B2B MARKETING: 18MBA 403 A Dr. Joysingha Mishra

MOD I:

Difference between Industrial marketing and consumer Marketing:
The basic difference is Industrial market (Factor Market) is the market which produces goods and services, with inputs like labour, land, and machinery and the goods are consumed by Consumers in Consumer Market (Product Market).

Market: The place where you find buyers and sellers.

Consumer Markets:

- Buying decisions solely made by individuals.
- Fast purchasing decisions. No need to go through approval process.
- Bigger markets - many segments/target groups exist (e.g. demographic, age specific, race, etc.). Basically, anyone or any groups can be your "game."
- Often, segments/target groups could be "unaware" of company's brand image. Thus, it's up to the company to create this long-lasting image to potential customers using emotional, social or demographically marketing strategy - something to connect with potential customer. For example, companies can display "heart-to-heart" message on their poster.
- Some customers might stay as a long-term advocate/user but often, they feel free to shift brand.
- This day and age, many customers feel apprehensive about salespeople visiting home. Therefore, companies should employ viral marketing tactics, such as using Facebook, twitter and Youtube to get their messages across.

Industrial Markets:

- Buying decisions made by multiple buyers in the company.
- Slower purchasing decisions. Purchasers/managers must get an approval from the VP or the CFO in order to buy an expensive capital item.
- Smaller markets - few segments/target groups exist. Often, these groups are employers from companies looking after purchasing decisions (e.g. purchaser, managers, etc)
- Business segments/target groups are often educated. So in order to effectively market to these groups, companies must show facts and figures as to why their product is better than competitors. Not really necessary to use emotional, social and demographically targeted marketing strategies.
- Forms a long-term and ongoing relationship with vendor.
- Door-to-door marketing required to form a long-lasting relationship. You must show your face in order to make a deal!

Consumer targeted marketing is easier to market to. As long as companies create a "sensation" by making interesting/intriguing PR campaigns and marketing tactics go viral, sales/profits will follow. For example, a Vancouver-based bag company, Herschel Supply Co., started out as a start-up and now a global company, successfully launched a social media marketing campaign and now became a household name for anyone into hipster fashion and lifestyle. The owners of this company, both in their mid-30s, understand what young and millennials want. They successfully tapped into their needs/wants by creating and displaying marketing campaigns showing nature. The marketing here is subjective - the company would cater to reach out to consumers to find common ground emotionally. As well, consumers have the choice to make purchase decisions, as opposed to businesses must go through proper channels and require consensus from different departments to make the deal. Business-to-business selling cycle requires a long time and time consuming due to governance and policy to ensure nothing gets left out, as opposed to business-to-customer can make the selling right away.

Market is a place where buyers and Seller connect with each other for the purpose of Buying and Selling their products. With this, one thing is common in both the market i.e Industrial Market as well as Consumer Market same activity takes places. However, difference lies in the audience who are there in one market.

In Consumer Market, the buyer is always the end consumer of goods where as in Industrial Market, the buyer is not the end user of goods rather the one who will be processing it further to make it available for the end users.

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Longer Sales Cycle:

One of the most immediately obvious differences between consumer marketing and industrial marketing is the longer sales cycle. Consumers often make purchases on the spot, or with less than a few days consideration. Industrial purchases are different. Buyers make calculated decisions, often after a lengthy review process, analysis, and comparison between similar products. As a result, industrial marketers that are expecting fast sales from marketing investments are going to be disappointed. Instead, industrial marketers should prepare for more lengthy nurture-based approach to growing revenue. Selling to End Users is not enough.

In consumer marketing buyers are directly exposed to marketing efforts. In industrial marketing this is not always the case. The employees who will actually use a product are generally the ones who are exposed to marketing. In many cases though, it is company executives who sign off on the final purchase agreement. As a result, industrial marketing efforts need to equip buyers with information that they can take to senior management to help them realize the value of a purchase. Simply selling the end users on an industrial product or service is not enough.

Technical Differences:

Effective consumer marketing encourages us to make purchases based on emotion. That doesn't work in industrial marketing. Industrial buyers are thirsty for information and specifications. They are experts in their field and are very knowledgeable about the products and services they need. Buyers want to know exactly what a product is capable of, why it is better improved, and how it will fit into their existing systems. Plain and simple. Industrial buyers behave differently. By understanding the differences between traditional B2C customers and industrial buyers, companies can develop effective marketing efforts, proving that, when done properly, marketing does work after all.

Types of B2B Customers:

The four major categories of business customers are:

1. Producers: often called OEMs (original equipment manufacturers). Purchase goods and services to produce other products. Example: GM buys steel, paint, tires and batteries to produce a car.
2. Resellers: retailers and wholesale businesses that buy finished goods and resell for a profit. Exam: The World, Reliance fresh, Big Bazar.
3. Government: Federal, state, county, municipals. The Federal government is the worlds largest customer.
4. Institutions: are foundations, non-profit, churches, schools and other non business organizations.

The 4 types of business products are:

1. Major equipment: capital goods such as large or expensive machines like generators that depreciated over time.
2. Accessory equipment: less expensive and shorter lived than major equipment. Like drills, tools. Important to local industrial distributers.
3. Raw materials: unprocessed or agriculture products such as lumber, corn, no one can influence the market.
4. Component parts: finished items ready for assembly or products that need very

little processing before becoming part of other product. Like tires.

Understanding business market & environment:
A business firm is an open system. It gets resources from the environment and supplies its goods and services to the environment. 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 analyse business environment to survive and to get success for a business in its industry. It is, therefore, a vital role of managers to analyse business environment so that they could pursue effective business strategy. 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.

Business may be understood as the organized efforts of enterprise to supply consumers with goods and services for a profit. Businesses vary in size, as measured by the number of employees or by sales volume. But all businesses share the same purpose: to earn profits.

The purpose of business goes beyond earning profit. There are:
It is an important institution in society.
Be it for the supply of goods and services.
Creation of job opportunities.
Offer of better quality of life.
Contributing to the economic growth of the country.

Hence, it is understood that the role of business is crucial. Society cannot survive without business. It needs no emphasis that business needs society as much.

Today’s business is characterized by diversification, which may be:

Concentric Diversification - It refers to the process of adding new, but relates products or services.

Horizontal Diversification – Adding new, unrelated products or services for present customers is called horizontal Diversification.

Conglomerate Diversification - It refers to adding new and unrelated products or services. Going international is yet another trend followed by modern business houses.

