various stages was quite different in the US, the countries of the EU, and Africa during 2007 and 2008 as figure (7-2) shows.

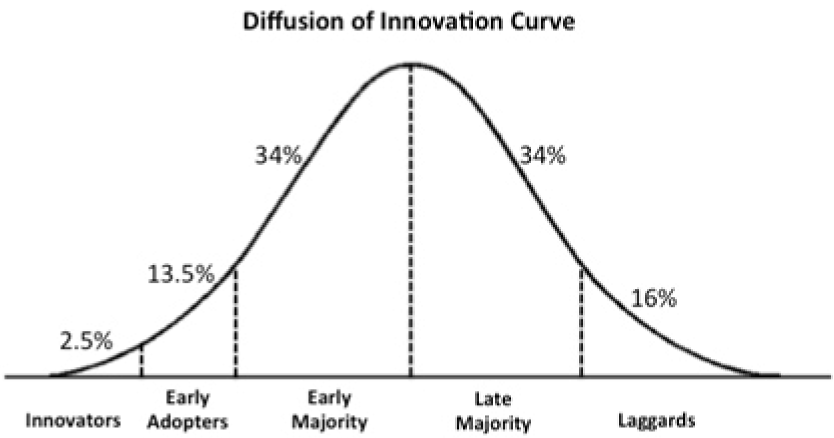
Figure (7-2) product life cycle-example of IPhone in late 2008



7-3 Technology adoption life cycle

The idea of technology adoption life cycle builds on the innovation diffusion model, offered by Rogers (1983), who identifies different types of buyer asfigure (7-3) shows:

Figure (7-3)



1-**Innovators** – These are companies who will be willing to try new products or services and are willing to be the first ones. It has been identified that 2.5 percent of companies as falling into this category. These firms are the ones who accept the product during the earliest stages of the product lifecycle.

2-**Early Adopters** – After the innovators try a product, these companies will also try it. They are generally open to new ideas but want some proof that the product will work. These firms would be responsible for the growth seen in the Growth phase of the product lifecycle.

3-**Early Majority** – Firms who will buy the product once it is thoroughly tried and tested. These firms form the backbone of the Maturity phase of the product lifecycle.

4- **Late Majority** – Firms who generally do not wish to try new services or products and wait until many other firms have accepted the innovation. Firms like this would be responsible for maintaining the growth of the product in the latter stages of the Maturity phase of the product lifecycle.

5- **Laggards** – Those who would adopt the product only under pressure or not adopt at all.

There are attributes of innovations which affect the speed of their acceptance by organization: these are

1- **Relative advantage**: the perception that the idea is better than the one it supersedes.

2-**Compatibility**: consistency with existing values, past experience and the needs of a firm’s buyers and influencers.

3-**Complexity**: more complex ideas are adopted more slowly.

4- **Trialability**: if a firm can try out a small aspect of a new idea it will be accepted more quickly than if a firm has to make a major switch. For instance, the trialability of a new company-wide computer system would be extremely low and therefore acceptance would be very slow.

5- **Observability**: if the effects of an innovation can be easily seen this innovation may be adopted more quickly.

7-4 new product development process in B2B marketing

It is important to figure out what we mean by a new product or service in the B2B market as this will affect the way that it will eventually need to be marketed. It is portnat to distingish between the meaning of new product and product development:

A new product or service *can be, a change or replacement to an existing benefit offering, an existing market concept but new to the organisation, or a totally new concept.*

Product dvelopment *is defined as "the transformation of market opportunity and a set of assumptions about product technology into a product available for sale*.

Poineer marketing resaerchers have founf the following categories as a kine of new product.

7-4-1 Why there is a need to develop new products and services

A B2B organisation might have a NPD programme for the following reasons:

a) Maintain market position and reputation as an innovating organisation
b) Defend market share
c) Be in the forefront in the development of new markets gaining market share before others

d) Take advantage of new technology
e) Optimise resources, including production and supply chain management so as to gain competitive advantages
f) To offer greater customer value and satisfaction
g) To attract the best possible staff and expertise

7-4-2 Categories of new product

a) **New-to-the-world products** – These are inventions such as the first automobile or computer. These are very rare: most new products are in fact simply improvements on existing products.
b) **New category entries** – Products introduced by firms into a product category where the firm had not been doing business up to this time.
c) **Additions to product lines** – These are line extensions in the firm's current markets such as a tablet computer introduced by Apple.
d) **Product improvements** – Current products made better in some way.
e) **Repositioning** – Taking a current product and attempting to find a new use for it. Although not a B2B example, the most famous example of this is Arm and Hammer Baking Soda which was repositioned many times as a refrigerator deodorant or carpet cleaner.

7-4-3 new product develoment process (NPDP)

Due to the complexity and risks associated with the development of new products, organisations usually adopt a procedural approach. These phases enable organisations to monitor progress, test-trial and consult before committing themselves to the market. These phases are:

1-idea generation

New product ideas can come from many sources such as:

Internal sources include R&D departments, customer service employees, the sales force, project development teams and secondary data sources such as sales records. This list should emphasise the breadth of the internal sources available to organisations when seeking to develop their portfolios.

External sources include market research data, competitors, website and sales literature analysis, and customers themselves who draw attention to specific problems or their own market opportunities.

Lead users are a few customers who dominate the volume of purchases made in a sector. They face needs that will be general in the marketplace, but they recognize these needs months or years before the market is aware, and/or they are able to generate solutions to needs independently of manufacturers. Lead users can be found participating at the conferences of trade associations. These conferences often include seminars concerning the most pressing problems facing a particular industry. Because lead users are those users that have found solutions to problems before others in their industry, you may find them presenting their solutions at conferences.

Idea generation methods

There are a lot of methods exist and here are just a few:

a) ***Brainstorming*** – uncritically producing as many ideas as possible for discussion.
b) ***Assumption squashing*** – taking basic assumptions and arguing ferociously against
c) ***DOIT*** – The pattern of the DO IT process emphasises the need to Define problems, Open yourself to many possible solutions, Identify the best solution and then Transform it into action effectively.

d) ***Innovative Problem Solving*** – methods that combine rigorous problem definition, pattern-breaking generation of ideas, and action planning that could result in new, unique, and unexpected solutions.

2-idea screening

Screening involves examining new product ideas to see if they are worth investing any time at all. Screening can be done using many criteria:

a. Consistency with corporate objectives
b. Ability to serve customers' needs
c. Market potential
d. Competitive advantage gained with the product
e. Ability to manufacture and service the product

Some companies are using expert systems, or computer modeling programs, to screen new products. The purpose is to determine if a new product idea is worth spending money to develop further.

3-concept development and testing

Market research will probably need to be used at other time in the NPD process by suppliers to inexpensively test out new product concepts before committing time and money on ideas that might never be adopted. Methods used will include talking to individual buyers, buyer groups or buyer associations so as to gauge reactions to the ideas behind the new concept B2B products. Asking for example whether they like the idea and would be prepared to use the product if it came onto the market. It is at this stage that partners might also be approached to ascertain their reactions to the concept.

4-Business market analysis

This will include such things as design and production costs, employee costs, promotion and sales costs, distribution costs, service costs as well as the new product fit with products in the existing portfolio. Those involved in these kinds of projects might include technical, electrical and mechanical engineers, stylist and designers, those in procurement, manufacturing, marketing, sales, finance, maintenance as well as suppliers, outsourcers and other partners.

5-product development

at this stage that prototypes and test versions are developed and subjected to functional performance tests, design revisions, manufacturing requirements analysis, distribution investigations and a multitude of other testing procedures. The objective is to minimise risk and maximise potential. Consequently there is a trade-off between the need to test and reduce risk and the need to go to market and drive income.

6-market testing

In B2B the process of market test perhaps involve just a few buyer organisations involved. At this stage the decision to go with the product would probably already have been made and the market testing be used to discover any customer benefits unexpectedly not catered for and/or faults not picked up by supplier experts. There has to be a considerable amount of trust between buyer and supplier at all of these stages discussed here because if competitors are warned then spoiling tactics might well be used.

7-product launching

This considers the needs of distributors, end-user customers, marketing communication agencies and other relevant stakeholders, many of them internal. The objective is to schedule all those activities that are required to make the launch successful.

7-5 Factors responsible for the failure of new B2Bproducts:

There are many different reasons behined product development failuer but the following would be recognized.

1-The missing marketing plan

(~22% of product failures) The most likely scenario under which this occurs is when, through a myopic view of the market, the product developer believes that the organization is in the business of what they make rather than in the business of providing value. All of the subsequent reasons can be placed in this category. Also, development funds are often used (78% of funds) to verify technological assumptions, but not market assumptions.

2-No real need exists

(~28% of product failures) When developed in isolation, without continuous feedback from the market, products can be an answer to a question nobody is asking.

3-The market size is overestimated

Overestimating market size has implications beyond lower-than-expected sales revenues. Initial market estimates are used throughout the organization. Whether to attract investors, plan facility development and expansion, or staff the organization, inflated estimates lead to unfulfilled expectations.

4-**A "me too" product** fails to penetrate the market: (~24% of product failures) Without a sustainable distinctive advantage, jumping into someone else's new market may not lead to the same level of success as the market innovator. Market leadership/ownership is usually not an attribute associated with followers.

5-The offering fails to meet needs adequately

(~15% of product failures) Products that don't work right, whose technology isn't proven, or has been rushed to market before full development has been completed are not acceptable to pragmatists. High volume industries that serve consumer markets and have major economies of scale and high fixed costs, usually can tolerate neither inadequate product performance nor inexact delivery schedules. These industries (e.g., consumer electronics, automotive) adopt technologies later in the life cycle.

Conclusion:

This chpter has covered isuues related to product and services main features and the main satges of product life cycle bu concentrating on each stage features and main marketing strategy implications and end up with techlopy adoption life cycle and maun category of adopters in B2B markets.

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Questions

Multiple choice questions:

1-Additional elements that are provided to improve the atmosphere that surrounds a product.

A-support services B-core product C-augmented product

D-technical benifit

2-– Firms who generally do not wish to try new services or products and wait until many other firms have accepted the innovation.

A-early majority B-innovator C-laggards D-late majority

3- **……..** ….are a few customers who dominate the volume of purchases made in a sector.

A-loyal customers B-lead users C-satisfied customer D-end user

4- is defined as "the transformation of market opportunity and a set of assumptions about product technology into a product available for sale.

A-new product B-market opportunity C-threats D-weakness

Essay questions:

1-identify the main factors responsible for the failure of new B2Bproducts.

(Answer time 15 minutes paragraph 7-5)

2-write down the mainstage of new product development

(Answer time 15 minutes paragraph 7-4-3)

3- Why there is a need to develop new products and services

(Answer time 15 minutes paragraph 7-4-1)

4-what are the main marketing implications in the maturity stage of PLC

(Answer time 15 minutes paragraph 7-2-4)

Chapter 8: Pricing in business-to-business marketing

8-1 pricing concept and characteristics

Price is the value (usually measured in monetary terms) at which the seller agrees to sell a product or service to the buyer and the value at which the buyer agrees to purchase.

In b2bexchange transaction cab be either

- ✓ **Fixed**: the price is given and the buyer either agrees or disagrees.
- ✓ **Negotiable**: buyer and seller bargain in some way until a mutual price is agreed.
- ✓ **A variation**: one or more elements may be fixed and other elements negotiable.

The main characteristics of b2b pricing are:

1. Price is not an independent variable. It is integrated with product promotion and distribution strategies.

2. The real price business customer pays is quite different from the list price; this is because of the factors like delivery and installation cost, training cost, discounts, financing cost, trade in allowances etc.

3. By changing the quantity of goods & services provided by the seller, changing the premiums and discounts that are offered, changing the time and place of payment and also in numerous other ways prices can be changed. Compare to product and distribution decisions, the decision regarding pricing is more flexible.

4. Prices can be resolved through negotiation in many a cases. In most of the cases the b2b prices are established by competitive bidding on a project by project basis.

5. Business buyers who are experienced and able to estimate the vendors' approximate production costs expect the increasing price to be justifiable on the basis of either increasing cost or improvement in product. Hence, business pricing is often characterized by an emphasis on fairness.

6. B2B prices are affected by several economic factors such as inflation, change in interest rates, fluctuation in exchange rates etc. This problem is particularly critical for the marketer locked into long term contract with no escalation clause.

8-2 Factors influencing pricing decision in b2b markets

The factors influencing pricing decision in b2b markets is explained below.

