EXCELLING IN B2B MARKETING

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What are Business Markets?

- "Markets for products and services, local to international, bought by businesses, government bodies, and institutions for incorporation, for consumption, for use, or for resale."

Business Marketing Management

- B2B vs. B2C
  - Do firms have to be one or the other?
  - Which is larger?
  - What's the difference?
- Business Consumers
  - Commercial enterprises
  - Institutions
  - Government

What Do Business Marketing Managers Do?

- Partner for Increased Value
- Create a Value Proposition
  - How?
  - What is a value proposition?
  - Customer solutions

Classifying Goods for the Business Market

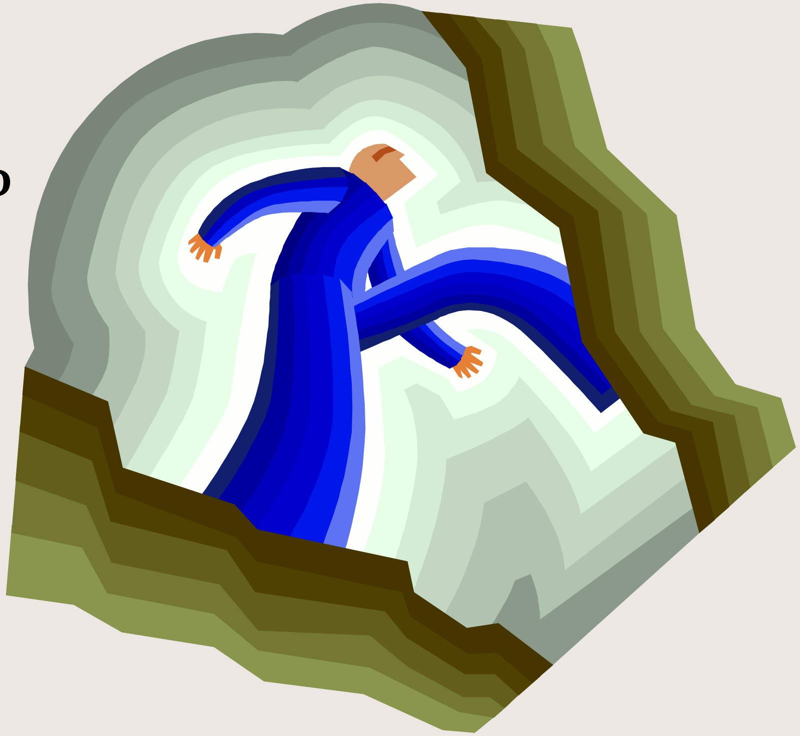
- Entering Goods
  - Raw materials
  - Manufactured materials and parts
- Foundation Goods
  - Installations
  - Accessory goods
- Facilitating Goods
  - Supplies
  - Services
    - Maintenance and repair support
    - Advisory support

What is Business-to-Business Marketing

- The process of matching and combining the capabilities of the supplier with the desired outcomes of the customer to create value for the "customer's customer."
- Entrepreneurial Marketing: Conducted in a way that involves innovation, acting proactively and taking calculated risks.

Business Vs Consumer Customers

- When is a customer considered a business?
- When a consumer?



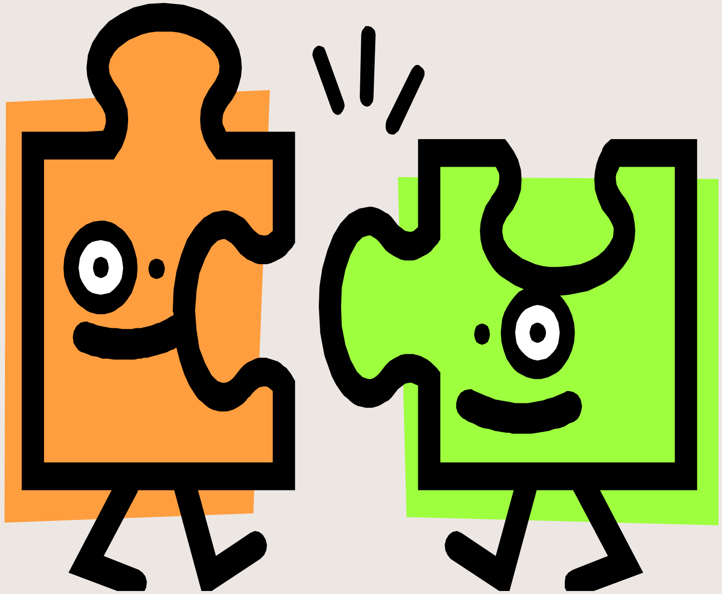
How Business Markets Differ from the Consumer Market