- Business Goals
- Profit - Making profit is the primary goal of any business enterprise.
- Growth - Business should grow in all directions over a period of time.
- Power - Business houses have vast resources at its command. These resources confer enormous economic and political power.
- Employee satisfaction and development - Business is people. Caring for employee satisfaction and providing for their development has been one of the rational objectives of business enterprises.
- Quality Products and Services - Persistent quality of products earns brand loyalty, a vital ingredient of success.
- Market Leadership- To earn a niche for oneself in the market, innovation is the key factor.
- Challenging- Business offers vast scope and poses formidable challenges.
- Joy of creation- It is through business strategies new ideas and innovations are given a shape and are converted into useful products and services.
- Service to society - Business is a part of society and has several obligations towards it.

TYPES OF ENVIRONMENT:

On the basis of the extent of intimacy with the firm, the environmental factors may be classified in to different types or levels. There are, broadly, two types of environments, the internal environment, i.e., factors internal to the firm and external environment, i.e., factors external to the firm which have relevance to it.

Business Decision

Internal Environment

External Environment

Micro Environment
(controllable)

Macro Environment
(Beyond Controllable)

The internal factors are generally regarded as controllable factors because the company has control over these factors; it can alter or modify such factors as its personnel, physical facilities, organization and functional means, such as marketing mix, to suit the environment.

The external factors, on the other hand, are, by and large, beyond the control of a company. The external or environmental factors such as the economic "factors, socio- cultural factors, government and legal factors, demographic factors, geo-physical factors etc; are, therefore, generally regarded as uncontrollable factors.

It may, however, be noted that a firm may not sometimes have complete control over all the internal factors. Also, it is sometimes possible to change certain external factors.

Some of the external factors have a direct and intimate impact on the firm (like the suppliers and distributors of the firm). These factors are classified as micro environment, also known as task environment and operating environment. There are other external factors which affect an industry very generally (such as industrial policy demographic factors etc). They constitute what is called macro environment, general environment or remote environment.

Although business environment consists of both the internal and external environments, many people often confine the term to the external environment of business.

Internal Environment

The important internal factors which have a bearing on the strategy and other decisions are outlined below.

Value System

The value system of the founders and those at the controls of affairs has important bearing on the choice of business, the mission and objectives of the organization, business policies and practices. It is a widely acknowledged fact that the extent to which the value system is shared by all in the organization is an important factor contributing to success.

The value system of JRD Tata and the acceptance of it by others who were responsible for the voluntary incorporation in the Articles of Association of TISCO (TATA Steel) its social and moral responsibilities to consumers, employees, shareholders, society and the people.

After the EID Parry group was taken over by the Murugappa group, one of the most profitable businesses (liquor) of the ailing Parry group were sold off as the liquor business did not fit into the value system of the Murugappa group.

The value system and ethical standards are also among the factors evaluated by many companies in the selection of suppliers, distributors, collaborators etc.

Vision, Mission and Objectives

The business domain of the company, priorities, direction of development, business philosophy, business policy etc., is guided by the vision mission and objectives of the company.

Ranbaxy's thrust in to the foreign markets and development has been driven by its mission "to become a research based international pharmaceutical company."
Arvind Mills' mission "To achieve global dominance in select business built around our core competencies through continuous product and technical innovation, customer orientation and focus on cost effectiveness" has driven its future development strategy including the portfolio strategy, and indicated the thrusts required in the functional areas to help achieve the mission.

Management Structure and Nature

The organizational structure, the composition of the Board of Directors, extent of professionalisation of management etc., are important factors influencing business decisions. Some management structures and styles delay decision making while some others facilitate quick decision making.

The Board of Directors being the highest decision-making body which sets the direction for the development of the organization and which oversees the performance of the organization, the quality of the Board is a very critical factor for the development and performance of company. The private sector in India presents extreme cases in this respect. At one end there are companies with highly qualified and responsible Board and at the other end there are companies which do not possess these qualities.

The share-holding pattern could have important managerial implications. There are very large companies where majority of the share is held by the promoters (like Wipro) and there are large firms where the promoters' position is very vulnerable (like the Tata group of companies).

Financial institutions had large share-holding in many Indian companies. The stand of nominees of financial institutions could be very decisive in several critical instances.

Internal Power Relationship

Factors like the amount of support the top management enjoys from different levels of employees, shareholders and Board of Directors have important influence on the decisions and their implementation.

The relationship between the members of Board of Directors and between the chief executive and the Board are also critical factors.

Human Resources

The characteristics of the human resources like skill, quality, morale, commitment, attitude etc., could contribute to the strength and weakness, of an organization. Some organizations find it difficult to carry out restructuring or modernization because of resistance by employees whereas they are smoothly done in some others.

The involvement, initiative etc., of people at different levels may vary from organization to organization. The organizational culture and overall environment have bearing on them. In a Western company, it is 2,000 process improvers and 28,000 workers. And in an Indian company like Tata is growing. The image of the company matters while raising finance, forming joint ventures or other alliances, soliciting marketing intermediaries, entering purchase or sale contracts, launching new, products etc. Brand equity is also relevant in several of these cases.

Miscellaneous Factors

There are a number of other internal factors which contribute to the business success/failures or influence the decision-making. They include the following.

1. Physical Assets and Facilities like the production capacity, technology and efficiency of the productive apparatus, distribution logistics etc., are among the factors which influence the competitiveness of a firm.

Buying Grid Model:

Based on field research, Robinson, Faris and Wind divided the buyer purchase process into eight sequential, distinct but interrelated BUYPHASES:

1. recognition of the organisational problem or need;
2. determination of the characteristics of the item and the quantity needed;
3. description of the characteristics of the item and the quantity needed;
4. search for and qualification of potential sources;
5. acquisition and analysis of proposals;
6. evaluation of the proposals and selection of suppliers;
7. selection of an order routine;
8. performance feedback and evaluation.

The most complex buying situations occur in the upper left quadrant of the buy grid matrix where the largest number of decision makers and buying influences are involved. A new task that occurs in the problem recognition phase (1) is generally the most difficult for management.

The buying process can vary from highly formalised to an approximation depending on the nature of the buying organisation, the size of the deal and the buying situation.

Buying Centre:

A buying center brings together "all those members of an organisation who become involved in the buying process for a particular product or service". Buying centers are also known as 'decision-making units' (DMUs). The concept of a buying centers (as a focus of B2B marketing, and as a core fundamental in creating customer value and influence in organisational efficiency and effectiveness) formulates the understanding of purchasing decision-making in complex environments.

Some of the key factors influencing a buying centre or DMU's activities include:

- Buy class (e.g. straight rebuy, new task or modified rebuy)
- Product type (e.g. materials, components, plant and equipment and MRO (maintenance, repair and operation))
- Importance of the purchase.

In some cases the buying centre is an informal ad hoc group, but in other cases, it is a formally sanctioned group with specific mandates, criteria, and procedures.