8-2-1 pricing objectives

In order to survive in a highly competitive market, an organization needs to from pricing objectives that are in line with its overall business objectives. There are three specific pricing objectives a B2B firm can adopt:

1. profit-oriented:

Profit-oriented objectives include pricing to realize a target return on investment or to maximize profits. The objective is therefore to focus on current profit maximization on rather than long-term performance or long-term relationships with B2B customers. There are many strategies firms would adopt such as:

A-skimming pricing strategy

This strategy based on the idea that, in the initial stages of the product life cycle high prices are fixed by some firms when they introduce new and innovative products. The new product is initially aimed at those market segments where demand is least sensitive to price. The firm skims maximum revenue and profits by adopting the skimming objective of pricing.

B-product-quality leadership

By producing superior quality products and charging little higher prices than the competitors price the industrial marketing firm may have an objective to be product quality leader in the market. This pricing objective results in higher profits.

2. sales-oriented

This objective is either based on increasing market share, because this gives an organization more industry power, or on maximizing sales, through running promotions and doing excessive advertising. Firm can use the following approaches:

A-market penetration strategy

This strategy based on the assumption that the market is price sensitive and that the low prices will increase sales; the prices of products are fixed as low as possible by some firms with the objective of maximizing sales volume and market share of its products. The other assumptions underlying are low prices will discourage entry of potential competitors and highest volume will reduce the production and distribution cost and leads to higher profits in the long run.

3. status quo-oriented

Status quo-oriented pricing includes meeting competition or choosing to compete on a non-price basis. For the survival of the firm it reduces the prices to convert the inventory into sales. The ***survival*** is more important than prices. The prices are fixed in such a way that they cover variable cost and a part of fixed cost so that the company continues in business.

Survival is only a short term pricing objective and in the long run the firm must increase its prices to cover total cost and end up with some profits.

8-2-2 demand analysis

The demand of a B2B product can be difficult to determine, because a B2B product can be used in many ways.

It is important to note that B2B customers are not as price-sensitive as B2Cconsumers.

B2B demand can be explained through four categories of demand:

Derived demand: As most B2B organizations buy products to use in the production of their own products, which are often designed for the end consumer, the demand for B2B products may be derived from B2C demand.

Inelastic demand: This refers to a situation where a significant increase or decrease in the price of a product does not significantly affect the demand for the product.

Demand will tend to be inelastic for industrial brands that:

- ✓ customers need urgently;
- ✓ are strongly differentiated;
- ✓ compete against few alternative customer solutions;
- ✓ are complex and difficult to compare;
- ✓ are complementary to other highly priced products;
- ✓ involve high switching costs;
- ✓ customers see as the price being a quality indicator;
- ✓ account for a small proportion of the buyer's total expenditure; and
- ✓ where the price can be shared by multiple buyers.

But, the demand for most b2b products is inelastic since their technically sophisticated, customized and significant for customers' operations in their factories.

When developing a successful pricing strategy a firm should consider its products' costs that are incurred by customers and benefits received in the customers' point of view. Product benefits are identified as hard benefits (benefits related to the product's physical attributes, such as production rate of a machine, price/performance ratio and rejection rate of a component), soft benefits (company reputation, customer service warranty period and customer training).

Joint demand: This occurs when two or more items are used together in a final product. The demand for the items is thus interdependent.

Fluctuating demand: The demand for B2B products can be less stable than the demand for B2C products. A small increase or decrease in consumer demand may have a large effect on B2B demand.

8-2-3 cost analysis

In deciding pricing strategies, a firm should consider about costs incurred in production. The total costs consist of:

Fixed costs (*costs that do not change with the production or sales, such as rent, interest charges and managerial salaries*) and

Variable costs (*costs that change on the units of production like material and labor costs*) in production, marketing and distribution.

To decide on pricing strategies, firms should have a better understanding on the cost levels at each production level.

As well as, here, an organization should be aware of:

Economies of scale; (*the total average cost per unit decreases when the production volume increases. The logic behind this is the total average cost per unit reduces since the total fixed costs spread over more units*).

Experience curve; (*the average unit total cost of products decreases over a period of time with the firm's experience of manufacturing and marketing).*

Determining the actual cost of a single product can be a challenge for organizations, as often organizations use the same resources, such as electricity, machinery, labor and so forth, to produce more than one product.

In order to simplify the process and allocate the correct costs to the correct products, firms can make use of activity-based costing (ABC).

ABC enables the organization to determine the costs that should be assigned to a particular product based on the activities that go into the production of these products. The main benefit of using ABC is that managers can determine the true cost of producing a product and therefore predict a true profit.

It is very important that organizations are able to calculate the exact cost of a single item accurately.

8-2-4 competitor analysis

It is important for B2B organizations to understand that unless they are operating in a very specialized market, they do not operate in isolation.

An organization does not want to price its products higher than the competition unless it offers something additional, or unless the organization is a market leader.

Understanding market conditions: When examining the influence of competition, the organization should understand the market conditions, in other words whether the organization is operating in a **dynamic** (*where products are developed rapidly, and the market is constantly changing*), or a **static market** (*where very little change occurs over time and products do not change frequently*).

Assessing competitive responses: Competitors predominantly react in three ways:

- ✓ The competitor could ignore the price change.
- ✓ The competitor could match the price change.
- ✓ The competitor could offer more for the same price

8-2-5 government regulations

Though we are living in free market economy the industrial marketers should know the effect of government regulations on pricing decisions.

a-The price discrimination by offering cash, volume or trade discount to distributors or dealers is prohibited.

b-A company must offer the same discount structure to its intermediaries otherwise it will be treated as price discrimination.

c-The Predatory pricing is not permitted. When a firm with dominant position reduces its pricing structure leads to predatory pricing. Under such a situation the smaller firms cannot operate in a profitable manner.

8-3 B2B pricing strategies

Fundamentally, the pricing strategies very based on the product nature and the situation in market. In this, pricing strategies for following situations are expected to consider.

8-3-1 Pricing across product life cycle

Pricing strategies vary as the business product moves through its life cycle. The pricing strategy is a key factor in each of the four cells of Product Life Cycle.

First: Pricing at the introductory stage

Skimming Strategy

For distinctly new product meant for a market segment that is not sensitive to the initial high price the skimming strategy can be adopted. The greatest advantage of this strategy is that it focuses on recovering the investment at an early stage by generating more profits. The price will be reduced at the latter stages to reach other market segments that are more sensitivity to price. The limitation of the skimming strategy is that more competitors are attracted due to high profits. The products that are distinctive with sophisticated technology and capital intensity are suitable to adopt this strategy.

Penetration pricing

Penetration strategy is the opposite of skimming. The goal is to sell at a low price during the introductory and growth stage of a new product. This approach, common in low-technology markets, can generate high relative market shares and can be effective in deterring competitors from entering the market.

Second: Growth Stage Pricing Strategy

In growth stage, more new customers enter into the market began buying the firm's products. Here, industrial marketers lower the product price as well as they focus on product differentiation, product line extension and building new market segments.

Third: Maturity Stage Pricing Strategy

Here, competitors are aggressive in the market. In this, a company has to cut its competitors' market share to increase its sales. The strategy is to lower prices to match the competitors' prices

Fourth: Decline Stage Pricing Strategies

There are three strategies.

- ✓ If the company has a reputation on good product quality or dependable service, do not cut price but reduce costs to earn some profits.
- ✓ Cutting prices to increase sales and using a product to help to sell other product.
- ✓ Selective increases in prices in markets that are not price sensitive.

8-3-2 Competitive bidding

Competitive Bidding B2B sales are usually completed through competitive bidding, especially in the case of government institutions.

• Before a supplier enters into competitive bidding, adequate planning should be done and the supplier’s own capabilities as well as the buyer’s requirements should be taken into consideration.

There are two main approaches to competitive bidding:

• A competitive bid could be placed on materials or products that are considered to be specialized, in other words products where the design and manufacturing are unique and according to special cautions provided by the buyer.

• The other approach to competitive bidding is a reverse auction, where many suppliers bid for an order from a single buyer. Aspects to Consider before Engaging in Competitive Bidding .Before making a bid, the B2B supplier should consider five aspects:

1. If the company wins the bid can its manufacturing plant handle the capacity?

2. What is the potential for becoming a preferred supplier and what are the chances of securing future orders or contracts?

3. What is the quantity required?

4. What is the potential profit?

5. Does the supplier have the experience to handle the request?

Closed or Open Bidding

Once a supplier decides to enter into the bidding process, the bidding that takes place could be either closed or open:

• ***Closed bidding*** is when potential suppliers are sent a formal invitation to submit a written, sealed bid. Once all the bids are received, they are opened and reviewed at the same time. The contract is usually awarded to the lowest bidder. Using closed bidding allows the buyer to keep suppliers unaware of the other companies engaging in the bidding process as well as the prices being brought forward for consideration. This forces suppliers to price aggressively in order to win the bid.

• ***Open bidding is*** slightly more informal. Suppliers are allowed to submit bids up to a certain date. All suppliers are allowed to submit a bid, and the bidding request may be advertised. The buyer is able to negotiate with different suppliers during the bidding process and this therefore allows for the bids to be modified during the bidding process. The main benefit of using open bidding is that it allows suppliers to compete with one another, usually based on price, and it minimizes the risk of preferential treatment.

Price Negotiation

Before entering into negotiations, the party negotiating needs to consider the following:

• Only give something when receiving something else of equal value in return.

• Offer non-monetary points of negotiation. When negotiating, price is not the only point of negotiation. Most buyers are looking for value and most B2B organizations perceive that to mean a lower price, but this is not always the case. Instead of offering discounts, the supplier can offer the buyer services.

• Be selective in who is sent to negotiate. In most cases, salespeople will be sent to negotiate with the buyer. The salesperson needs to be trained to handle possible questions or strong-arm tactics that they buyer could try to use. The most important aspect is that the salesperson should be perceived as trustworthy and not just a salesperson to close the deal.

8-3-3 leasing

An important variant to the outright purchase of products is leasing. The use of leasing in business markets has grown especially in markets where there are substantial fixed costs or where technology changes quickly.

Leasing *is an arrangement between the leasing firm or the lessor and the user or the lessee, the former arranging to purchase the capital equipment for the use of the latter*. The lessee has to pay the lessor in the form of rentals and the lessor remains owner of the equipment during the specified period.

Three types of leases can be identified:

1-Sales/leaseback

Assets are sold to a leasing company and then leased back to the original owners for a fee over a fixed period of time. The advantage of this approach is the cash receipt resulting from the initial sale.

2- Operating leases

Maintenance of the asset is often included in these financial arrangements. There is no transfer of ownership (of the asset) when the payment schedule is complete.

3- Capital leases

The financial lease is for a basic term during which the lease is non-cancellable. The length of this basic period is determined primarily by the economic life of the asset, and is usually shorter than the expected life. This arrangement provides some means by which the company may continue to use the asset after the expiry of the basic lease period, or alternatively a market purchase price is negotiated on the lease termination.

8-4 B2B Pricing Policies

1. List Price

It is a base price of a product consisting various sizes and specifications. This is a published statement of basic prices and given to the customers. This statement implies the effective date of its applicability and shows the extra charges for optional product features, such as the excise duty, freight, sales tax, or transit insurance.

2. Trade Discounts

Trade discounts are offered to marketing intermediaries, such as dealers and distributors. The amount of trade discount given depends upon the particular industry norms and the functions performed by those intermediaries.

3. Quantity Discounts

A quantity or volume discount is given to customers who buy in large quantities as well as this is a price reduction given by deducting the quantity discount from the list price of the product. These discounts can be given either on individual orders (noncumulative basis) or on a series of orders over a longer period of time, usually one year (cumulative basis).

4. Cash Discounts

Cash discounts are given to encourage customers for prompt payments.

5. Geographical Pricing

Pricing the company's products based upon the different geographical locations of buyers. Mainly, this happens since the company has to undergo different transportation costs and transit insurance when delivering products to various locations. Here, there are two methods in geographical pricing.

- ***Ex-Factory:*** here, transportation costs and transit insurance costs should be incurred by the buyer. "ex-factory" means the prices prevailing at factory gate.

- ***FOR Destination or FOB Destination***: this means free on road/free on board destination. In this transportation (freight) costs are absorbed by the seller or include in the quoted price. Although the small transit insurance costs are absorbed by the seller, commonly, average transportation costs and transit insurance costs are included to the basic product price. In this method, all customers get the product at the same price irrespective of their location from the seller's factory premises.