Characteristic	Business Market	Consumer Market
Sales volume	Greater	Smaller
Purchase volume	Greater	Smaller
Number of buyers	Fewer	Many
Size of individual buyers	Larger	Smaller
Location of Buyers	Geographically concentrated	Diffuse
Buyer-seller relationship	Closer	More impersonal
Nature of channel	More direct	Less direct
Nature of buying	More professional	More personal
Nature of buying influences	Multiple (buying center)	Single
Type of negotiations	More complex	Simpler
Use of reciprocity	Yes	No
Use of leasing	Greater	Smaller
Primary promotion method	Personal selling	Advertising

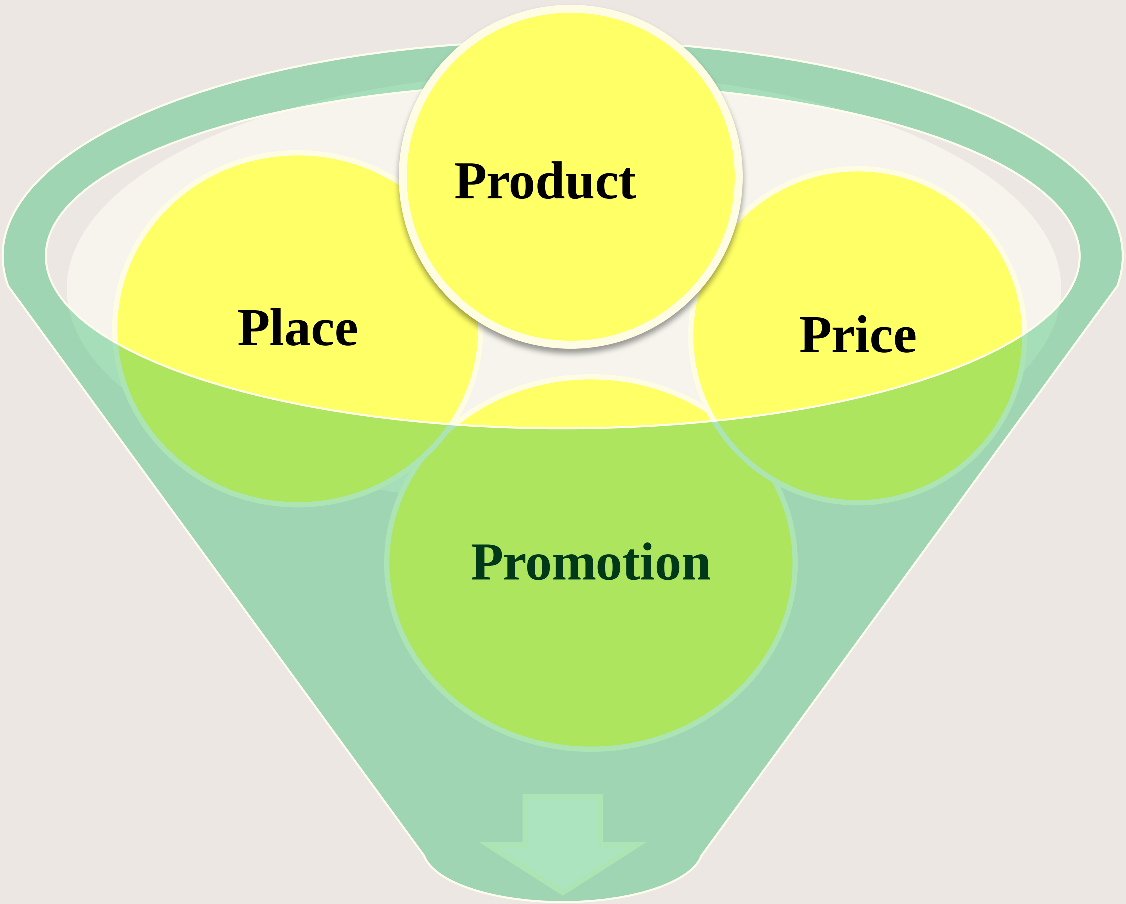
B2B & the Marketing Concept

The Marketing Concept

- Understand customer needs.
- Meet those needs with a coordinated set of activities.
- In a way that meets organizational goals.



The Marketing Mix



Marketing Mix

Marketing Mix: Product

- The *total offering* is created by a partnership between the buying organization and the marketing organization.
- The process creates an *augmented product* that is specific to the buying unit's needs and maximizes the value creation capabilities of the marketer.