The formation of the buying centers or decision-making unit (DMU) is considered as an important process and therefore depends on several factors like: the size of the company and skills of the personalities and staff members, the type of product/service that is needed, the type of the organization, the different buying process stages (BPS), the duration of the relationships between the buyer (the organization) and sellers or suppliers, and the technologies that are used in the production.

Buying centre size

American research undertaken by McWilliams in 1992 found out that the mean size of these buying centres mainly consists of four people. The normal range is between three and five people. The main reason for variety in amount of people is the type of purchase that has to be done and the stage of the buying process.

Module II:

Segmantation Criteria of B2B:

Satisfying people’s needs and making a profit along the way is the purpose of marketing. However, people’s needs differ and therefore satisfying them may require different approaches. Identifying needs and recognising differences between groups of customers is at the heart of marketing.

It identified the needs of its customers and organised its offer to better meet them. This is at the heart of all good marketing – meeting customers’ needs profitably, and allocating finite resources in such a way that profit is maximised. This means not wasting time or resources on customers who would be less profitable, and treating the key targets not as one homogenous population but as distinct groups with distinct needs.

It is very rare for even two customers to have identical needs to each other. In a perfect world, we would identify those customers that we deem to be profitable, and then treat each one of those individually according to their unique needs. In any market with a sizeable target audience, even this is likely to require more resources than is practical or profitable. To reiterate, segmentation, like marketing itself, is all about the profitable satisfaction of customers' needs. It is designed to be a practical tool, balancing idealism against practicality and coming up with a solution that maximises profit.

This means we have to be clever in targeting our offers at people who really do want them, need them and are willing to pay for them. Equally, we have to be strong in setting aside those who do not. We have to choose our target audience on the basis of our capabilities and strengths. In other words, we have to choose our own battlefield where we are confident that we are more attractive than our competitors. This early observation is fundamental, as it requires us to think as hard about where we don't want to sell our product as where we do.

This brings us to the consideration of the difference between marketing and selling. Selling focuses on the product in hand and our pressure to get rid of it, almost regardless of the needs of the customer. It is clear that brutal selling may leave a customer with a product they wish they had never bought and, therefore, they may never return as a customer again. Marketing takes a longer-term view. Marketing, and in particular segmentation, concerns itself with the matching of customers' needs with suppliers' needs and capabilities. More time and effort may be required but the customer is more likely to be comfortable with their decision and be loyal.

The fundamentals of marketing are the same fundamentals of segmentation. Know your customers, know how they differ, and have a clear proposition that lights their fire. We will return to these issues but first we will examine the differences between consumer and business-to-business markets, as our challenge is to arrive at a business-to-business segmentation.

Segmentation Challenges in Business-To-Business Markets

Business-to-Business markets are characterised in a number of ways that makes them very different to their consumer. Below is the summarise of the main differences between consumer and business-to-business markets, and set out the implications for market segmentation:

1) B2B markets have a more complex decision-making unit: In most households, even the most complex and expensive of purchases are confined to the small family unit, while the purchase of items such as food, clothes and cigarettes usually involves just one person. Other than low-value, low-risk items such as paperclips, the decision-making unit in businesses is far more complicated. The purchase of a piece of plant equipment may involve technical experts, purchasing experts, board members, production managers and health and safety experts, each of these participants having their own set of (not always evident) priorities.

Segmenting a target audience that is at once multifaceted, complex, oblique and ephemeral is an extremely demanding task. Do we segment the companies in which these decision makers work, or do we segment the decision makers themselves? Do we identify one key decision maker per company, and segment the key decision makers. In short, who exactly is the target audience and who should we be segmenting?

2) B2B buyers are more ‘rational’: The view that b2b buyers are more rational than consumer buyers is perhaps controversial, but we believe true. Would the consumer who spends $3,000 on a leather jacket that is less warm and durable than the $300 jacket next-door make a similar decision in the workplace? Consumers tend to buy what they want; b2b buyers generally buy what they need.

It perhaps therefore follows that segmenting a business audience based on needs should be easier than segmenting a consumer audience. In business-to-business markets it is critical to identify the drivers of customer needs. These often boil down to relatively simple identifiers such as company size, volume purchased or job function. These identifiers often enable needs and therefore segments to be quite accurately predicted.

3) B2B products are often more complex: Just as the decision-making unit is often complex in business-to-business markets, so too are b2b products themselves. Even complex consumer purchases such as cars and stereos tend to be chosen on the basis of fairly simple criteria. Conversely, even the simplest of b2b products might have to be integrated into a larger system, making the involvement of a qualified expert necessary. Whereas consumer products are usually standardized, b2b purchases are frequently tailored.

This raises the question as to whether segmentation is possible in such markets – if every customer has complex and completely different needs, it could be argued that we have a separate segment for every single customer. In most business-to-business markets, a small number of key customers are so important that they ‘rise above the segmentation’ and are regarded as segments in their own right, with a dedicated account manager. Beneath these key customers, however, lies an array of companies that have similar and modest enough requirements to be grouped into segments.

4) B2B target audiences are smaller than consumer target audiences: Almost all business-to-business markets exhibit a customer distribution that confirms the Pareto Principle or 80:20 rule. A small number of customers dominate the sales ledger. Nor are we talking thousands and millions of customers. It is not unusual, even in the largest business-to-business companies, to have 100 or fewer customers that really make a difference to sales. One implication is that b2b markets generally have fewer needs-based segments than consumer segments – the volume of data is such that achieving enough granularity for more than 3 or 4 segments is often impossible.

5) Personal relationships are more important in B2B markets: A small customer base that buys regularly from the business-to-business supplier is relatively easy to talk to. Sales and technical representatives visit the customers. People are on first-name terms. Personal relationships and trust develop. It is not unusual for a business-to-business supplier to have customers that have been loyal and committed for many years.

There are a number of market segmentation implications here. First, while the degree of relationship focus may vary from one segmentation to another, most segments in most b2b markets demand a level of personal service. This raises an issue at the core of B2B segmentation – everyone may want a personal relationship, but who is willing to pay for it? This is where the supplier must make firm choices, deciding to offer a relationship only to those who will pay the appropriate premium for it. On a practical level, it also means that market research must be conducted to provide a full understanding of exactly what 'relationship' comprises. To a premium segment, it may consist of regular face-to-face visits, whilst to a price-conscious segment a quarterly phone call may be adequate.

6) B2B buyers are longer-term buyers: Whilst consumers do buy items such as houses and cars which are long-term purchases, these incidences are relatively rare. Long-term purchases – or at least purchases which are expected to be repeated over a long period of time – are more common in business-to-business markets, where capital machinery, components and continually used consumables are prevalent. In addition, the long-term products and services required by businesses are more likely to require service back-up from the supplier than is the case in consumer markets. A computer network, a new item of machinery, a photocopier or a fleet of vehicles usually require far more extensive aftersales service than a house or the single vehicle purchased by a consumer. Businesses' repeat purchases (machine parts, office consumables, for example) will also require ongoing expertise and services in terms of delivery, implementation/installation advice, etc that are less likely to be demanded by consumers.