8-5 pricing methods

Many of the methods used by organizations to price business products are based on the inside-out costing approach. These include:

Mark-up pricing involves applying a set percentage of the cost of production or purchase price.

Break-even pricing is similar to mark-up pricing except that both direct and variable costs are incorporated. The method requires the calculation of the number of units that need to be sold in order to cover all costs associated with the production of those units.

Peak-load pricing, unlike the previously mentioned methods, takes into account customer demand. By understanding levels of demand and system capacities it is possible to use price to smooth demand to manageable levels.

Marginal cost pricing is often used by organizations such as airlines and hotels, which have high fixed costs. By trying to cover just the variable costs the organization, especially in times of recession and economic downturn, is able to generate a contribution rather than no revenue at all.

Product line pricing in this method takes into account the relationship between all the products in a particular line. The objective is to allow customers to choose lines according to their price (value) range and to allow the organization to maximize their profits across the lines. Although this method is preferred more by retailers than by manufacturers, there are instances of manufacturers selling the same line to different markets, taking advantage of the different levels of price elasticity, to maximize profits.

Going rate pricing Adopting the going rate pricing, the company will set the price according to price levels that are already used in their particular market. These price levels might have come about through tacit agreement, similar cost and profit needs, customer demands, or by competitive market interaction.

Conclusion:

The real points have been discussed in this chapter concentrated on main pricing strategies for new products and services and pricing strategies related to each stage of product life cycle. As well as, this chapter also point out the pricing policies and methods.

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Questions

Multiple choice questions:

1-This refers to a situation where a significant increase or decrease in the price of a product does not significantly affect the demand for the product.

A-elastic demand B-inelastic demand C-derived demand

2- The goal is to sell at a low price during the introductory and growth stage of a new product.

A-skimming pricing B-discount pricing C-penetration pricing

3-………… are given to encourage customers for prompt payments

A-cash discount B-quality discount C-quantity discount

4- is when potential suppliers are sent a formal invitation to submit a written, sealed bid.

A-open bidding B-closed bidding C-negotiation price

Essay questions:

1-identify the main characteristics of b2b pricing

(Answer time 15 minutes paragraph 8-1-)

2-explain economies of scale concept

(Answer time 15 minutes paragraph 8-2-3-)

3-what are the main pricing methods in B2B markets

(Answer time 15 minutes paragraph 8-5)

4-identify key pricing policies in B2B markets

(Answer time 15 minutes paragraph 8-4)

Chapter 9: Business-to-Business Marketing Communication

9-1 Defining marketing communications

Marketing communication can be defined as:

Marketing communications is a management process through which organizations contact with its various audiences. The aim is to influence the perception and understanding of the organization, and/or its products and services, with a view to generating specific meanings and ongoing attitudinal and behavioral responses.

According to this definition there are three main dimensions: dialogue, relationships and cognitive processing.

1-Dialogue; Marketing communications enable organizations to converse with their audiences in such a way that multi-way communications are stimulated. With many B2B purchase decisions involving several people, various locations and often being diffused across considerable periods of time, marketing communications must encourage dialogue.

2-Relationships. To influence perception and understanding of the organization and its offerings requires a marketing communications approach that stimulates initial interest, curiosity and self-interest at the initiation stage. This should evolve through experience into trust, with an approach founded on mutual interest, involvement and commitment.

3-Cognitive response. B2B audiences should be regarded as active problem solvers, who use marketing communications to help them in their purchasing and organization-related activities.

Integrated marketing communication:

Nowadays marketing researchers developed new concept called integrated marketing communication (IMC).

There are several definitions of this concept; they are vary in different aspects but the focus will be on b2b.

"In business-to-business relationships the relationship perspective offers a comprehensive framework for integrating planned communication with the whole range of interactions with customers that take place. In that way marketing can truly be introduced in the organization and a true customer orientation be achieved.

The main aim of IMC is positioning, finding place at customer's mind. That means that marketing team should put at first place an understanding of customer's decision-making process. Hence, the communication message should be based not on what company wants to say, but what customers want to hear.

9-2 The role of marketing communications

Marketing communications can fulfill four fundamental roles in B2B exchange networks. These are to **differentiate, reinforce, inform, or persuade (DRIP)** audiences to think and/or behave, in a particular way, about an organization and/or its products.

1-differentiate: marketing communications can differentiate products, services and organizations, particularly in markets where there is little to separate competing offerings.

2-reinforce: Communications can also reinforce perceptions and images associated with organizations and their products. Messages can work by helping audiences to recall previous messages, that is, **to remind** buyers of a need they might have or recall the benefits of past transactions and so convince them that they should enter into a similar exchange. Reinforcement also work to **reassuring** audiences that purchase decisions they have made in the past are sound, that the continuity of the organization is assured and the relationship is to continue.

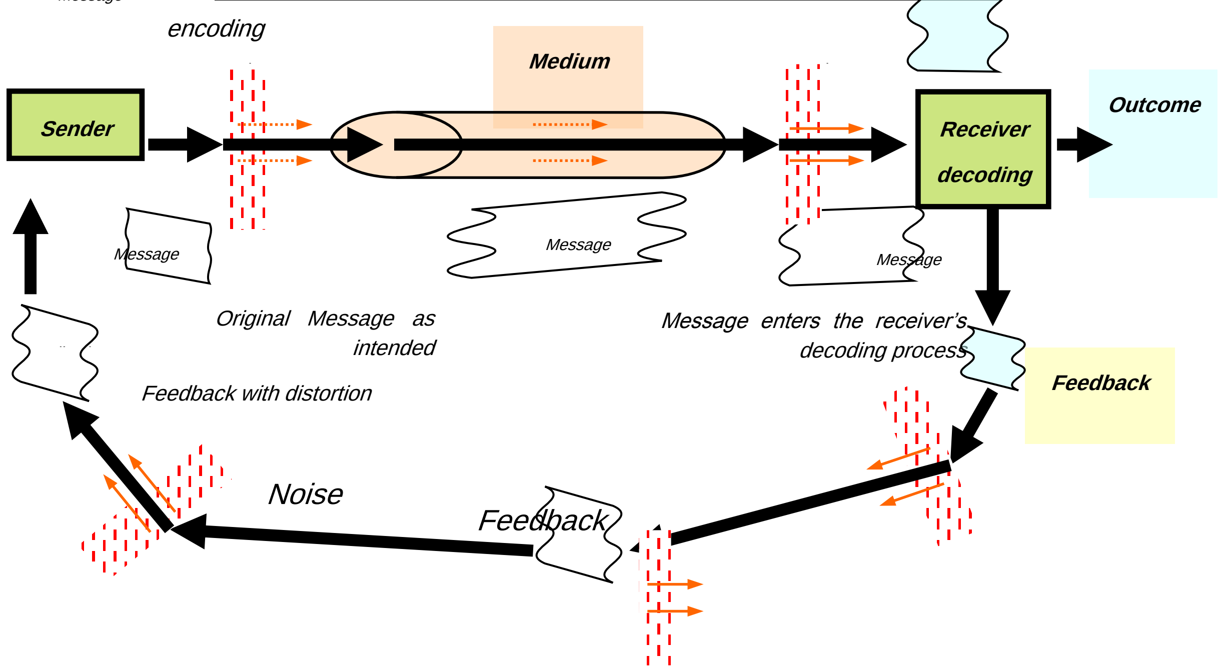
3-inform: An important aspect of B2B marketing communications is enabling stakeholders to learn, and become more knowledgeable, about products, services and related issues such as organizational policies and positions on a variety of social, corporate and ethical issues.

4-persuade: communications may also attempt to persuade current and potential customers of the desirability of purchasing an organization's offerings and thus lay down the foundation for an exchange relationship.

9-3 Communication process

Communication process consists of the following elements as can be seen in the figure (9-1).

Exhibit 9-1: A Model of the Communication Process



1-Sender: Sender is the person or party who sends the message or idea to the receiver.

2-Encoding: The sender begins with the encoding process wherein he uses certain words or non-verbal methods such as symbols, signs, body gestures, etc. to translate the information into a message.

3- Message: Message is the set of symbols that the sender transmits to the receiver through the media or channel. We exchange messages in oral, written and symbolic form. *The message can suffer distortion as it moves through the medium, either mistakably as a result of the technology of the medium or from beliefs about messages that use medium.*

4-medium: medium is the specific communication channel through which the message moves from sender to receiver to be used, face-to-face, direct mail, TV, etc., must be a communications vehicle that will be both seen/heard and understood by the receiver.

5-decoding: Decoding is the process by which the receiver assigns meaning to the symbols encoded by the sender.

6-Feedback: Information about the outcome returns to the sender, with the potential of additional noise.

7-Outcome: can be an action, modification of or formation of a belief, increased awareness

8-Noise: can be a belief or bias which acts as a filter that interprets messages. Noise can also distort messages. Distortion can be caused by misunderstanding, misinterpretation. Noise can occur anywhere in the communication process.

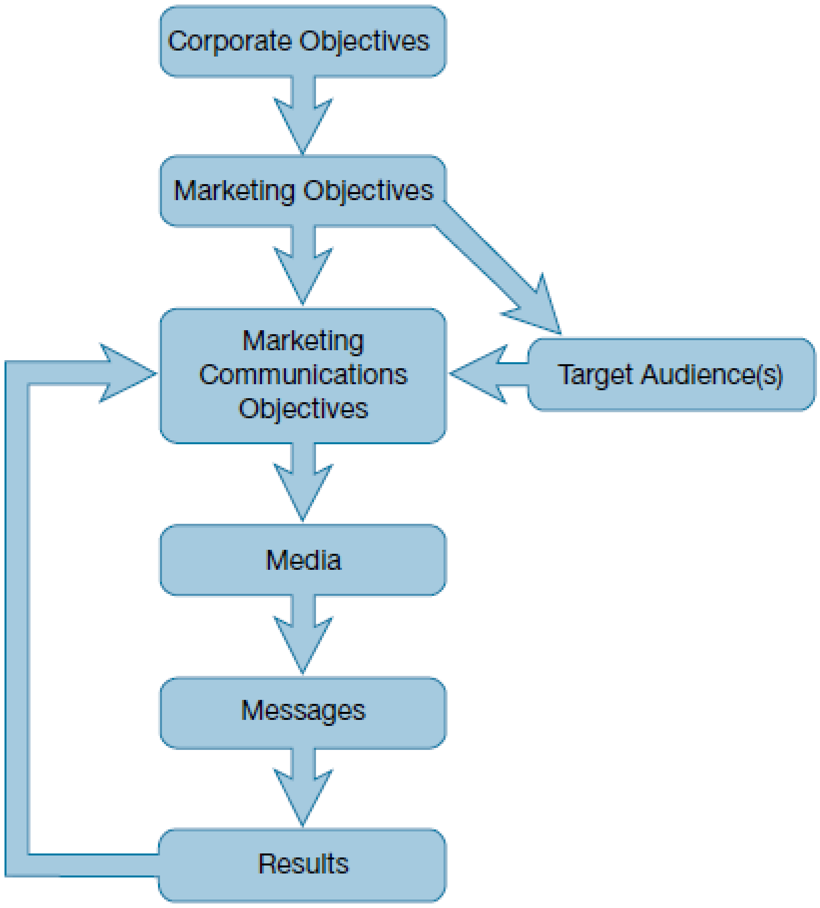
9-4 Developing marketing communication program

In order to devise a marketing communications program which will meet the needs of the firm, the steps shown in Figure 9-2 should be followed.

1- **Marketing communications objectives** must be completely match with the overall corporate objectives and the marketing objectives of the firm.

2-**target audience**: two different approaches can be used to identify target audience. First, for the industry and the individual companies, this will take into account aspects such as size and number of customers in the market, the industry, benefits wanted, and competitor activities. Second approach will be the need to identify the people who might or might not have a vested interest in the purchase (the DMU). This can be very difficult, especially if the customer is a large company with many divisions at home and around the world.

Figure 9-2- developing marketing communication program



3-media: In business marketing, personal selling is the most effective media. Media may be electronic but is often web-based, print (either business or trade publications), exhibitions, brochures or mailings. An effective website is an absolutely essential component in the communications effort.

4-message: While business marketing communications focus on transmitting more fact than emotion, well-turned, rational appeals will always attract more attention than simple emotional appeals. In order to create specific messages, it is important to recall what the communications plan is trying to say. At the same time, however, the marketer must also understand what buyers already think and do, what information buyers need, and what competitive actions are currently (or could be) undertaken.