Core Product
+ Financing Terms
<u>+ Delivery Options</u>
= "Total Offering"

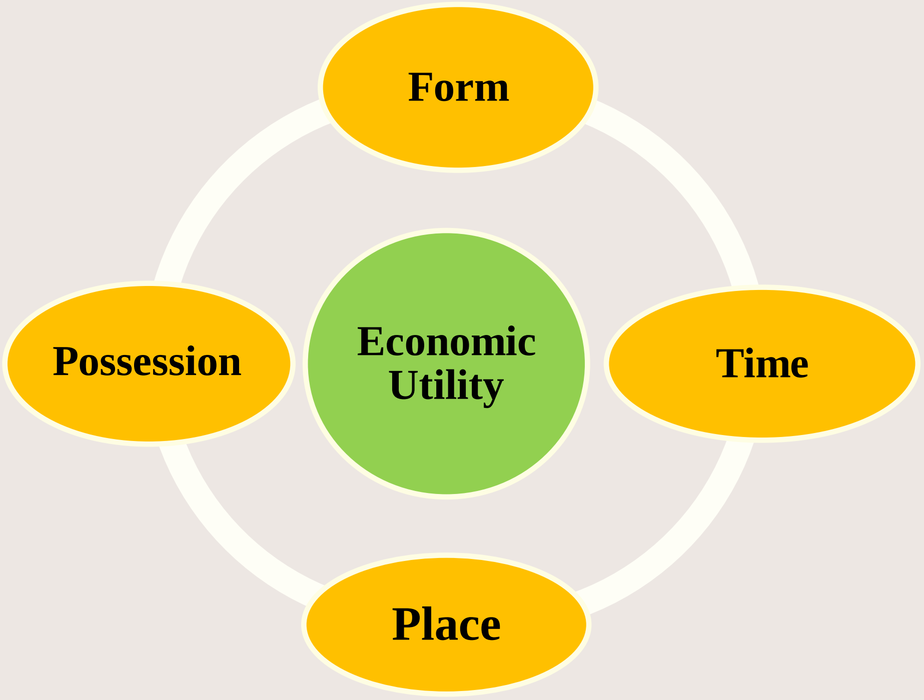
Marketing Mix: Price

- The mutually agreed-upon amount that satisfies both sides in an exchange.
- Often varies from fixed price, with more special discounts and allowances (in comparison to consumer markets.)
- May involve things other than a one-time price payment (such as commission**s.)**

Price is the measure of value exchanged and <u>is determined by the market</u>-not by costs.

Marketing Mix: Place

- Place is about getting the product to the customer in order to maximize *economic utility*.



Marketing Mix: Promotion

Business-to-business marketing requires a different emphasis on different parts of the promotional mix

Consumer	V.S.	Business to Business
Emphasis is frequently on *advertising*.		Emphasis is frequently on *personal selling*.
Communication with customers is often a *monologue*.		Communication with customers should be a *dialogue*.
Relationship is often *brief*.		Relationship is often *long-lasting*.