In one sense this makes life easier in terms of b2b segmentation. Segments tend to be less subject to whim or rapid change, meaning that once an accurate segmentation has been established, it evolves relatively slowly and is therefore a durable strategic tool. The risk of this, and something which is evident in many industrial companies, is that business-to-business marketers can be complacent and pay inadequate attention to the changing needs and characteristics of customers over time. This can have grave consequences in terms of the profitability of a segment, as customers are faced with out-of-date messages or benefits that they are not paying for.

7) B2B markets drive innovation less than consumer markets: B2B companies that innovate usually do so as a response to an innovation that has happened further upstream. In contrast with FMCG companies, they have the comparative luxury of responding to trends rather than having to predict or even drive them. In other words, B2B companies have the time to continually re-evaluate their segments and CVPs and respond promptly to the evolving needs of their clients.

8) B2B markets have fewer behavioural and needs-based segments: The small number of segments typical to b2b markets is in itself a key distinguishing factor of business-to-business markets. Our experience of over 2,500 business-to-business studies shows that B2B markets typically have far fewer behavioural or needs-based segments than is the case with consumer markets. Whereas it is not uncommon for an FMCG market to boast 10, 12 or more segments, the average business-to-business study typically produces 3 or 4.

Part of the reason for this is the smaller target audience in business-to-business markets. In a consumer market with tens of thousands of potential customers, it is practical and economical to divide the market into 10 or 12 distinguishable segments, even if several of the segments are only separated by small nuances of behaviour or need. This is patently not the case when the target audience consists of a couple of hundred business buyers.

The main reason for the smaller number of segments, however, is simply that a business audience's behaviour or needs vary less than that of a (less rational) consumer audience. Whims, insecurities, indulgences and so on are far less likely to come to the buyer's mind when the purchase is for a place of work rather than for oneself or a close family member. And the numerous colleagues that get involved in a B2B buying decision, and the workplace norms established over time, filter out many of the extremes of behaviour that may otherwise manifest themselves if the decision were left to one person with no accountability to others.

It is noticeable that the behavioural and needs-based segments that emerge in business-to-business markets are frequently similar across different industries. Needs-based segments in a typical business-to business market often resemble the following:

- A price-focused segment, which has a transactional outlook to doing business and does not seek any ‘extra’. Companies in this segment are often small, working to low margins and regard the product/service in question as of low strategic importance to their business.
- A quality and brand-focused segment, which wants the best possible product and is prepared to pay for it. Companies in this segment often work to high margins, are medium-sized or large, and regard the product/service as of high strategic importance.
- A service-focused segment, which has high requirements in terms of product quality and range, but also in terms of aftersales, delivery, etc. These companies tend to work in time-critical industries and can be small, medium or large. They are usually purchasing relatively high volumes.
- A partnership-focused segment, usually consisting of key accounts, which seeks trust and reliability and regards the supplier as a strategic partner. Such companies tend to be large, operate on relatively high margins, and regard the product or service in question as strategically important.

The way for segmentation (B2B)

The benefits of B2B segmentation are not hard to grasp. The challenge is arriving at the most effective groupings.

A common approach in business-to-business markets is to apply a market segmentation based on company size. The consumption levels of business-to-business customers are so widely different that this often makes sense due to large companies usually thinking and acting differently to small ones. A further sophistication may be to classify customers into those who are identified as strategic to the future of the business, those who are important and therefore key and those who are smaller and can be considered more of a transactional typology.

These ‘demographic’ segmentations, sometimes referred to as ‘firmographic’ in business-to-business markets, are perfectly reasonable and may suffice. However, they do not offer that sustainable competitive advantage that competitors cannot copy. A more challenging segmentation is one based on behaviour or needs. Certainly, large companies may be of key or strategic value to a business but some want a low-cost offer stripped bare of all services while others are demanding in every way. If both are treated the same, one or both will feel unfulfilled in some way and be vulnerable to the charms of the competition.

It is not easy to jump straight into a fully-fledged needs-based segmentation. Most companies are starting with some history of involvement in segmentation, even if it is only a north/south split of its sales force. Companies move down the road of segmentation learning all the way.

A Needs-based Segmentation

There may be problems in developing a needs-based segmentation but this is at least an aspiration to drive towards the starting point of any business-to-business segmentation is a good database. A well-maintained database is high on the list in any audit of marketing excellence in a business-to-business company. The database should, as a minimum, contain the obvious details of correct address and telephone number together with a purchase history. Ideally it should also contain contact names of people involved in the decision-making unit, though this does present problems of keeping it up to date.

Management is frequently blissfully unaware of the parlous state of its databases as it is rarely involved in inputting and maintaining data. Sometimes the best database in the company is the Christmas card list held close to the chest of every sales person.

A comprehensive and up-to-date database is only the start of the segmentation process. A mechanism is now needed for determining every need of every company on the database. The common-sense approach may appear to be to ask them. It is not that people lie but they may not be able to acknowledge the truth;

- Do people really buy a Porsche for engineering excellence?
- Do people really choose an Armani suit because it lasts so well?
- Do people, who say they buy their chemicals purely on price, never require any technical support or urgent deliveries from time to time?

Sometimes the simple question and the straightforward answer is enough. At other times a more sophisticated approach is required. Statistical techniques (specifically factor analysis) can be used to show the association between the overall satisfaction with a supplier and satisfaction of that supplier on a whole range of attributes that measure the customers' needs. It can be determined that any individual attributes receiving high satisfaction scores must drive the overall satisfaction score and therefore be an important reason for choosing that supplier. In other words, instead of asking what factors are important, we can derive them. Buyers of Armani suits may show a strong link between overall satisfaction with the suit and attributes related to the brand and so point to the importance of the brand in the buying decision.

Choosing Segments to work with:

By plotting the different segments on an X Y grid, it is possible to determine which are worth targeting and, equally important, which are not. The two factors that influence this decision are the attractiveness of the segment against the supplier's competitive position within that segment. In this way it is possible to identify targets that justify resources in targeting and development. In the example below it may be thought that the price fighters offer no margin and are not worth targeting, even though they form a large segment. However, the traditionalists may be worth working on to see if they can be moved north and east to join a more attractive segment such as the range buyers, quality fanatics or delivery buyers.

Segmentation is the first crucial step in marketing, and the key towards satisfying needs profitably. It is often the mix of where-what-who and why (the benefit or need) which is driving the segmentation. The grouping together of customers with common needs makes it possible to select target customers of interest and set marketing objectives for each of those segments. Once the objectives have been set, strategies can be developed to meet the objectives using the tactical weapons of product, price, promotion and place (route to market).