5-results: If the objectives have been set as has been described above, the manager will be able to compare the results with the objectives, evaluate any shortfalls and change the objectives, audiences, media or messages in order to improve results.

9-5 B2Bmarketing communication mix tools

There are five principal marketing communications tools: advertising, sales promotion, public relations, direct marketing and personal selling (see Figure 9-3). These tools are used in different combinations to achieve a variety of tasks. In B2B marketing there is a greater emphasis on personal selling and direct marketing than the other tools. Indeed, there has been a dramatic rise in the use of direct-response media as direct marketing becomes an integral part of the marketing plan for many organizations and products.

9-5-1 advertising

Figure (9-3) marketing communication tools

B2B advertising *is making it publicly known that an organization has benefits, usually products and services, it wishes to offer to an identified company or group of companies in return for some other benefit, usually money, in both the short and long term.*

The main purposes of B2B advertising:

- ✓ **Informing**
- ✓ **Educating**
- ✓ **Persuading**
- ✓ **Reinforcing**
- ✓ **Selling.**

Advertising can be used by different media method such as TV, radio or internet commercials, billboards, any print media, such as newspapers and magazines and so on.

1-magazines: Most business marketers rely on trade publications, or magazines written for a particular trade, profession, or industry. Popular business press, such as Business Week and the Wall Street Journal, are also important. Print magazines are still one of the most important sources for reaching to the B2B customers. According to research 96% of media users visit B2B websites and read print magazines.

2-broadcast media: Television and radio are forms of broadcast media. Television combines both sound and visuals, including full motion. Ads on TV can have more impact or involve the prospect more fully than ads in other media. Radio is used most often to encourage action within a local market and can also be used to support TV advertising.

3-Electronic media: includes the Internet and World Wide Web. Home pages serve as a form of advertising that the audience seeks. Advantages related to web advertising. First, it can be ***interactive***. The person has to choose to enter a company's home page so there is more active participation as the ad is next to the text of an article. The reader can click on what interest them. Second, **Web advertising is responsive**. Because readers can choose from a wide array of information, they can get more information targeted to their needs immediately. Third, web advertising can offer readers the opportunity to **provide feedback** through e-mail it can result in two-way communication.

9-5-2 sales promotion

Sales promotion is used for one of two main reasons: as a means to **increase sales** or to generate a **change in attitude**. Essentially, these are achieved by either rewarding current customers or encouraging prospective customers.

Reasons for the use of sales promotions:

- ✓ To persuade the buyer to make an appointment to see the supplier representative.
- ✓ To lower buyer risk and encourage trial of a new company, product or service.
- ✓ To encourage larger purchases and so block out the competition.
- ✓ To shift stock from the supplier warehouse so more or new can be bought.
- ✓ To motivate sales staff.

Methods of Sales Promotion:

There are many sales promotional methods available for b2b marketers. Some of the techniques they can use are as follows:

1-trade shows or exhibition

In B2B markets, trade show can be horizontal, vertical; conference bound, or trade mart fairs.

Trade shows in general are open to people working in a certain field of activity or industry.

Horizontal trade shows invite people from a single industry.

Vertical trade fairs, different industries exhibit their goods and services to one specific target group from one industry: e.g. producers of uniforms, food samples and office furniture may participate in a trade fair aimed at the hotel industry.

Conference bound exhibitions are usually small and linked to conference, e.g. a medical conference on heart disease. They have a low but highly selective reach and are able to target with pinpoint accuracy.

A trade mart is a hybrid kind of exhibition and will have permanent stands.

Role of trade shows

The role of trade shows in b2b marketers are as the following:

- ✓ To make new contacts, make appointments and take leads for the sales staff to follow up.
- ✓ To meet existing customers, reinforce relationships, generate goodwill and improve public relations.
- ✓ To show off the product range as well as new innovations.
- ✓ To gather market research, examine competitors' products/services, new technology and innovations.
- ✓ To sell products and services.

Disadvantages of exhibitions include:

- ✓ Lack of clear objectives.
- ✓ Can be time consuming.
- ✓ Opportunity cost of using sales staff to look after the exhibition stand.

2- Samples

Samples are the free or charged offerings given to the prospective buyers as a part of product development program. Samples are used mostly to make an entry in the prospective customer's place.

Samples have a chance of being misused or taken away by the salesperson. Sometimes samples cannot be distributed because of the cost involved, weight, bulkiness, toxicity and intricate design. Samples are given for trail runs of the goods or services.

3- Seminars

Seminars are conducted by the business marketers by making audio-video presentation through the technical experts of the company. The seminar is followed by a question and answer session for the benefit of buying organizations where technical information is provided to them relating to their nature of activity. This helps in creating a favorable image about the company and also to establish new contacts with various technical people from the buying organization.

4-Sales Contests

There are various sales contests that are held by different business organizations in order to boost the morale of their employees and other intermediaries. Depending on the amount of sales generated, employees and dealers are offered incentives in the form of cash prizes, gifts or foreign trips.

5- Trade allowances

There are many ways business marketers would be able to use:

A-buying allowances: Reward for specific orders between certain dates, a reseller will be entitled to a refund or allowance.

b- Buy-back allowance: Reward for purchases made after the termination of a count and recount scheme.

c- Merchandising allowance: Reward of extra free units delivered to a reseller once their order reaches a specific size.

d- Advertising allowance (money): to advertise a seller's products in local newspapers. An advertising allowance benefits both the manufacturer and the retailer.

9-5-3 public relation and publicity

According to the Institute of Public Relations, 'Public Relations practice *is the planned and sustained effort to establish and maintain goodwill and mutual understanding between an organization and its publics*.

In B2B market public relation can be the third-party validation. Hence, it can be very promising to develop the relationship with journalist in specific areas, where company works. Telling the story through attractive media pitches is a good marketing investment that never diminishes.

9-5-3-1-Main types of public relations

There are many tools and techniques that can be used to elicit free publicity.

1- Events and similar activities:

Events can be defined as Product, corporate or community activities designed to improve goodwill and understanding. A planned and well executed publicity campaign with stories that are orientated towards each particular media audience will be welcomed with open arms by the news-hungry media, and so valuable media exposure will be obtained at little or no cost. Publicity can create **word of mouth** as employees in an industry, talking to one another and passing on their experiences, disseminate good and bad images of organizations and their products.

2-sponsoship:

Sponsorship can be seen as '*the giving of some form of support, usually money, to an event, organization or person in return for some form of association and communications opportunity*.

This is used to develop awareness in the target market and to enable them to make associations between the event and the sponsor. Through such sponsorship activities it is intended that levels of credibility will be increased.

3-News conferences:

News conferences are used when a major event has occurred and where a press releases cannot convey the appropriate tone or detail required by the organization.

4- Press and broadcast releases:

Press releases are a written report concerning a change in the firm, which is sent (or posted on a website) to various media houses for inclusion in their media vehicles as an item of news.

5- Lobbying:

Helps ensure that the views of the organization are heard in order that legislation can be shaped appropriately, limiting any potential damage that new legislation might bring.

9-5-4 direct marketing

Direct marketing represents shift in focus from mass communication to personal messages; it includes direct mails and telecommunication, Mail, telephone, fax, e-mail, or Internet can be used to communicate directly with specific customers to get solicit response or dialogue. From all direct marketing tools, the most effective for B2B are direct mail, catalogs, telemarketing, websites and blogs.

Direct marketing is generally regarded as the second most important tool of the communication mix for most B2B organizations.

The Direct Marketing Association has defined direct marketing:

An interactive form of marketing using one or more advertising media to affect a measurable response and/or transaction at any location, with this activity stored on database.

The significance of B2B direct marketing is that

- it can be used to complement personal selling activities

- and in doing so reduce costs and improve overall performance

There are a growing number of direct marketing methods, the most important are:

1-direct mail

Direct mail refers to *personally addressed advertising materials delivered through the postal system*.

The benefits of direct mail are:

- ✓ Efficient use of advertising budget.
- ✓ Highly selective, targeted and personalized.

- ✓ Flexible.
- ✓ High quality reproduction.
- ✓ Response easily measured.

2-telemarketing

Telemarketing is defined as *the systematic and continuous program of personally communicating with (potential) customers via telephone or other electronic media.*

Systematic means that the campaign is designed to cover a market segment thoroughly and completely. ***Continuous*** suggests that telemarketing is not a random event, but part of a specific strategy of communicating with customers.

There are two types of telemarketing: outbound and inbound. ***Outbound telemarketing*** means that the contract is generated by the marketer;

Inbound telemarketing is just the opposite, with contact initiated by the potential customer or customer.

A telemarketing team can accomplish the following tasks:

- ✓ Search for and qualify new customers
- ✓ Service existing customer accounts and prepares the field force should they be required to attend to the client personally
- ✓ Seek repeat orders from marginal or geographically remote customers, particularly if they are low unit value consumable items;
- ✓ Provide a link between network members that serves to maintain the relationship.

9-5-5 personal selling

Personal selling is the most important and most expensive tool of the communication mix used by B2B organizations. It is an interpersonal communication tool which involves face-to-face activities undertaken by individuals, often representing an organization, in order to inform, persuade or remind an individual or group to take appropriate action, as required by the sponsor's representative.

Advantage and disadvantage of personal selling:

Some of the advantages are:

- ✓ Personal selling is a one-to-one activity where customers get personal attention.
- ✓ The marketing manager can customize the sales message accordingly depending upon the needs and types of customers.
- ✓ The sales team has a good opportunity to respond directly and promptly to any of the customer's queries and concerns.
- ✓ Personal selling helps in passing on large amounts of technical data or other complex product information to the customers.
- ✓ The ability to build long-term relationships with customers.

The main disadvantages are

- ✓ Cost of employing a sales force (recruiting and maintaining) is expensive.
- ✓ It is a time oriented promotion method.

9-6 Marketing communication budget

The overall integrated objectives and best strategies are identified, costs ascertained and then budgets set. In reality this is not the way it is always done and the following methods may be used:

- ✓ By what the company can afford – probably the most popular method.
- ✓ The same as last year with or without a percentage increase for inflation.
- ✓ As a percentage of current or expected turnover or profit.
- ✓ Based on the industry and market norm.

Conclusion:

At the end of this chapter, it is very important to stress how crucial is marketing communication program and how to develop it and how much money its budget would be.

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Questions

Multiple choice questions:

1- Uses certain words or non-verbal methods such as symbols, signs, body gestures to translate the information into a message.

A-decoding b-encoding C-message D-noise

2- Refers to personally addressed advertising materials delivered through the postal system.

A-direct mail B-personal selling C-telemarketing D-post office

3- Is the specific communication channel through which the message moves from sender to receiver to be used.

A-feedback B-noise C-medium D-sender

4- The giving of some form of support, usually money, to an event, organization or person in return for some form of association and communications opportunity.

A-sponsorship B-relationship marketing C-cause related marketing D-news conference

Essay questions:

1-identify marketing communication budget?

(Answer time 15 minutes paragraph 9-6)

2-what are the main reasons for the use of sales promotion

(Answer time 15 minutes paragraph 9-5-2)

3-identify the main purposes of B2B advertising?

(Answer time 15 minutes paragraph 9-5-1-)

4-write down main types of public relations

(Answer time 15 minutes paragraph 9-5-3-1)

Chapter 10: Marketing Channels and Supply Chains

10-1 Purpose and function of marketing channels

Channels of distribution can be defined *as the ways that an organization makes its products and services available to its selected market segments.*

The main purposes of using marketing channels can be divided into:

1-Befits for customers:

Distributors serve customers in some or all of the following ways:

- ✓ Provide fast delivery. Local distributors will hold stocks of products, so they should be able to supply customer needs rapidly.
- ✓ Provide a segment-based product assortment. a distributor may well be able to supply a wide range of products which are suitable for the needs of a specific market segment.
- ✓ Provide local credit. Having local knowledge, the distributor will be able to decide who is creditworthy and who is not.
- ✓ Provide product information.
- ✓ Assist in buying decisions. Distributors are often able to advice on the availability of components, or are able to research availability from among the manufacturers they act for.
- ✓ Anticipate needs. Because the distributors know the local market, they are often able to anticipate the needs of their customers and advise manufacturers accordingly

2-benefits for manufacturers

Distributors also serve manufacturers in the following ways:

- ✓ Buy and hold stocks. Distributors are the customers of the manufacturers, since they select, buy, and pay for the goods.
- ✓ Combine manufacturers' outputs. Since customers almost always buy from a number of manufacturers, they will be exposed to the firm's products when they order products from a distributor. This in effect provides a "piggy back" promotional method.
- ✓ Share credit risk. Distributors may offer credit to their own customers, and carry the risk for this.
- ✓ Share selling risk. The distributors have a stake in making the sales, since they have committed to purchasing the products.