Market Structure

Consumer

- Geographically Dispersed
- Mass Market; Many Buyers
- Monopolistic Competition

Business to Business

- Geographically Concentrated
- Relatively Few Buyers
- Oligopolistic Competition

Products

Consumer

- Standardized
- Service, delivery and availability only somewhat important
- Purchased for personal use

Business to Business

- Can be technically complex
- Customized to user preference
- Service, delivery and availability very important
- Purchased for other than personal use

Buyer Behavior

Consumer

- Individual purchasing
- Family involvement, influence
- Social or psychological motives predominate

Business to Business

- Professionally trained purchasing personnel
- Functional involvement at many levels
- Task motives predominate

Buyer/Seller Relationship Expectations

Consumer

- Less technical expertise
- Nonpersonal relationships
- Little personal information exchanged
- Changing, short-term relationships encourage switching

Business to Business

- Technical expertise is an asset
- Interpersonal relationships between buyers and sellers
- Significant personal info exchanged
- Stable, long-term relationships encourage loyalty

Channels

Consumer

- Indirect, multiple relationships
- Little or no customer supply chain involvement

Business to Business

- Shorter, more direct
- Organization involvement as part of supply chain

Promotion

Consumer

- Emphasis on advertising, monologue
- Companies compete for visibility and awareness of consumer market

Business to Business

- Emphasis on personal selling, dialogue
- Most communications invisible to the consumer
- Consumer is seldom aware of B2B brands and companies

Price

Consumer

- Usually list or predetermined prices

Business to Business

- Complex purchasing process or competitive bidding, depending on purchase type

Demand

Consumer

- Direct
- Elastic
- Less volatile

Business to Business

- Derived
- Inelastic (short run)
- Volatile (leveraged)
- Discontinuous

Concept of Derived Demand

- ***Nothing happens unless consumer buys something***

Acceleration Principle: “Bullwhip Effect”

1. Suppliers forecast production on existing order rates.

2. If consumer demand drops, the order rate also drops.

3. Supply chain members are then likely to overcompensate the difference between the old and new forecasts, because:

A. Inventory levels can decline to fit new order rate
B. Customers change orders frequently
C. Minimum order quantities may exist
D. Trade promotions may influence buying patterns

International Standards Organizations & Professional Groups

International Standards Organizations (ISO)

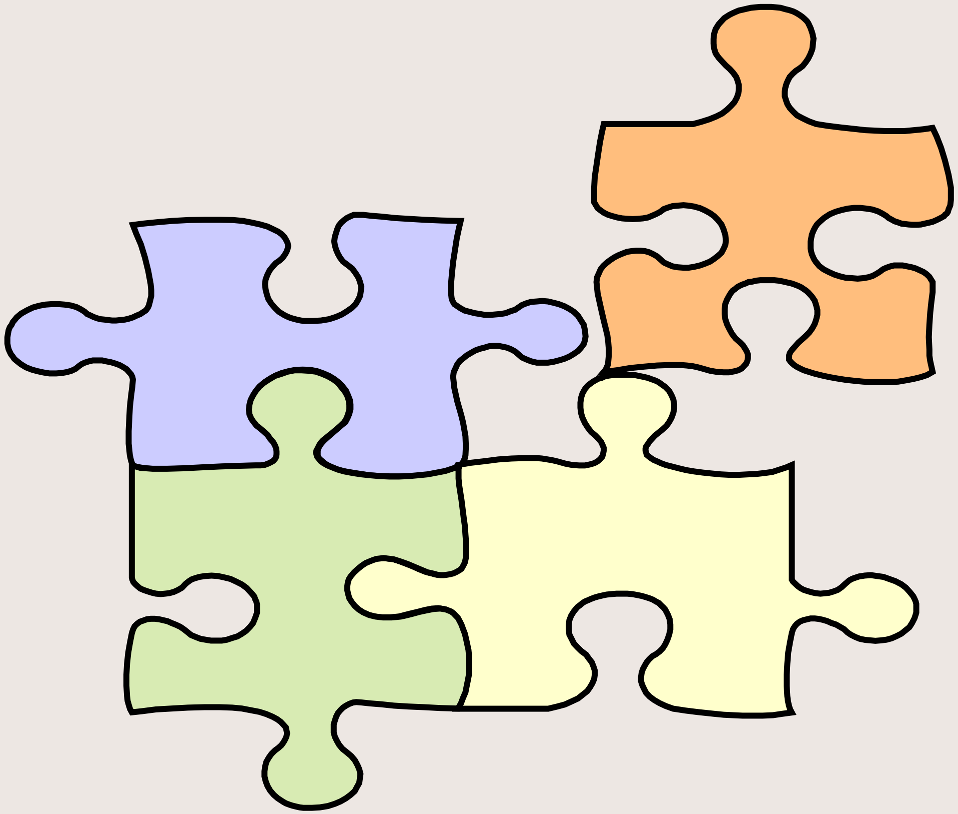
- Define technical performance for manufacturing and quality systems
- Compliance of suppliers to these standards is required by global firms
- Industries that are targeted:
  - Steel, Plastic, Pulp and Paper Products, Chemicals and Electronics