B2B Buying Process:

Stages in the B2B Buying Process:

1. A need is recognized. Someone recognizes that the organization has a need that can be solved by purchasing a good or service. Users often drive this stage, although others can serve the role of initiator. In the case of the electronic textbook, it could be, for example, the professor assigned to teach the online course. However, it could be the dean or chairman of the department in which the course is taught.

2. The need is described and quantified. Next, the buying centre, or group of people brought together to help make the buying decision, work to put some parameters around what needs to be purchased. In other words, they describe what they believe is needed, the features it should have, how much of it is needed, where, and so on. For more technical or complex products the buyer will define the product's technical specifications. Will an off-the-shelf product do, or must it be customized?

Users and influencers come into play here. In the case of our electronic book, the professor who teaches the online course, his teaching assistants, and the college's information technology staff would try to describe the type of book best suited for the course. Maybe it should be compatible with Amazon's Kindle. An Example of Product Specifications Developed for a B2B Purchase

3. Potential suppliers are searched for. At this stage, the people involved in the buying process seek out information about the products they are looking for and the vendors that can supply them. Most buyers look online first to find vendors and products, then attend industry trade shows and conventions and telephone or e-mail the suppliers with whom they have relationships. The buyers might also consult trade magazines, the blogs of industry experts, and perhaps attend Webinars conducted by vendors or visit their facilities. Purchasing agents often play a key role when it comes to deciding which vendors are the most qualified. Are they reliable and financially stable? Will they be around in the future? Do they need to be located near the organization or can they be in another region of the country or in a foreign country? The vendors that don't make the cut are quickly eliminated from the running.

4. Qualified suppliers are asked to complete responses to Requests for proposal (RFPs). Each vendor that makes the cut is sent a (RFP), which is an invitation to submit a bid to supply the good or service. An RFP outlines what the vendor is able to offer in terms of its product—its quality, price, financing, delivery, after-sales service, whether it can be customized or returned, and even the product's disposal, in some cases. Good sales and marketing professionals do more than just provide basic information to potential buyers in RFPs. They focus on the buyer's problems and how to adapt their offers to solve those problems.

Oftentimes the vendors formally present their products to the people involved in the buying decision. If the good is a physical product, the vendors generally provide the purchaser with samples, which are then inspected and sometimes tested. They might also ask satisfied customers to make testimonials or initiate a discussion with the buyer to help the buyer get comfortable with the product and offer advice on how best to go about using it.

5. The proposals are evaluated and supplier(s) selected. During this stage, the RFPs are reviewed and the vendor or vendors selected. RFPs are best evaluated if the members agree on the criteria being evaluated and the importance of each. Different organizations will weigh different parts of a proposal differently, depending on their goals and the products they purchase. The price might be very important to some sellers, such as discount and dollar stores. Other organizations might be more focused on top-of-the-line goods and the service a seller provides. Recall that the maker of Snapper mowers and snowblowers was more focused on purchasing quality materials to produce top-of-the-line equipment that could be sold at a premium. Still other factors include the availability of products and the reliability with which vendors can supply them. Reliability of supply is extremely important because delays in the supply chain can shut down a company's production of goods and services and cost the firm its customers and reputation.

For high-priced, complex products, after-sales service is likely to be important. A fast-food restaurant might not care too much about the after-sales service for the paper napkins it buys—just that they are inexpensive and readily available. However, if the restaurant purchases a new drive-thru ordering system, it wants to be assured that the seller will be on hand to repair the system if it breaks down and perhaps train its personnel to use the system.

A scorecard approach can help a company rate the RFPs. The scorecards completed by all the members of the buying team can then be tabulated to help determine the vendor with the highest rating.

Selecting Single versus Multiple Suppliers.

Sometimes organizations select a single supplier to provide the good or service. This can help streamline a company's paperwork and other buying processes. With a single supplier, instead of negotiating two contracts and submitting two purchase orders to buy a particular offering, the company only has to do one of each. Plus, the more the company buys from one vendor, the bigger the volume discount it gets. Single sourcing can be risky, though, because it leaves a firm at the mercy of a sole supplier. What if the supplier doesn't deliver the goods, goes out of business, or jacks up its prices? Many firms prefer to do business with more than one supplier to avoid problems such as these. Doing business with multiple suppliers keeps them on their toes. If they know their customers can easily switch their business over to another supplier, they are likely to compete harder to keep the business.

6. An order routine is established. This is the stage in which the actual order is put together. The order includes the agreed-upon price, quantities, expected time of delivery, return policies, warranties, and any other terms of negotiation (Brauner, 2008). The order can be made on paper, online, or sent electronically from the buyer's computer system to the seller's. It can also be a one-time order or consist of multiple orders that are made periodically as a company needs a good or service. Some buyers order products continuously by having their vendors electronically monitor their inventory for them and ship replacement items as the buyer needs them.

7. A post purchase evaluation is conducted and the feedback provided to the vendor. Just as consumers go through an evaluation period after they purchase goods and services, so do businesses. The buying unit might survey users of the product to see how satisfied they were with it. Cessna Aircraft Company, a small U.S. airplane maker, routinely surveys the users of the products it buys so they can voice their opinions on a supplier's performance.

Some buyers establish on-time performance, quality, customer satisfaction, and other measures for their vendors to meet, and provide those vendors with the information regularly, such as trend reports that show if their performance is improving, remaining the same, or worsening. (The process is similar to a performance evaluation you might receive as an employee.) For example, Food Lion shares a wide variety of daily retail data and performance calculations with its suppliers in exchange for their commitment to closely collaborate with the grocery-store chain.

Keep in mind that a supplier with a poor performance record might not be entirely to blame. The purchasing company might play a role, too. For example, if the U.S. Postal Service contracts with FedEx to help deliver its holiday packages on time, but a large number of the packages are delivered late, FedEx may or may not be to blame. Perhaps a large number of loads the U.S. Postal Service delivered to FedEx were late, weather played a role, or shipping volumes were unusually high. Companies need to collaborate with their suppliers to look for ways to improve their joint performance. Some companies hold annual symposiums with their suppliers to facilitate cooperation among them and to honour their best suppliers (Copacino, 09).

The types of Buying situations:

To some extent the stages an organization goes through and the number of people involved depend on the buying situation. Is this the first time the firm has purchased the product or the fiftieth? If it's the fiftieth time, the buyer is likely to skip the search and other phases and simply make a purchase. A straight rebuy is a situation in which a purchaser buys the same product in the same quantities from the same vendor. Nothing changes, in other words. Post purchase evaluations are often skipped, unless the buyer notices an unexpected change in the offering such as a deterioration of its quality or delivery time.