- ✓ Forecast market needs. Distributors are much closer to the market than the manufacturers are, and are therefore in a much better position to forecast demand.
- ✓ Provide market information. Likewise, the distributors are a good source of information about possible new needs of their customers.

10-2 Types of b2b distribution channels

B2B channels of distribution can both be direct to the customer or indirect through some type of intermediary.

10-2-1 b2b direct channels of distribution

Most B2B suppliers choose to market the products directly to the buying organization directly for a variety of reasons.

1-B2B buyer/customer expectations: In many cases the customer will expect to see and discuss product and service needs direct with each supplier. If the benefit offering need is of strategic importance, complex or costly, then the buying company may only be interested in talking directly with the supplier to discuss detailed needs.

2-Building customer relations: Dealing direct with the buyer can be seen as important part in the process of communicating and building long-term close relationships with buying companies.

3-Focused specialized attention: Product benefits can be matched to customer needs using the specialized knowledge and experience that only comes from selling one’s own company’s products. This is especially relevant when selling complex and high valued products such as financial services, computer systems and capital equipment.

4-marketing of services: Because of the personal skills involved, for example in consultancy, it would be difficult though not impossible to operate through an intervening organization

5-.Guaranteed outlet: Selling direct should ensure a guaranteed outlet for the company's products since there are no intervening bodies between the organization and its customers.

6-Maintaining control: The major advantage in marketing direct is that full control can be maintained over all elements of the marketing mix.

7-Building a customer database: Dealing direct allows marketing managers and supplier salespeople to observe and ask questions and so collect data that can then be processed through the MIS and used to dig out valuable information to create more customer value.

Methods used in direct channels of distribution

1. Direct sales force

2. Trade exhibitions

3. Mail order

4. The internet

5. Other media.

10-2-2 indirect B2B channel of distribution

The intermediaries in the distribution chain might include one or more of the following.

1-Agents/Brokers

Agents or brokers are individuals or companies that act as an extension of the manufacturing company. Their main job is to represent the producer to the final user in selling a product. Thus, while they do not own the product directly, they take possession of the product in the distribution process. They make their profits through fees or commissions.

2-Distributors

A distributor is different from an agent in that they actually take title to the products, store it, and sell it off at a profit to retailers or other intermediaries. However, the key difference is that distributors ally themselves to complementary products. For example, distributors of Coca Cola will not distribute Pepsi products, and vice versa.

3-Wholesalers

They are independently owned, and they own the products that they sell. they buy in bulk, and store the products in their own warehouses and storage places until it is time to resell them. Wholesalers rarely sell to the final user; rather, they sell the products to other intermediaries such as retailers, for a higher price than they paid.

4-Franchise

The supplier of the goods and services will set up the franchisee (the intermediary) in business. In return for an agreed sum of money, a percentage of the sales take and an obligation to buy, the supplier will give corporate identity, help and support and allow the franchisee to market the said supplier's goods and services

5-Licensing

Another form of B2B distribution is for one party, the licensor, to grant permission for another, the licensee, the right to manufacture, produce or market goods, services, patents, etc. belonging to the licensor.

A company might want to license its products or processes for many reasons including the following:

- ✓ No capital amount in set-up and running costs.
- ✓ It allows speed of coverage
- ✓ In some countries it might be the only acceptable or viable way to enter the market because of entry restrictions and the necessity of local knowledge.
- ✓ The licensee may have an existing dealer/market network in place.

10-3 Strategic channel selection

The supplier channel distribution strategies selected will depend to a certain extent on the market coverage wanted. Depending on company size and products and services produced, extensive, selective or exclusive market coverage might be the channel strategy wanted.

Extensive market coverage

Extensive market coverage as a strategy looks towards securing product sales to every possible buyer type in the market. This could be at national and international level. To make this happen would probably mean using a multi-channel approach. B2B products that might warrant extensive market penetration would include such things as computer software.

Selective coverage strategy

The business marketer selects few intermediaries to distribute the products to the target customer. This gives the marketer to develop a good working relation with the selected intermediaries, have better control, incur less costs and finally expect a better than average selling effort.

Exclusive coverage

Exclusive market coverage consists of distributing to or through only one or a very small number of buyers. This might be because of exclusivity contracts being agreed or because there are only a few buyers in the market for the supplier product or service.

10-4 Factors affecting channels of distribution selection

Factors to consider by B2B suppliers when evaluating and selecting the type of distribution channel structure are now discussed.

1-Buyer product/service needs

As with most B2B marketing decisions it is important that buyer needs are taken into account. It might be the case that a buyer insists on having selective or exclusive distribution, large organization want personal service and a direct approach.

2- Organizational mission and objectives

If the marketing objective is for extensive coverage then intermediaries might be used. If speed of coverage, both at a national and international level, is required then a form of franchising might be the most effective.

3- Industry structure

Supplier buyer structures and acceptable ways of working with one another will already be in place and the new entrant might find this very difficult to change and will thus have to abide by these practices.

4- Role of the competition

The competing supplier could develop contracts with major buyers in return for limiting supplies to others. They could load the customer with goods and thus prevent the purchase of the new item. They could lower the prices or offer extra services when new entrant surfaces.

5- Products and services offered

Some B2B services, such as business consultants or advertising agencies, leave very little option but to be delivered direct while others such as cleaning or waste management can take place through intermediaries.

One product type, component parts, can be offered on the internet, while another type, capital equipment, would demand direct person-to-person discussion and negotiation.

10-5 Channels conflicts and its types

Conflict is felt or enacted tension between parties—in this situation, channel members.

The source of this tension stems from the following factors.

1-Goal Conflict

Manufacturers generally are more aggressive, caring particularly more about their product category than the distributor’s overall growth. Whereas agents are more concerned with profit—that is, sales (commissions) less expenses.

2- Means Conflict

Conflict over how things get done arises when channel members dispute over such things like, who will solve a customer complaint, who will prospect and cultivate accounts and who will close, who will service mail-order customers, what accounts will be house accounts, and how much inventory is appropriate.

3- Conflicting Views

Different views of reality also clash over how much inventory is appropriate, how many sales calls a certain customer type should receive, how many items in the line will be carried, and whether sales are down because of market softening or flagging effort in manufacturer advertising. Or is it poor intermediary selling effort?

10-5-1 Responses to Conflict

Channel members can make five primary reactions to conflict: exit, voice, loyalty, aggression, and neglect.

1- **Exit** means leaving a relationship. This is a bold move and is perhaps difficult to see as a positive approach to conflict.
2- **Voice** is a critical process for uncovering the origin of the conflict. It means that each party should be clear about what they want from the relationship.
3- **Loyalty** is steadfast perseverance in the face of conflict's felt tension or abuse.
4- **Aggression** includes open or covert actions intended to injure the conflict party more common are retaliatory business practices that accelerate a downward trust spiral.
5- **Neglect** means to leave the conflict untreated, perhaps allowing the relationship to deteriorate in significance.

10-5-2 conflict management

There are at least three approaches to handle and manage channels conflicts. These are:

1- Private Referee

A manufacturer may recruit managers from a subset of its distributors to serve on a distributor council or planning panel. The distributor council then is a forum for all distributors to air complaints, underscore competitive threats, identify opportunities for better coordination, and give input on channel strategy for better customer service.

2- Third-Party Solutions

So channel members in dispute can avoid the costly and highly uncertain route of legal action, some channel relationships and trade associations have established third-party systems for conflict resolution.

3-Empathic Mechanisms

Three other approaches deserve mention here. Some organizations assign the task of managing channel member relations to a **particular manager**. This person's title could be dealer advocate, or director of trade (supplier) relations. In essence, they are diplomats, contacts for channel members with problems, firefighters, and initiators of policy changes.

Channel members can attain better understanding of each other's' managerial challenges and find forums for constructive dialogue by joining each other's trade association.

Consider the utility of exchanging personnel. By bringing reps to the factory for several days, or sending production people into the field with sales reps, better empathy results and shared perceptions of the value-added process result.

10-6 Key elements in supply chain management

It is important to distinguish between physical distribution, logistic and supply chains.

Physical distribution *is concerned with the movement of goods via road, rail, sea, and air. It is the process of organizing transportation which will move the goods in a timely, secure manner within a reasonable budget, taking all factors into account.*

Logistics *is a word borrowed from military terminology. The logistics approach takes a holistic view of the movement of goods, examining the whole process from raw materials through to final consumer.*

Supply chain management has been described *as the integration of business processes from end user through original suppliers to provide products, services, and information that add value for customers.*

10-6-1 supply chain management goals

1-w**aste reduction**: By reducing the level of duplicated and excess stock in the chain, it becomes possible to harmonize operations between organizations to achieve new levels of uniformity and standardization.

2-Time compression: Reducing the order-to-delivery cycle time improves efficiency and customer service outputs. Faster times mean less stock, faster cash flow and higher levels of service output.

3- **Flexible response**: By managing the order processing elements, specific customer requirements can be met without causing them inconvenience and contributes to efficiency and service delivery.

4- **Unit cost reduction**: By understanding the level of service output that is required by the end-user customers it then becomes possible to minimize the costs involved in delivering to that required standard.

10-6-2 Key supply chain activity areas

There are four components of activities

1-Stock management

The management of stock embraces storage and warehousing issues and this includes related matters of stock quality, security, insurance and value. The value of finished stock represents on the one hand an opportunity to provide higher levels of service output but on the other a high financial inventory or working capital cost which is reflected in the profit and loss account.

2-Warehousing

The location of warehouses is an important strategic aspect of logistics. Indeed, the location, size, design and operating systems used in warehouses can have a considerable impact on the level of service outputs experienced by subsequent members of the supply chain. In channels where producers use distributors, a lower number of warehouses will be necessary as distributors take ownership and physical possession of stock. In channels where agents and manufacturers' representatives are preferred, a higher number of warehouses are required because these intermediaries do not take ownership or physical possession.

3-Fulfilment

The contemporary terminology is fulfillment or materials handling and it is about locating and picking stock, packing and securing it before shipping the selected items or bundle to the next channel member.

This part of the logistics system can be critical to the overall efficiency of a supply chain. Very often specialist equipment and software systems are required to ensure that intra-warehouse stock movement is minimized while inter-warehouse movement is optimized.

4- Transportation

Transportation is expensive so pick-up and delivery points become an important part of analysis within the management of logistics. Location is important because of the need to reduce costs and yet provide members with a high frequency of low-unit-size deliveries.

10-6-3 Principles of supply chain management

Through the use of information and communications technologies such as databases, communication systems and advanced computer software, it is possible to develop cost-effective supply chain management.

The main electronic systems are

1-**Electronic data interchange (EDI)** provides an important facility for sharing information between partnering organizations. Through EDI, organizations can integrate much of their logistics and improve efficiency and customer service.

2-**Quick response (QR)** systems are designed to enable manufacturers to adapt to unpredictable and volatile demand, such as that experienced in the fashion clothing industry.

3-Efficient consumer response (ECR) systems are based on the same ideas and seek to reduce waste by predicting demand accurately, based on the premise that consumers know what they want to buy, ahead of the purchase occasion.

4- **Continuous replenishment programs (CRP).** These operate on the basis that when a sale is made to a consumer, the stock is automatically replaced. Through use of **POS** equipment and scanners retail stock is maintained at predetermined optimum levels. The principle is that CRP reduces the opportunity for stock outs which can lead to lengthy waiting times, a fall in service output levels and consumer inconvenience.

10-7 Relationship forms in channels

We discuss four classes of channel systems: transactional, administered, contractual, and corporate.

1-Transactional Channels

Each firm operates on its own, with no significant coordination with its channel partners. As a consequence of this self-interest, the level of influence that any member has over the others in the channel is minimal.

2-Administered Channels

A loose alignment of organizations that voluntarily choose to work together. One organization assumes responsibility for the channel activities, the channel leader or captain. High risk and high levels of flexibility.

3-Contractual Channels

A contract is used to specify roles, expectations and responsibilities. The organization issuing the contract largely determines the trading strategies and formats. Medium risk and flexibility.

4- Corporate Channels

In corporate channels, what we tend to see are high degrees of vertical integration in the sales and distribution functions. A firm that uses its own sales force, its own fleet of trucks, from its owned distribution centers is highly integrated. Risk is low and so is flexibility.