Evaluated Price

- Total cost of owning or using a product
  - Transportation, carrying costs, financing costs, potential obsolescence, cost of failure, installation, flexibility to upgrade, etc.
- Consumers have same considerations but are attracted to “Deals”

Total Offering

- The puzzle of the B2B Consumer needs



“Total Offering”

•Product
•Service
•Image
•Availability
•Quantity
•Evaluated Price

The Value Chain

Value Chain: The chain of activities that creates something of value for targeted customers.

Direct Activities: Contribute directly to the offering.

Support Activities: Make it possible to perform the direct activities.

Trends and Changes in Business Marketing

- Hyper-competition
- Formation of partner networks
- Adoption of technology and the internet
- Supply Chain Management
- Time Compression

Relationship Marketing

- What is it?

Selecting Key Accounts

- Because key accounts…

1. Possess buying power
2. Demand special services
3. Are more costly to serve

- …companies need to consider sales and profit potential, as well as long-term resource commitments.

Phase Approach for Selecting Key Accounts

1. Centers on:
   a. Profit potential
   b. Degree customer is willing to pay for extra services

2. Select customers from requiring a unique support function that is marketable to other customers.

3. Consider transactions with the customer that complements the economics of the seller’s business.

- Considering these points first allows the seller the opportunity to consider whether or not to take on a particular key account.

National Account Success

- Successful programs occur when:

1. There is senior management support.
2. Objectives, assignments and implementation procedures are well defined.
3. They are staffed by experienced people knowledgeable about company’s capabilities.
4. Staff know how to create customer solutions.

The Account Management Process

- The Account Manager is responsible for:

1. Diagnosing customer needs.
2. Identifying matching set of internal experts.
3. Recruiting these experts onto an ad hoc team as customer or opportunities require.