Sellers like straight rebuys because the buyer doesn't consider any alternative products or search for new suppliers. The result is a steady, reliable stream of revenue for the seller. Consequently, the seller doesn't have to spend a lot of time on the account and can concentrate on capturing other business opportunities. Nonetheless, the seller cannot ignore the account. The seller still has to provide the buyer with top-notch, reliable service or the straight-rebuy situation could be jeopardized.

If an account is especially large and important, the seller might go so far as to station personnel at the customer's place of business to be sure the customer is happy and the straight-rebuy situation continues. IBM and the management consulting firm Accenture station employees all around the world at their customers' offices and facilities.

By contrast, a new-buy selling situation occurs when a firm purchases a product for the first time. Generally speaking, all the buying stages we described in the last section occur. New buys are the most time consuming for both the purchasing firm and the firms selling to them. If the product is complex, many vendors and products will be considered, and many RFPs will be solicited.

New-to-an-organization buying situations rarely occur. What is more likely is that a purchase is new to the people involved. For example, a school district owns buildings. But when a new high school needs to be built, there may not be anyone in management who has experience building a new school. That purchase situation is a new buy for those involved.

A modified rebuy occurs when a company wants to buy the same type of product it has in the past but make some modifications to it. Maybe the buyer wants different quantities, packaging, or delivery, or the product customized slightly differently. For example, your instructor might have initially adopted this textbook “as is” from its publisher, but then decided to customize it later with additional questions, problems, or content that he or she created or that was available from the original publisher.

A modified rebuy doesn’t necessarily have to be made with the same seller, however. Your instructor may have taught this course before, using a different publisher’s book. High textbook costs, lack of customization, and other factors may have led to dissatisfaction. In this case, she might visit with some other textbook suppliers and see what they have to offer. Some buyers routinely solicit bids from other sellers when they want to modify their purchases in order to get sellers to compete for their business. Likewise, savvy sellers look for ways to turn straight rebuys into modified buys so they can get a shot at the business. They do so by regularly visiting with customers and seeing if they have unmet needs or problems a modified product might solve.

Key Takeaway

The stages in the B2B buying process are as follows: Someone recognizes that the organization has a need that can be solved by purchasing a good or service. The need is described and quantified. Qualified suppliers are searched for, and each qualified supplier is sent a request for proposal (RFP), which is an invitation to submit a bid to supply the good or service. The proposals suppliers submit are evaluated, one or more supplier(s) selected, and an order routine with each is established. A post purchase evaluation is later conducted and the feedback provided to the suppliers. The buying stages an organization goes through often depend on the buying situation—whether it’s a straight rebuy, new buy, or modified rebuy.

Benefit sought:

Benefit segmentation requires marketers to divide the market based on the perceived benefit of the product or service. This type of segmentation may be used in clothing, appliance, consumer, cosmetic, and several other industries. Marketers must remember that a market can be viewed and segmented in several different ways. The biggest benefit of using segmentation approaches like demographic or benefit segmentation is to understand the overall market and identify the unfulfilled needs of the customer.

Benefit sought covers:

Selecting Target Markets

After you segment buyers and develop a measure of consumer insight about them, you can begin to see those that have more potential. Now you are hunting with a rifle instead of a shotgun. The question is, do you want to spend all day hunting squirrels or ten-point bucks? An attractive market has the following characteristics:

- **It is sizeable (large) enough to be profitable given your operating cost.** Only a tiny fraction of the consumers in China can afford to buy cars. However, because the country's population is so large (nearly 1.5 billion people), more cars are sold in China than in Europe (and in the United States, depending on the month). Three billion people in the world own cell phones. But that still leaves three billion who don't (Corbett, 2008).
- **It is growing.** The middle class of India is growing rapidly, making it a very attractive market for consumer products companies. People under thirty make up the majority of the Indian population, fuelling the demand for "Bollywood" (Indian-made) films.
- **It is not already swamped by competitors, or you have found a way to stand out in a crowd.** IBM used to make PCs. However, after the marketplace became crowded with competitors, IBM sold the product line to a Chinese company called Lenovo.
- **Either it is accessible or you can find a way to reach it.** Accessibility, or the lack of it, could include geographic accessibility, political and legal barriers, technological barriers, or social barriers. For example, to overcome geographic barriers, the consumer products company Unilever hires women in third-world countries to distribute the company's products to rural consumers who lack access to stores.
- **The company has the resources to compete in it.** You might have a great idea to compete in the wind-power market. However, it is a business that is capital intensive. What this means is that you will either need a lot of money or must be able to raise it. You might also have to compete with the likes of T. Boone Pickens, an oil tycoon who is attempting to develop and profit from the wind-power market. Does your organization have the resources to do this?
- **It "fits in" with your firm's mission and objectives.** Consider TerraCycle, which has made its mark by selling organic products in recycled packages. Fertilizer made from worm excrement and sold in discarded plastic beverage bottles is just one of its products. It wouldn't be a good idea for TerraCycle to open up a polluting, coal-fired power plant, no matter how profitable the market for the service might be.

Target-Market Strategies: Choosing the Number of Markets to Target

Henry Ford proved that mass marketing can work—at least for a while. Mass marketing is also efficient because you don't have to tailor any part of the offering for different groups of consumers, which is more work and costs more money. The problem is that buyers are not all alike. If a competitor comes along and offers these groups a product (or products) that better meet their needs, you will lose business.

Multi-segment Marketing

Most firms tailor their offerings in one way or another to meet the needs of different segments of customers. Because these organizations don't have all their eggs in one basket, they are less vulnerable to competition. Marriott International is an example of a company that operates in multiple market segments. The company has different types of facilities designed to meet the needs of different market segments. Marriott has invested in unique brands so consumers don't confuse the brand and the brand is not diluted. Some of the Marriott brands and their target markets are as follows:

- **Marriott Courtyard.** Targeted at over-the-road travellers.
- **Ritz-Carlton Hotels.** Targeted at luxury travellers.
- **Marriott Conference Centres.** Targeted at businesses hosting small- and midsized meetings.
- **Marriott ExecuStay.** Targeted at executives needing month-long accommodations.
- **Marriott Vacation Clubs.** Targeted at travellers seeking to buy timeshares.

A multi -segment marketing strategy can allow firms to respond to demographic changes and other trends in markets. For example, the growing number of people too old to travel have the option of moving into one of Marriott's "Senior Living Services" facilities, which cater to retirees who need certain types of care. A multi -segment strategy can also help companies weather an economic downturn by allowing customers to trade up or down among brands and products. Suppose you take a pay cut and can't afford to stay at Marriott's Ritz-Carlton hotels anymore. A room at a JW Marriott—the most luxurious of the Marriott-brand hotels but cheaper than the Ritz—is available to you. A multi -segment strategy can also help companies deal with the product life cycle issues. If one brand or product is "dying out," the company has others to compete.