Conclusion:

We have pointed out the major aspects of distribution channels in B2B markets and gave great thought about direct distribution channels. In addition to, shed light on types and strategies of selecting distribution channels and factors affecting the choice of channels.

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Questions

Multiple choice questions:

1-Provides an important facility for sharing information between partnering organizations

A-EDI B-CRM C-ERP D-ECR

2-Is concerned with the movement of goods via road, rail, sea, and air

A-channel distribution B-physical distribution

C-supply chain management

3-Consists of distributing to or through only one or a very small number of buyers.

A-intensive distribution coverage B-selective distribution coverage

D-exclusive distribution coverage

4- Are individuals or companies that act as an extension of the manufacturing company.

A-distributors B-agents C-wholesalers D-retailers

Essay questions:

1-identify relationships forms in channels.

(Answer time 15 minutes paragraph 10-7)

2-write down key supply chain activity areas

(Answer time 15 minutes paragraph 10-6-2)

3-There are at least three approaches to handle and manage channels conflicts.

(Answer time 15 minutes paragraph 10-5-2)

4- The main purposes of using marketing channels are

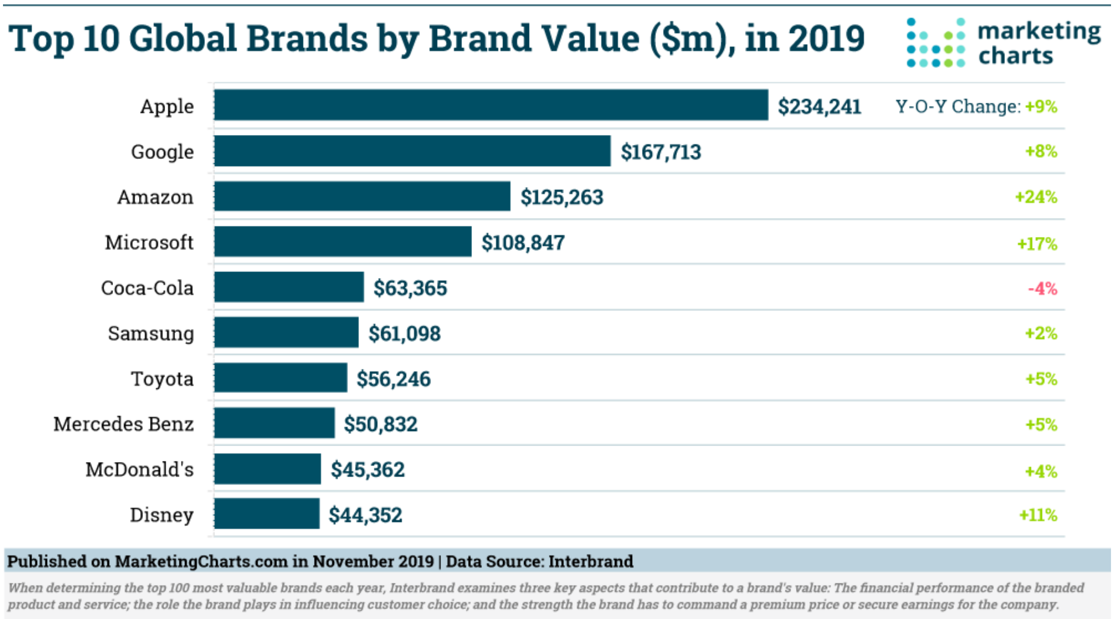
(Answer time 15 minutes paragraph 10-1)

Chapter 11: Business-to-Business Branding

Brand values

The concept of the brand is now firmly entrenched in business and marketing philosophy. Most of the largest and most profitable companies in the world have achieved their success through effective marketing and promotion of a brand name. In 2001 the Microsoft brand was said to be worth $65 billion. New technologies, particularly the internet, now enable companies to build brands faster than ever before by providing customers with highly customized information and services as can be seen from the diagram (11-1). Apple, Google and Amazon have achieved the biggest value in 2019.

Diagram (11-1) top brand values



11-1 Brand definitions and terms

The American Marketing Association defines a **brand** as “a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.”

A) A brand is thus a product or service that adds dimensions that differentiate it in some way from other products or services designed to satisfy the same need.

B) These differences may be functional, rational, or tangible-related to the product performance of the brand.

C) They may also be more symbolic, emotional, or intangible-related to what the brand represents.

Also **brand** can be defined *as a combination of functional and emotional characteristics that define a certain image or personality about a company and/or its products in the mind of the customer. The strength or otherwise of this image will determine the likelihood to purchase.*

Brand terms

1-Brand: the name, term, sign, symbol or design, e.g. for Coca Cola, the name, the bottle shape and the white slash.

2-**Corporate brand**: the company itself can be seen as a brand (very important in B2B). BT is the brand name and the company will spend millions redesigning and keeping it up to date.

BP has recently spent a fortune modernizing the BP brand and altering the logo to something that looks like a yellow and green sunflower, reinforcing its commitment to the environment.

3-**Brand name**: the name can be spoken. IBM.

4-**Brand mark:** The brand mark is a design element, such as a symbol (e.g., Nike swoosh), logo (e.g. Yahoo! graphic), a character (e.g., Keebler elves) or even a sound (e.g., Intel inside sound), that provides visual or auditory recognition for the product.

5- **Trade mark**. The trade mark gives legal protection (seen as TM beside the ownership mark).

6- **Brand equity**: is the added value endowed on products and services, which may be reflected in the way consumers, think, feel, and act with respect to the brand.

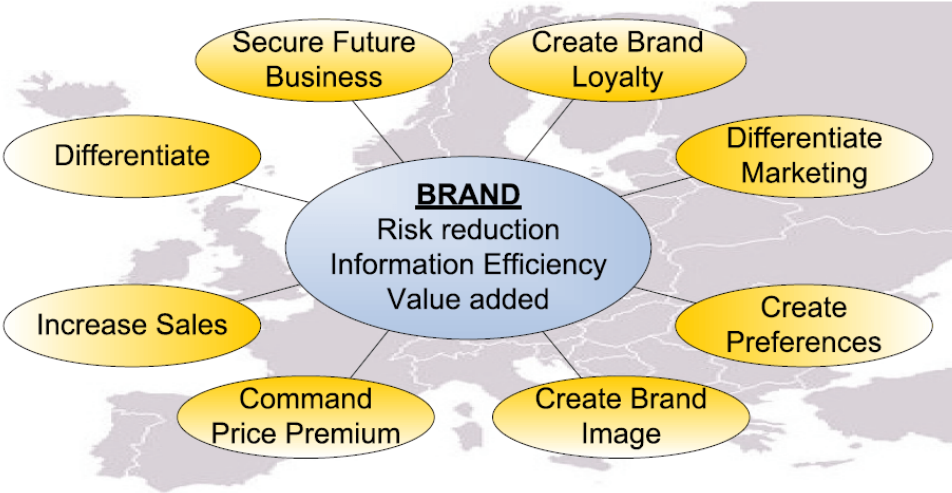
7- **Brand awareness**. This is the percentage of customers who express awareness of a brand as revealed by market research.

8- Brand stripping. This concerns the acquisition of a company for its brands, e.g. Ford bought Jaguar for the brand name and paid over three times the market share value.

11-2 The role of brands in B2B

The role and the mechanism of an industrial brand strategy have to be more focused than those pursued and implemented in consumer markets. The key roles of business brands are depicted in figure (11-2).

Figure 11-2 the role of branding



1- Differentiate – Brands are an effective and compelling means to "decommoditize" product categories that are highly undifferentiated. Examples include Intel, IBM, and General Electric.

2- **Secure Future Business-**There are many businesses areas where only those companies survived that chose to brand their products from the beginning. Take for instance the well-known brands Caterpillar and Komatsu. Some years ago there were many companies in this business segment especially in Japan – today these two are more or less the only ones that have survived.

3- **Create Brand Loyalty-** The customer always comes first. Brand loyalty is created when the business manages to consistently deliver on what its brand promises. HSBC with its campaign, "The Worlds Local Bank," is one of the big winners according to Interbrand.

4- Differentiate Marketing Efforts – Businesses with strong brands can benefit from increased communications effectiveness.

5- **Create Preferences-** A strong brand will act as a barrier to people switching to competitors products. Shimano, the world-leading Japanese bike component manufacturer, managed to create strong preferences for its hub gears among bikers.

6- **Command Price Premium** – A business with well-known brands can command premium prices for their products and services. It makes it automatically less susceptible to competitive forces.

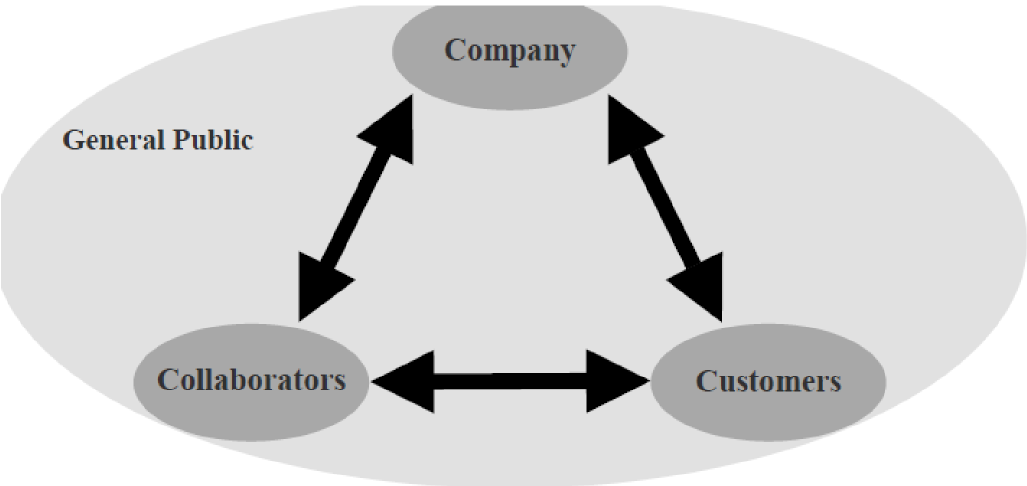
7- Create Brand Image – Brands enable companies' value propositions to be more emotive and compelling.

8- Increase Sales – The main goal of most businesses is naturally to make money. Companies with strong brands can benefit not only from higher margins but also from higher sales volumes.

11-3 The branding triangle

The branding triangle illustrates visually the marketing-related connections between a company, its collaborators and its customers.as figure (11-3) shows.

Figure (11-3) the branding triangle



Collaborators *refer not only to employees but also to wholesalers, dealers, ad agencies etc*. (Collaborators) it aims to act as a principle of the intersecting market participants.

Customer: between the company and the customer, there should be an external relationship with abundant communication activities. Customers have to be informed about the company's offering and the product benefits.

Company: the company itself must inform its collaborators continuously. A large amount of internal communication is needed to make everybody familiar with the brand offering. This could be achieved through training, internal publications, Intranet, etc., so that every collaborator can represent the brand accordingly.

This is an important prerequisite for the relationship between the collaborator and the customer. This relationship is particularly important for industrial brands with a large amount of service. Every interaction between the collaborator and the customer can create additional value and improve trust in the brand. Therefore, understanding the Branding Triangle is important for any entrepreneurial action.

11-4 Corporate and product branding strategies

The brand and all that it represents may be attached to the company and/or its products and services. These can be identified under the following strategic approaches:

11-4-1 Corporate branding

Corporate or master brands usually embrace all products or services of a business. The brand hereby represents the total offerings of the company.

The products and services sold by an organization, the markets in which it operates, the way it treats its customers, how it runs its business and how it respects the environment will all build into creating a corporate brand image. The development of a corporate brand can be both planned and unplanned**: planned** through the use of public relations and promotional activity; **unplanned** in that everything a high profile company does will have some sort of effect on its corporate image.

A strong corporate branding strategy can **add significant value** to any corporation since it facilitates the implementation of the long-term vision and provides a unique position in the marketplace. It helps a company to further leverage on its tangible and non-tangible assets leading to branding excellence throughout the corporation. There are many very successful corporate brands. Famous examples are Intel, IBM, Microsoft, SAP, Siemens, Singapore Airlines, and General Electric

11-4-2 Corporate family branding

Some organizations will house a group of companies either organically developed but more than likely acquired by purchase or merger. The holding company may choose to keep these companies under separate corporate family brand names rather than bring them under the one umbrella corporate name. In this way values associated with the different brands by different market segments will be maintained. Aerospace Systems, Airspace Safety Analysis Corporation, Continental Graphics, Preston Group and SBS International are all subsidiaries of the giant Boeing Corporation, offering products and services to many different segments.