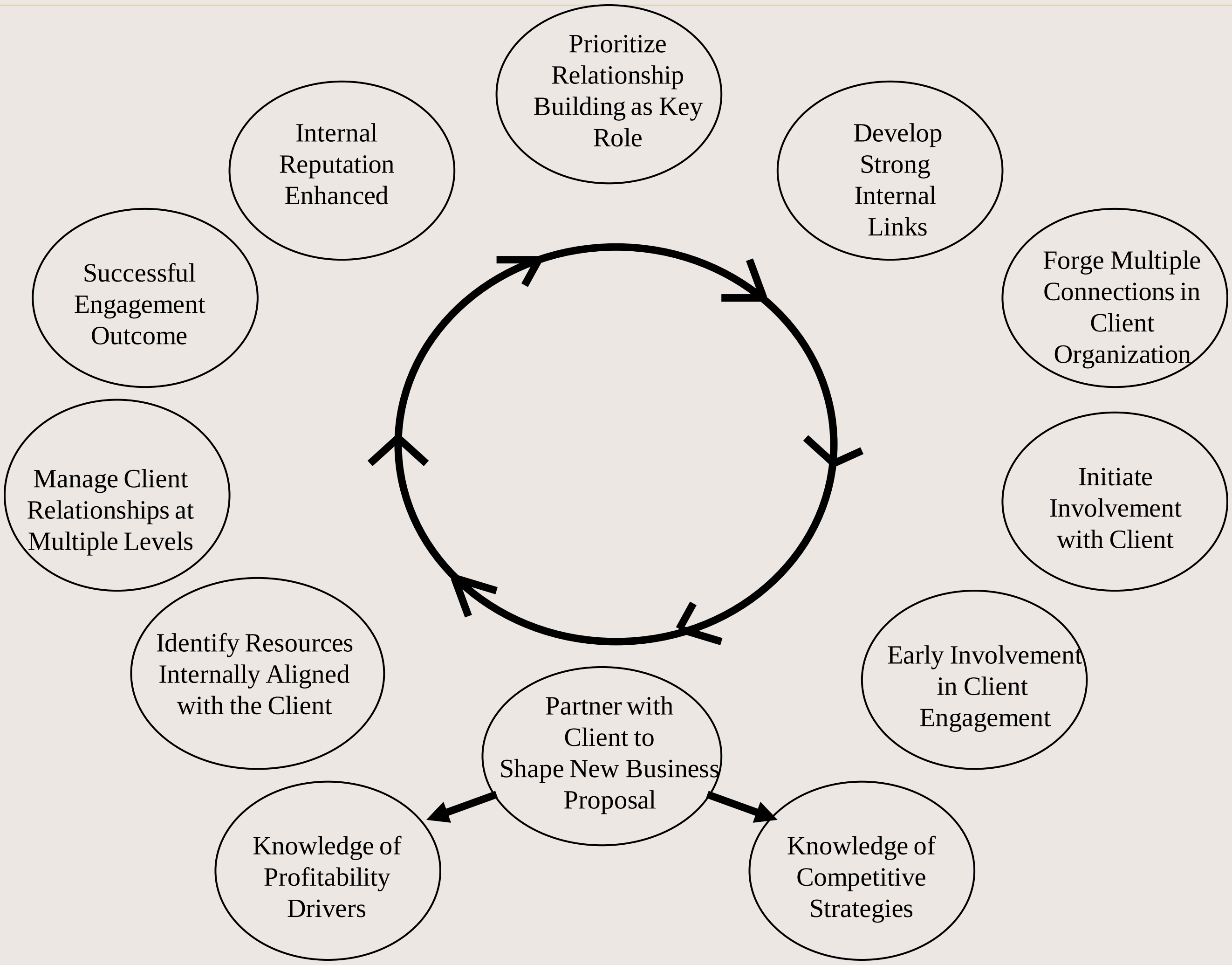
High Performing Account Managers:

- Assemble the right people and gather the right information to solve their customer’s unique problems.

- Excel at building and maintaining strong relationships.

- Use these relationships to design and align proposals that meet the selling firm’s capabilities (solutions) to the buying firm’s needs (problems).

The Cycle of Account Management Success



Account Management Success

- ✓ Building internal relationships
- ✓ Aligning resources to client needs
- ✓ Forging relationships with the customer organization
- ✓ Managing the customer engagement process
- ✓ Knowing the customer
- ✓ Build strong relationships within the selling firm and customer organization

Sales Force Administration Includes:

- ✓ Recruitment and Selection
- ✓ Training
- ✓ Supervision and Motivation
- ✓ Evaluation and Control

Recruitment & Selection

- Q: Should the company hire experienced sales people or hire and train inexperienced people?

- A: It depends upon:
  a. Size of firm
  b. Nature of selling task
  c. Firm’s training capability
  d. Market experience

Recruiting

- ✓ Recruiting is a negotiation between two parties.
- ✓ A successful process should include procedures to weed out unqualified people and assure that good candidates are considered.
- ✓ Most selection is done by the 1st line manager in conjunction with 2nd line manager.
- ✓ In larger corporations, the personal selling function is often used as a training ground for higher level marketing and management functions.

Training

Sales people need knowledge about the:

1. Firm.
2. Product.
3. Customer(s) & organizational buying behavior.
4. Competition.
5. Market & industry information.
6. Effective interpersonal communication skills.