Concentrated Marketing

Some firms—especially smaller ones with limited resources—engage in concentrated marketing. Concentrated marketing involves targeting a very select group of customers. Concentrated marketing can be a risky strategy because companies really *do* have all their eggs in one basket. The auto parts industry is an example. Traditionally, many North American auto parts makers have supplied parts exclusively to auto manufacturers. But when General Motors, Ford, Chrysler, and other auto companies experienced a slump in sales following the recession that began in 2008, the auto parts makers found themselves in trouble. Many of them began trying to make and sell parts for wind turbines, aerospace tools, solar panels, and construction equipment (Simon, 2009).

Niche marketing involves targeting an even more select group of consumers. When engaging in niche marketing, a company's goal is to be a big fish in a small pond instead of a small fish in a big pond. Some examples of companies operating in niche markets include those shown in Companies that operate in Niche Markets

Company	**Niche**	**Market Share (%)**
Hohner	Harmonicas	85
Tetra	Tropical fish food	80
Swarovski	Crystal jewels	65
Uwatec	Snorkeling equipment	60
St. Jude Medical Center	Artificial heart valves	60

Microtargeting, or narrowcasting, is a new effort to isolate markets and target them. It was originally used to segment voters during elections, including the 2008 U.S. presidential election. Microtargeting involves gathering all kinds of data available on people—everything from their tax and phone records to the catalogues they receive. One company that compiles information such as this is Acxiom. For a fee, Acxiom can provide you with a list of Hispanic consumers who own two pets, have caller ID, drive a sedan, buy certain personal care products, subscribe to certain television cable channels, read specified magazines, and have income and education levels within a given range (Schiffman & Kanuk, 2010). Clearly, microtargeting has ethical implications and privacy issues.

Targeting Global Markets

Firms that compete in the global marketplace can use any combination of the segmenting strategies or none at all. A microcosm of the targeting strategies used in global markets is shown in. If you're a seller of a metal like iron ore, you might sell the same product across the entire world via a metals broker. The broker would worry about communicating with customers around the world and devising different marketing campaigns for each of them.

Most companies, however, tailor their offerings to some extent to meet the needs of different buyers around the world. For example, Mattel sells Barbie dolls all around the world—but not the same Barbie. Mattel has created thousands of different Barbie offerings designed to appeal to all kinds of people in different countries.

Pizza Hut has franchises around the world, but its products, packaging, and advertising are tailored to different markets. Squid is a popular topping in Asia. Companies tailor products not only for different countries but also for different customers in different countries. For example, Procter & Gamble's China division now offers products designed for different local market segments in that country. P&G has an advanced formulation of laundry detergent for the premium segment, a modified product for the second (economy) segment, and a very basic, inexpensive product created for the third (rural) segment (Sewell, 2009).

Sellers are increasingly targeting consumers in China, Russia, India, and Brazil because of their fast-growing middle classes. Take the cosmetics maker Avon. Avon's largest market is no longer the United States. It is Brazil. Brazilians are extremely looks-conscious and increasingly able to afford cosmetic products as well as plastic surgery (Wheatley, 2010). So attractive are these countries that firms are changing how they develop goods and services, too. "Historically, American companies innovated in the U.S. and took those products abroad," says Vjay Govindarahan, a professor at Dartmouth's Tuck School of Business. Now, says Govindarahan, companies are creating low-cost products to capture large markets in developing countries and then selling them in developed countries. Acer's $250 laptop and General Electric's ultra in expensive $1,000 electrocardiogram device are examples. The world's cheapest car, the $2,500 Tata Nano, was developed for India but is slated to be sold in the United States (McGinn, 2010).

Other strategies for targeting markets abroad include acquiring (buying) foreign companies or companies with large market shares there. To tap the Indian market, Kraft made a bid to buy the candymaker Cadbury, which controls about one-third of India’s chocolate market. Likewise, to compete against Corona beer, the Dutch brewer Heineken recently purchased Mexico’s Femsa, which makes the beer brands Dos Equis, Tecate, and Sol (de la Merced & Nicholson, 2010). However, some countries don’t allow foreign firms to buy domestic firms. They can only form partnerships with them. Other regulatory and cultural barriers sometimes prevent foreign firms from “invading” a country. IKEA, the Swedish home-furnishings maker, eventually left Russia because it found it too hard to do business there. By contrast, McDonald’s efforts to expand into Russia have been quite successful. Having saturated other markets, the hamburger chain is hoping to continue to grow by opening hundreds of new stores in the country.

Key Takeaway

A market worth targeting has the following characteristics: (1) It’s sizeable enough to be profitable, given your operating costs; (2) it’s growing; (3) it’s not already swamped by competitors, or you have found a way to stand out in the crowd; (4) it’s accessible, or you can find a way to reach it; (5) you have the resources to compete in it; and (6) it “fits in” with your firm’s mission and objectives. Most firms tailor their offerings in one way or another to meet the needs of different segments of customers. A multi -segment marketing strategy can allow a company to respond to demographic and other changes in markets, including economic downturns. Concentrated marketing involves targeting a very select group of customers. Niche marketing involves targeting an even more select group of consumers. Microtargeting, or *narrowcasting*, is a new, effort to “super target” consumers by gathering all kinds of data available on people—everything from their tax and phone records to the catalogues they receive. Firms that compete in the global marketplace can use any combination of these segmenting strategies or none at all. Sellers are increasingly targeting consumers in China, Russia, India, and Brazil because of their fast-growing middle classes. Firms are creating low-cost products to capture large markets in developing countries such as these and then selling the products in developed countries. Other strategies for targeting markets abroad include acquiring foreign companies or forming partnerships with them.

The Relationship Between Product and Customer Value Creation:

Marketing mix product is the most important mix element. What is product marketing? Without product, the marketing mix is meaningless. Use product life cycle software to help you develop effective customer value creation strategies and tactics.

Customer Value Creation + Product Differentiation

As a small business owner, you need to focus on developing a marketing concept for product management that includes product differentiation, identifies product positioning, and that understands and identifies the product life cycle, that focuses on customer value creation, and that manages all products in the entire line.

Product management starts with developing new products to fit or meet customer needs and wants and ends with developing a comprehensive approach to marketing mix product.

Each product line needs to be understood in terms of the value and the uniqueness it delivers to customers: customer value creation and product differentiation are key to your success.

There are levels of value that you need to focus on when developing the marketing mix product.