11-4-3 Product and service branding

Branding under separate product or product group names is much more popular in B2C than in B2B markets, really because of the embarrassment of segmentation methods and the emotional appeal of the brand. Kotex, Huggies, Pull-ups, Kleenex, Andrex and Fiesta are all FMCG brand names belonging to Kimberly-Clark, appealing to different individual consumers. Individual product names are less used in B2B because the buyer tends not to be seduced by the emotion surrounding a particular brand. A toilet roll bought for industrial purposes will not need the same symbolic attachments as a toilet roll bought by mum for the family, nor will cars bought for company use compare with cars bought for own use.

However, where a B2B organization sells many hundreds of different products, the different brand names can be patented to protect the manufacturer and used by the buyer to identify the benefits offered by each separate product.

11-4-4 Own or private label products

Some manufacturers choose to produce goods and services that are branded under the name, of another company, e.g. Northern Foods producing under the Tesco name, or under a product brand name such as Nova for Sainsbury. Although more often than not the products are FMCG, the practice of making own label products for others falls firmly into the B2B industry.

11-5 Brand Elements

Brand elements *are the visual and sometimes even physical devices that serve to identify and differentiate a company product or service.*

When building a strong brand the following brand elements are key:

- ✓ Name
- ✓ Logo
- ✓ Tagline (or Slogan)
- ✓ Brand Story

The formal brand elements like name, logotype, and slogan taken together form the **visual identity** of a brand or company.. In order to assure the consistency of the brand performance it is also very helpful to define branding guidelines that exactly specify the use of each brand element. Such a guideline is called **visual identity code**. This visual identity code for the brand elements should follow a set of choice criteria in order to reduce the risk of weakening the brand.

1-Available – They should be available and usable across all markets..

2-Meaningful – Ideally the brand elements should capture the essence of the brand and communicate something about the nature of the business.

3-Memorable – Good brand elements are distinctive and should be easy to remember.

4-**Protectable** – It is essential that the brand elements, especially the brand name can be legally protected in all countries in which the brand will be marketed.

5-Future-Oriented – Well-chosen brand elements can position companies for growth, change, and success. To be future oriented also means to check the adaptability and updatability of the brand elements.

6-**Positive – Effective** brand elements can evoke positive associations in the markets served.

7- Transferable – Is it possible to use the brand element to introduce new products in the same or different market.

11-5-1 Brand Name

All names usually have some kind of associated image, whether it is cultural, linguistic or personal. Brand names should be chosen very carefully since they convey important information to stakeholders.

A well-chosen name for a company, product, or service can be a valuable asset, just like the brand itself. The name directly affects the perception of the brand. Especially in B2B, it is unfortunately quite common to use ineffective stereotypical names. There are thousands of companies that use the following name elements such as: “Net”, “Sys”, “Tech”, “Tel” and “Pharm”. This lack of distinctiveness makes it very difficult to effectively position a brand since the names is not very memorable but easily confused with other brands of competitors.

There are several types of names companies can use for brands.

1-**Name of Founders** – Many great companies and brands simply have been named after their founders like William E. Boeing, John Deere.

2- **Descriptive Names** – Another option is to use descriptive names that accurately convey the nature of the business, such as British Airways, Airbus, Caterpillar, and Deutsche Telekom.

3- Acronyms – Initials can also serve as names. Many industrial companies are using such acronyms for naming their brands. Beside IBM there are BASF, BBDO, DHL, HP, HSBC, LEK, SAP. Main disadvantage of such names is their low reminder value.

4- Fabricated Names – Such neologisms are completely made up. Accenture, Agilent, Exxon, Lanxess and Xerox, are examples of fabricated brand names. Such abstract names are of course highly distinctive, can easily be differentiated, and legally protected.

5- Metaphors – Based on things, places, animals, processes, mythological names, or foreign words, metaphors are used to refer to a certain quality or feature of a company, product, or service. Oracle is a B2B company that successfully uses a metaphoric brand name. The metaphor of “Byte into an Apple” served the company very well Metaphors are especially good in terms of differentiating you from the competition.

11-5-2 Logo

The logo is the "graphic look" of the brand name or company. A good logo fulfills both **graphic and functional** imperatives. In order to do so, brand architects have to keep the big picture in mind.

By creating a **powerful visual image** for a company, it will achieve not just a name display, but a long-lasting image that connects customers with your brand. A **strong logo** can provide cohesion and structure to the brand identity, facilitating recognition and recall. It is easier to communicate an attribute or value by using a symbol than to use factual information, especially in the B2B area where complex functional benefits need to be explained in a memorable way.

Color is of major importance and should not be underestimated when it comes to the design of a brand logo. What would Caterpillar or Kodak be without their personalized color yellow? The spectrum of different colors, the related connotations and meanings, can provide companies with great opportunities to fill their brands with purpose, meaning and life.

11-5-3 Tagline (or Slogan)

The brand slogan or tagline plays a unique and distinct role in creating a harmonious brand identity. It is an easily **recognizable and memorable** phrase which often accompanies a brand name in marketing communications programs. **The main purpose of a slogan** is to support the brand image projected by the brand name and logo. These three brand elements together provide the core of the brand.

Another aspect that is very important in this area: **the brand mantra**. It is the basis for the brand slogan. The **slogan represents the translation of the mantra in customer-friendly language** that is used in advertising and other forms of communication. Examples of slogans for industrial brands which reflect underlying brand mantras are

Agilent Technologies' "Dreams Made Real", Emerson's "Consider It Solved", GE's "Imagination at Work.

11-5-4 brand story

If you want your brand to be really special you need to have a story, some kind of legend about how you got started, for instance. In the case of FedEx, it is about a young, ambitious student whose idea for a specialized overnight delivery business did not at all impress his professor at Yale. He actually got only a "C" on his term paper, which outlined this concept. An important aspect of storytelling hence can be to celebrate the history of a business if there is something interesting and relevant.

Conclusion:

This chapter reaches the ending by stressing and highlighting some issues like**,** the concept of holistic brand management and interrelationship of various marketing and managerial issues with the customer understands of the company's values and offerings. After that the concept of the Branding Triangle was introduced, which puts the whole branding effort in perspective and explain the various elements and concepts, including brand-building tools.

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Questions

Multiple choice questions:

1-is the “graphic look” of the brand name or company.

A-logo B-slogan C-brand story D-brand equity

2- Is the added value endowed on products and services, which may be reflected in the way consumers, think, feel, and act with respect to the brand.

A-brand awareness B-brand equity C-brand mark D-brand love

3- This concerns the acquisition of a company for its brands

A-brand corporation B-brand identity C-brand stripping D-brand loyalty

4- are the visual and sometimes even physical devices that serve to identify and differentiate a company product or service.

A-brand elements B-brand triangle C-brand association D-brand awareness

Essay questions:

1-there are several types of names companies can use for brands, identify them.

(Answer time 15 minutes paragraph 11-5-1)

2-identify the main brand elements

(Answer time 15 minutes paragraph 11-5)

3-write down the role of banding in B2B

(Answer time 15 minutes paragraph 11-2)

4-identify branding triangle

(Answer time 15 minutes paragraph 11-3)

Chapter12: Business-to-Business Selling

12-1 Characteristics of B2B Selling

A B2B sale refers to a sales model or a category of selling wherein a business sells its products or services to another business. Because B2B sales usually involves higher price points, more complex processes, and several touch points over multiple channels, B2B companies need to maintain a team of highly-trained B2B sales professionals in order to drive revenue.

The main features of B2B selling are:

1-Repeated, ongoing relationships

The relationship between the seller and buying center members is a series of dyadic interactions. One-to-one meetings or interactions between stakeholders in the buying center and the seller or other individuals in the selling organization's value chain.

2-Solution-oriented, total system effort

Customers buy solutions, not technologies or core products. The seller and the selling organization must understand the needs of the customer. The seller must also understand the different motivating elements between members of the customer buying center.

3-Long time period before selling effort pays off

In business-to-business selling, the outcome of the sales effort may not be known for months (or years!). It is important to use the development period to reinforce the value offering relative to competitive offerings. Reduce buyer perceptions of risk by reinforcing the total value of the offering.

4-Continuous adjustment of needs

It is important to be flexible and responsive to the changing needs of customers. Customer needs evolve as they learn more about the sellers offering and how the offering can be applied to their needs.

5-Creativity of seller in problem solving often demanded by buyer

Customization of the offering to meet the specific needs of the buyer is expected, especially by large customers. Approaching each customer's problem in such a way that the customer perceives the offering as unique is particularly advantageous.

12-2 Building relationship between buyer and seller

The key issues in relationships between buyers and sellers are:

1-**Trust versus formality** refers to the degree to which the relationship is bounded by contractual agreements. This issue can be affected by culture as different cultures have different attitudes toward the role of trust in business. Often this comes from the legal codes of the countries involved: in the UK, for example, trust is of high importance because written contracts are not always enforceable – parties to the contract can claim that they were induced to sign by verbal reassurances which subsequently did not materialize.

2-**Power and dependence** refers to the degree to which either party can make life difficult for the other party. If one firm is heavily dependent on the other, the second firm can dictate the terms of the relationship.

3-**The complexity** of the relationship is likely to be a function of the closeness of the relationship. The more points of interaction which exist between the buyer and the seller, the more complex the relationship becomes, but at the same time the relationship also becomes closer.

4-**Supplier relations** concern the coordination of suppliers with each other, and the relationships which may develop there from.

5-**Conflict and cooperation** are the opposite ends of a spectrum. Conflict is inevitable when companies with different aims, backgrounds, and agendas attempt to work together: if the conflict is resolved in a reasonable manner, cooperation is the end result.

6- **A longer-term** result of conflict resolution is adaptations. As the relationship develops, the parties will need to adapt their business practices in order to cooperate better.

7-**A relationship** might be considered a long-term investment. Each party will need to expend effort which is not immediately rewarded in order to enjoy longer-term benefits.

12-3 Sales strategies and customer relationships

There are four basic sales strategies that illustrate the potential range of possible strategies: script based selling, needs satisfaction selling, consultative selling, and strategic partnering.

1-script based selling

In situations where customer needs do not vary much from one customer to another, script-based selling can be very effective. The product should be relatively simple and easy to understand. Also called canned-selling, script-based selling involves using scripts or memorized sales pitches from which the salesperson does not deviate.

2- Needs satisfaction selling

A more advanced method of selling is needs satisfaction selling, or a process of selling that involves identifying the buyer's needs and tailoring the sales pitch to fit those needs. Thus, needs satisfaction selling involves two components: identifying the needs and making the presentation. Needs satisfaction selling works best when there is variance in needs across buyers and choices have to be made among products, as opposed to custom-made solutions?

3- Consultative selling

When truly using consultative selling, the seller is bringing specialized expertise into a complex problem in order to create a somewhat customized solution. For example, the materials-handling industry manufactures and installs customized equipment for moving products through manufacturing processes. Consultative selling, the salesperson is a consultant. More of the knowledge lies with the salesperson than with the customer in comparison to needs satisfaction selling.

4- Strategic partner selling

In strategic partner selling, both parties share expertise and resources to create customized solutions, and there is a commitment to joint planning for mutual benefit. As a sales strategy, partnership selling requires a commitment of resources well beyond that of just the salesperson and customer support staff. A company must also commit resources in all other areas of the firm in order to support the most effective creation of value possible. Further, the result should be a maximization of revenue for all areas of the company.

12-4 Forms of seller roles

Personal selling is probably the largest single budget item in most business to business markets. It follows that each organization should determine the precise role the sales force is to play within their communication mix. Personal selling is the most expensive element of the communications mix, so the use of a sales force should be a very carefully considered element of an organization's promotional activities.

The main roles of personal selling are as the following:

1-order taker

Takes orders, ensures correct and timely delivery of offering. Major effort in the "place" marketing mix variable.

2- Persuader/ Sustainer

Proactive role in relationship, informs customers about offerings and ongoing updates and attempts to convince customer of value of offering, though the focus is still on needs of selling organization.

3- Motivator/ Problem Solver

Focus on the needs of the customer organization, potentially creating unique customer solutions by matching supplier capabilities with customer needs.

4- Relationship/ Value Creator

Build and maintain partnership with all elements of the customer buying center. Supplier/customer relationship is mutually inspiring and stimulating. Both parties recognize equity in the other's success.