Sales Training Skills:
Effective Interpersonal Communication Skills

- Includes:
  - A. Communication skills
  - B. Listening skills
  - C. Influencing skills
  - D. Complaint handling skills
  - E. Cultural diversity skills

- Many companies have found that as training increases, productivity increases and turnover decreases.

Supervision

- ✓ Supervision's functions include:
    - continued training
    - counseling
    - assistance
    - time management verification
    - setting financial & activity quotas, etc.
- ✓ Supervision also integrates sales activities with upper management.

Motivation

- Orville Walker Jr., Gilbert Churchill Jr., and Neil Ford define motivation as:

  The amount of effort the salesperson “desires to expend on each of the activities or tasks associated with his (her) job such as:

  1. Calling on potential new accounts,
  2. Planning sales presentations, and
  3. Filling out reports.”

Motivation

Walker, Churchill & Ford’s model (fig. 16.3) hypothesizes that a salesperson’s performance is a function of three factors:

1. Level of motivation
2. Aptitude or ability
3. Perception about how to perform the role

Motivating Rewards

- Motivation is strongly related to:

A. Individual’s perception of the types and amounts of rewards from various degrees of job performance.

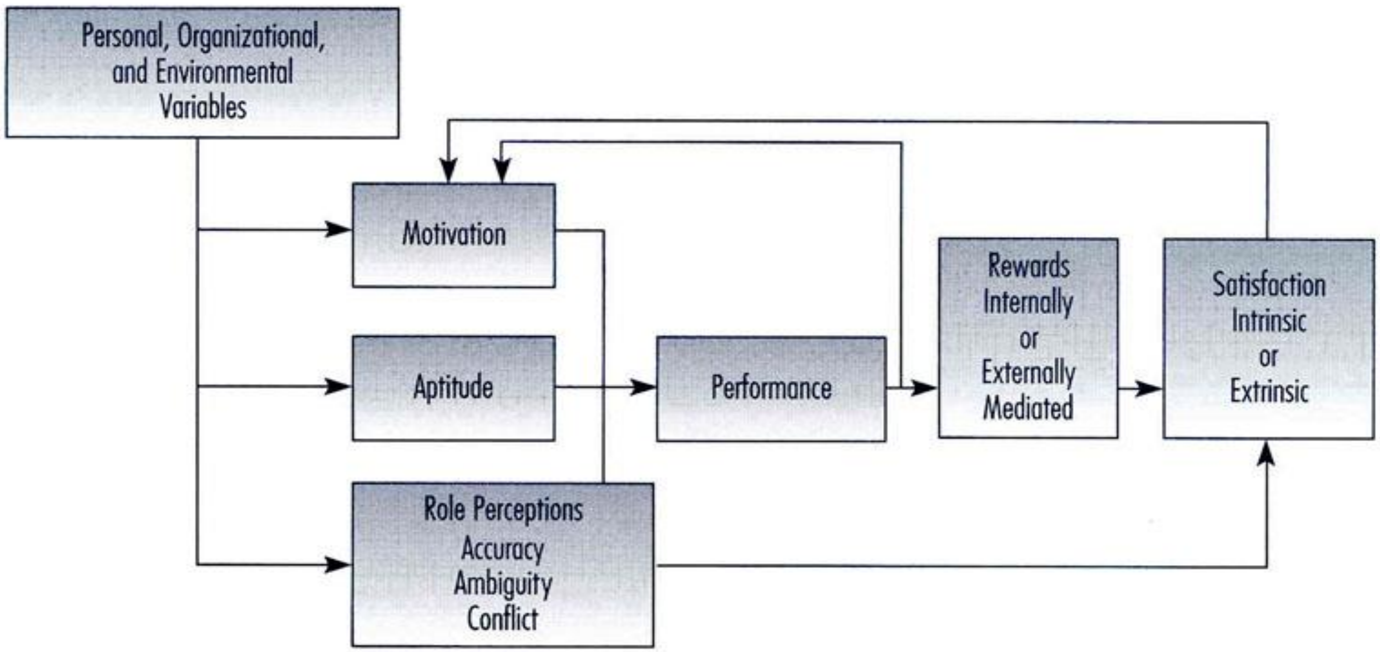
B. The value the salesperson places on those rewards.

Motivating Rewards

Rewards can be:

- Internal: Personal feelings of accomplishment or self-worth
- External: Financial incentives and/or recognition

Determinants of Sales People's Performances



SOURCE: Orville C. Walker Jr., Gilbert A. Churchill Jr., and Neil M. Ford, "Motivation and Performance in Industrial Selling: Present Knowledge and Needed Research," *Journal of Marketing Research* 14 (May 1977): p. 158. Reprinted by permission of the American Marketing Association.

Incentives

To be effective, incentive rewards:

1. Must be well conceived.
2. Be based on what salespeople value.
3. Are tied to achieving a desired behavior.
4. Recognizes the salesperson.
5. Recognizes the team.

Incentives

- Usually consist of:
  - Recognition
  - Financial rewards
- Recognition is usually competitive in nature and often coupled to a sports theme such as: “Big Hitter of the Month”
- Financial incentives may include:
  - Salary
  - Commission
  - Bonus
  - Expenses
  - Contest winnings
  - Other perks

Work Environment

- Job dissatisfaction occurs when the sales person does not know:

1. What is reasonably expected.
2. Is subject to conflicting demands that s/he cannot possibly resolve.
3. Surrounded by uncertainty due to lack of information concerning expectations.

Turnover

- Turnover is an important issue because the cost for it is extensive:
    A. Cost to hire and train new people
    B. Cost due to loss of customer
    C. Cost due to non-performance

- To reduce turnover, management will try many things to satisfy, motivate and reward good people.

Job Satisfaction Increases When:

1. Sales people perceive that 1st line supervisors closely direct and monitor performance.
2. Management provides assistance to resolve unusual problems.
3. Sales people feel they have an active part in determining company policies and standards.
4. There is a good relationship between sales person and manager.
   - Customer satisfaction increased as salesperson's job satisfaction increased.

Job Satisfaction

Relationship between job satisfaction and customer satisfaction is strong when:

a. Customer interactions are frequent.
b. Customer assumes a central role in the value - creation process.
c. When innovative products or services are involved.

Evaluation and Control

Management's responsibility is to monitor and control sales performance at all levels:

- Locally.
- Regionally.
- Nationally.

Evaluation and Control

Management needs to:

a. Determine if objectives are being achieved
b. Identify problems
c. Recommend corrective action
d. Keep salespeople informed about changes (internally) such as new products or (externally) such as competitive or market conditions

Performance Measures

- Sales managers use both…

1. Behavior-based tools
2. Performance-based tools

…To measure performance.

Behavior-Based Performance Measures

- Include:
  - Having the sales manager monitor and direct sales people activities by using subjective measures to evaluate performance such as:
    - 1. Application of product and company technology knowledge.
    - 2. Quality of customer relationships.
- Compensation is more salary driven.

Behavior-Based Performance Measures *(con't)*

- Is good for:

A. Salespeople who lack experience

B. Companies that need to control how their products\services are presented

C. When salespeople are asked to perform "non-sales" activities

Outcome-Based Performance Measures

- Includes:
  - ✓ Less direct control
  - ✓ Uses objective measures such as activity, sales quotas, % share market quotas, profits, etc.
  - ✓ Compensation is more performance based such as large commission structure

Outcome Based Performance Measures – *con't*

- It is good for:

  A. When sales efforts are a major determinate of organizational sales success.

  – Erin Anderson & Vincent Onyemah state, "When sales reps make that big of a difference to the bottom line, it is worth it to give them autonomy and to pay them handsomely to do what they do."

Balance

- Successful managements use both behavior and performance measures to motivate and control their sales force.
- Other things to consider are selling situations from territories to types of customers.
- Transactional selling is much different than relationship selling, and measurements need to be appropriate for the selling situation.

"It always seems IMPOSSIBLE until it's done."

Nelson Mandela