5- Other Types of Seller Roles

1- ***Missionary Sellers*** Missionaries develop sales by influencing members of the decision-making unit who are not necessarily buyers. For example, missionaries work for drug companies, persuading doctors to prescribe certain drugs. The doctors do not buy the drugs themselves: pharmacists stock the drugs, but doctors decide which drugs to prescribe. This type of selling is most effective when the selling cycle is long but the information needs of potential specifies are immediate, when other forms of communication cannot convey the whole picture, and when the buying process is complex.

2- ***Field Marketers*** (usually part of marketing organization) specific term for individuals who, in business-to-business marketing, are responsible for market development efforts, particularly related to translation and customer education. These individuals are important in establishing relationships and developing a market ownership position. Depending on the offering, the role of field market developers (FMDs) usually fits within the growth stage of the PLC (often too costly for a mature product line). FMDs usually fit the relationship/value creator role.

3- ***Post-Sale Customer Service***. Effective customer service can reinforce the purchase decision and create superior value for a customer.

6-relationship marketing role

In the context of relationship marketing, the day-to-day activities of salespeople will include the following:

- ✓ **Customer retention and deletion**. Salespeople not only need to keep the customers the firm wants, they also need to identify which customers are more trouble than they are worth.

- ✓ **Database and knowledge management**. Salespeople are in a prime position to gain information about customers, and will do so if they are supervised effectively and supported by senior management
- ✓ **Supporting the relationship**. Salespeople are in the front line for looking after customers and ensuring that they remain loyal.
- ✓ **Marketing the products**. Salespeople usually see this as their main function, but in fact it derives from effective completion of all the other functions.
- ✓ **Problem-solving**. Good salespeople solve customers' problems, even if this does not result in an immediate sale.
- ✓ **Adding value and satisfying needs**. Good salespeople add value by giving good advice, providing useful contacts, and even explaining how the products can be used more effectively.
- ✓ **Customer relationship maintenance**. Good salespeople should represent the customer's interests back to the firm.

12-5 Types of salesperson

1-**Industrial direct**; these salespeople are also order-getters, but operate on a much larger scale. Usually these salespeople deal with one-off or infrequent purchases such as aircraft sales to airlines, the emphasis for these salespeople is on negotiation skills.

2- **Government institutional direct**. Similar to industrial direct, these salespeople specialize in dealing with institutional buying. Because institutions typically operate by putting purchase contracts out to bid, these salespeople need special techniques: on the other hand, many of these organizations issue publications which explain how to sell to them, sometimes specifying the rules of business and acceptable profit levels.

3- **Consumer indirect**. The salesperson's effort goes into understanding the consumer market. This means that the salesperson needs to help the retailer sell more of the product, by using creative merchandising, by advising on sales techniques, and (in the case of fast-moving consumer goods) negotiating with the retailer for extra shelf space for the products.

4- In**dustrial indirect**. Most of the activity of these salespeople is in supporting distributors and agents. They need strong product knowledge, and will need to concentrate on defending existing business from incoming competition: this is because it is typically the case that product and price are similar between competitors.

5- **Key-account salespeople**. A key account is one which is of strategic importance, which represents a substantial proportion of the supplier's turnover, or which is likely to lead to a change in the way the firm does business. Key-account salespeople need very strong negotiating skills, a high degree of confidence.

6- Agents. A manufacturer's agent represents many different suppliers, but does not take title to the goods. Agents typically call on the same regular group of customers, but offer a wide range of goods: the skills required are therefore the ability to understand a wide range of products, the administrative ability to keep track of the orders and to meet the differing order formats of client companies, and the ability to work efficiently often on low margins. Good agents do not carry products which compete directly with each other, although there are exceptions to this general rule.

7- **Merchandisers**. Merchandisers call on large and small retail outlets specifically for the purpose of maintaining in-store displays and point-of-sale materials. In some cases (for example Procter & Gamble) suppliers have their own employees stationed in supermarkets so as to improve the coordination of their supply operations.

8- **Telesales**. Telephone selling can be either inbound or outbound. Inbound telesales involves responding to customer enquiries, often generated by advertising or exhibitions.

Outbound telesales usually involves cold-calling prospects, or replacing a personal visit with a telephone call.

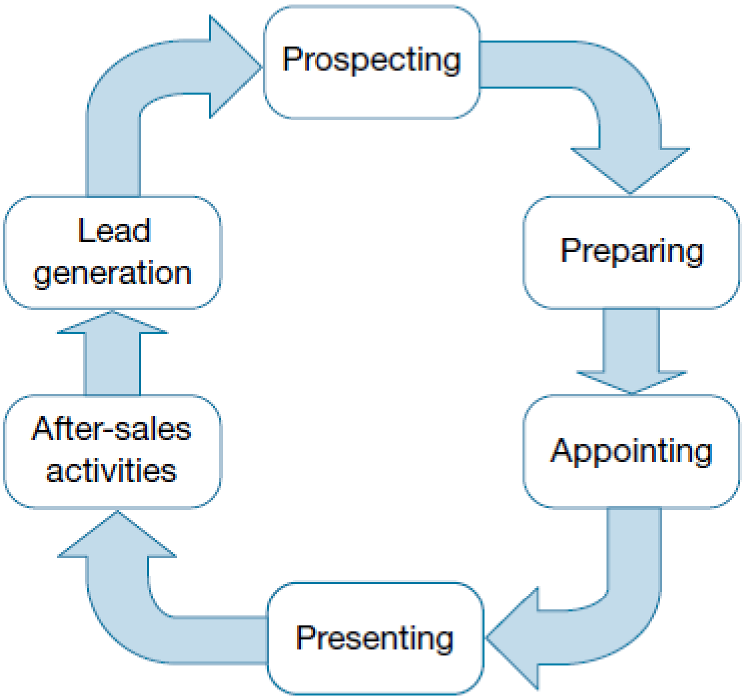
9- **System selling**. This involves teams of salespeople, each of whom brings a different skill to bear on the problem.

10- **Franchise selling**. Franchising is much the same as licensing, but is much more extensive. The franchiser grants the franchisee the right to use its business system, and provides extensive support services and promotional input. In exchange, the franchisee pays a substantial royalty and an up-front franchise fee, and agrees to conduct the business exactly according to the instructions from the franchiser.

12-6 B2B sales process (selling cycle)

The selling sequence is drawn as a circle to indicate that it is an ongoing process, although in practice each salesperson will divide up his or her day in such a way as to carry out several, or even all, of the separate processes at once. Figure 12-1 shows the main steps of B2B selling process.

Figure 12-1 shows b2b selling process



1-Lead generation is concerned with finding people who are prepared to meet the salesperson and hear what he or she has to say. Lead generation is a process of establishing first contact: leads are generated via advertising, making visits or telephone calls without an appointment, running exhibition stands, sending out mail shots.

2- ***Prospecting*** is about establishing that the lead has a need for the product, and also has the means to pay for it. In some cases these issues cannot be clearly determined in advance of meeting the potential customer, but a good salesperson will try to investigate a prospect as thoroughly as possible before wasting time on making a sales call.

3- ***Preparing*** for the sale involves preparing both physically and mentally: wearing the right clothes, having the right presentation materials on hand, and having the appropriate knowledge of the prospect's company and circumstances. Preparing is likely to be complex, since in many cases the salesperson will be calling on several firms in one day, each with a separate set of data to remember, and each with a separate set of needs.

4- ***Appointing*** means making appointments to see the appropriate person or people in the firm. Salespeople are often advised to ensure that all the decision-makers are present, but in the modern business climate this is unlikely to be possible. Therefore the salesperson may well go through a process of using one appointment to generate the next until all the decision-makers have been seen.

5- ***Sales presentation*** is a process of conducting a directed conversation in which the prospect's need is established and agreed, the supplier's solution is explained and the sale is closed. Closing the sale may mean that the order is placed or it may not: the purpose of the presentation is to get a decision, which may or may not be in favor of purchase.

6- ***After-sales activities*** include calling on the customer afterwards to ensure that the process went smoothly, to learn lessons for the future, and perhaps to correct any shortcomings in the delivery or the product.

12-7 Organizing sales force

12-7-1 types of sales force

There are many types of salespeople, including telemarketing representatives, field salespeople, product specialists, and account specialists. Sometimes there is overlap in responsibilities, such as when a telemarketer supports a field salesperson—both have responsibility for the same account.

1-Geographic Salespeople

The most basic sales force structure is to give each salesperson all accounts within a specified geographic area— here we have the geographic salesperson. Geographic salespeople are used when all products serve the same general types of buyers. There are two main types of this. ***Field salespeople*** (also called outside salespeople); that is, they call on accounts at the accounts' locations. ***Inside salespeople*** can also be found in business markets; these salespeople sell at the company's location,

2- Product Specialists

When companies have diverse products using different technology platforms, their salespeople will specialize by product category. The need for technology expertise is too great for any one salesperson to understand, so the sales force is organized by product. Product specialists must sometimes coordinate their activities with salespeople from other divisions.

3-account sales person

The account salesperson has responsibility for specified accounts, rather than a geographic area. One method is to specify new account responsibility to one group of salespeople and current account responsibility to another group. Companies also divide their accounts on the basis of size. Large customers, sometimes called ***key accounts***, may have a salesperson assigned only to their account. The salesperson is called a ***Strategic Account Manager*** (SAM). These salespeople work with geographic salespeople to handle local needs, but all account planning, pricing, and even product development is managed by the SAM. Sometimes, a company may determine that a key account is a house account. ***A house account*** is handled by a sales executive and the company does not pay anyone commission on sales from the account.

12-7-2 directing the sales force

The sales executive faces the unique challenge of designing control systems that encourage each field sales manager and salesperson to maximize individual results through effective self-control. These control strategies often include quotas and compensation plans.

1-Quotas

Quotas *are a useful control mechanism, as they represent a quantitative minimum level of acceptable performance for a specific time period.*

Two types of quotas are used: activity quotas and performance quotas. ***Activity quotas*** specify the number and type of activities that salespeople should do; for example, a new business call quota would specify the number of noncustomers representing potential new business that should be visited in a period of time.

Performance quotas specify levels of performance, such as revenue, gross margin, or unit sales in a period of time.

2- Compensation

Sales executives can choose to pay salespeople a straight salary, a straight commission plan, a combination of the two.

Straight Commission

- ✓ Most appropriate where repeat efforts are necessary to sustain customer purchases.
- ✓ Rewards are linked to short-term, repeated performance.
- ✓ Sellers will likely concentrate on customers that have a pattern of frequent and substantial purchases.
- ✓ Inappropriate during new product introductions.
- ✓ May not work well for sophisticated products where missionary work is needed.
- ✓ Compensation variability/volatility may create problems for the sellers.

Straight Salary

- ✓ Management is able to exercise greater control over the sales force (compared to straight commission).

- ✓ Appropriate when personnel in selling roles are required to provide design and engineering assistance.
- ✓ Motivator/problem solver and relationship/value creator roles are appropriate for straight salary compensation.
- ✓ Creates stability of sales employees.
- ✓ Does not tie financial rewards to sales results–may attract personnel who are security oriented instead of achievement oriented.

Combination Plans

- ✓ Most frequently used form of compensation.
- ✓ Salary portion of compensation corresponds to management's needs for the sales staff to perform administrative duties, while the commission portion encourages increased selling effort.
- ✓ The commission portion of the compensation is paid as it is earned, as opposed to a bonus (most likely paid on a quarterly or annual basis).

Conclusion:

This chapter dealt with the selling process in B2B markets and provides a mechanism for sales force organizing and directing in addition to deeply assess how to develop a strong relationship between buyers and sellers.

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Questions

Multiple choice questions:

1- specify the number and type of activities that salespeople should do

A-performance quotas B-activity quotas C-task quotas

2- is handled by a sales executive and the company does not pay anyone commission on sales from the account.

A-house accounts B-key account s C-strategic account manager

3- Develop sales by influencing members of the decision-making unit who are not necessarily buyers.

A-motivator seller B-relationship seller C-missionary seller

4- Sales model or a category of selling wherein a business sells its products or services to another business.

A-B2B selling B-B2C selling C- C2C selling

Essay questions:

1-identify the main features of B2B selling?

(Answer time 15 minutes paragraph 12-1)

2-write down types of sales force

(Answer time 15 minutes paragraph 12-7-1)

3-write down the main stages of B2B process

(Answer time 15 minutes paragraph 12-6)

4-identify the main roles of personnel selling

(Answer time 15 minutes paragraph 12-4)

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