A Business firm wants a catalogue for its Clients:

1. The **core benefit** is communicating the items for sale.
2. The **basic product** is a printed catalogue.
3. The **expected product** is a printed catalogue with no quality imperfections, pages are sequential, the glue holds the book together, there is an index in the front of the catalogue for easy reference, etc. - all businesses should be at least be at this level - this is the minimum that customers expect.
4. The **enhanced value product** is a catalogue that has tab dividers for easy reference, that is bound in a way that allows the customer to open it up and lay it flat (rather than have it spring closed), that has some coupons attached to the front of the catalogue or tipped inside of the book to encourage customers to buy but also to give end customers the opportunity to interact with the catalogue (pull off, tear off, etc.).

   This enhanced level begins to add value and benefit to customers and for end customers. Typically these enhanced, value-added products cost more - if the benefit is something the customer wants and needs, they will pay more.
5. And then there is the potential or possible product level which in this example is a catalogue for the future: one that is printed to specifically address the end customer's buying habits, based on his/her buying history (Dear Jane, based on your previous purchases from ABC company we have sent this customized catalogue to you.)

Another version of a catalogue for the future might be to create mini-catalogues for on-line use but with this be careful with the demographics and the psychographics of your customers and end customers - they may not want an on-line catalogue and if you send them one through the email address you've collected you might turn them off.

Marketing mix product success will come when you tightly connect the product to value that amazes and delights your customers.

It's also important, for a successful product strategy, to understand the life cycle: analyze your product cycle impacts with product life cycle software.

In the above example, many printers can produce a catalogue but how many can help you design and produce a catalogue that will increase your sales, while winning you a devoted customer following? That's the kind of relationship you want to build for your products - customers who see the value in your product and will buy, and pay for, the value along with the product.

Product management requires you to have a clear understanding of the product hierarchy(the relationship of one product to others within your business and/or within your market); a clear understanding of the product system (in the print example above, products the printer might sell in his/her system are graphic design, data management, mailing - these would be ancillary products); and a clear understanding of the business' marketing mix product and how the mix satisfies customer needs and the importance (value) of each product within the mix. Product, price, promotion and place are all a part of your business' marketing mix.

How do you manage your key customers?
Successful businesses categorise customers into different types. Think about the approach of Johnston and Clark [Robert Johnston and Graham Clark, Service Operations Management: Improving Service Delivery, FT/Prentice-Hall, 2nd edition, 2005, p72]. This categorises customers in the following ways:

- External versus internal customers;
- Intermediaries versus end-users;
- Valuable and not-so-valuable customers.

External versus internal customers
In many sectors, particularly for end-user services such as banks, it is usually clear who the customer actually is. Johnston suggests that customers are the individuals, or groups of people, external to the organisation, who are receiving and often paying

for the service. Another approach is that of Roger Tunks [Fast Track to Quality], McGraw-Hill, 1992]. He defines the external customer simply as the one outside the company who receives the final product or service. This is acceptable as far as it goes, but perhaps does not discriminate adequately between those who receive the product or service and pay for it, and those who receive the product or service without payment.

Internal customers, by contrast, are individuals, or groups of individuals, who are a part of the same organisation - but from a different unit or function – they are often your colleagues. Their common feature as internal customers is that they receive a service from others within your organisation, such as the Human Resources or Information Technology functions. In supply chain organisations, apart from retailers, often the majority of employees support the few customer-facing staff therefore having predominantly internal relationships.

In recent years many service improvements programmes for organisations, aimed at enhancing the service experience for external customers, have found it worthwhile to concentrate resources initially on creating a positive, customer-focused culture amongst the internal service providers. This is because there is now widespread recognition for what Johnston calls the Internal Service Rule. Namely, the level of external customer service will never exceed the level of internal customer service.

Intermediaries versus end-users or consumers

In some sectors the product or service provider does not deal directly with end-users. Instead, they work in partnership with B2B customers such as wholesalers, distributors or agents. Such traditional arrangements have begun to change, however. This is seen in the financial sector - for example, insurance companies have set up their own direct-to-customer operations. They want to reduce the transaction costs for commodity-type services such as car insurance – also they would like to create direct relationships with their end-user customers.

Direct-to-customer operations are now much more technologically feasible via the internet, and in some cases have been developed in response to changing customer expectations. Many manufacturers now find themselves dealing with end consumers through customer care departments established to gather feedback from end-users about their experience of the manufactured products.

Product companies are following an outsourcing trend. Common intermediaries are the third-party logistics service providers to carry out activities like transportation and manufacturing operations on behalf of the product companies. Developing relationships with customers is made even harder. Now that third party companies delivering products may have real contact with customers than the business do.

Valuable and not-so-valuable customers

Commercial organisations will normally prioritise their service towards customers who can create the most value for the organisation. High value customers are identified by assessing their lifetime-value. Typically, they spend more and their spending increases over time. They may also be prepared to pay premium prices. Understanding this concept helps some enterprises to treat their customers with respect. It encourages them to invest in customer service while not focusing too much on the profitability from each separate customer transaction; what counts is the customer's lifetime profitability to the business.

Valued customers are those who are positively disposed to the organisation and thus easier to deal with. Servicing such customers becomes less costly with time. They often function as what Frederick Reichheld [Loyalty Rules], Harvard Business School Press (2001)] calls 'active promoters' - providing positive, word-of-mouth advertising for the organisation to their colleagues and friends. Some businesses define their customer service model according to this, identifying each customer as A, B or C - with A-rated customers receiving the best customer service from that supplier.

Institute of Customer Service Research [Customer Priorities, What Customers Want, 2005] made several observations about the typical deficiencies of customer service encountered by B2B customers:

- Broken promises, such as failure to respond to telephone calls or emails;
- Delayed response times, for example more than 24 hours for emails;
- Remoteness of human contact – where organisations prefer automated systems, even though customers do not;
- A reliance on impersonal scripts and therefore a reluctance to listen to or empathise with the customer;
- A reluctance to apologise, even when it is clear that the organisation has failed;
- Processes that are not customer-focused;
- A reluctance to welcome and act on complaints.

Therefore, in order to maintain a successful relationship with your B2B customers you must go a step further than you have to in your relationships with customers. I do not believe this is solely concerned with keeping to a set of rules or regulations, and not overstepping boundaries. Whilst you do need to operate in that way, avoiding pitfalls, you should also benefit from learning how great customer service is delivered by others. Whether it is learning from your own internal customers, seeing the way they treat you and their colleagues, by acquiring new skills through training, or simply by accessing information in books and websites about customer service, all will provide you

Relationship Building for High performance in B2B:

With the motivation and capability to go the extra mile for your customers. Organisations often claim to be customer-focused as a means of differentiating themselves from competitors, or in order to improve productivity and financial performance. The reality, however, is that some organisations forget who their customers are and what their needs are.

There is a need for increased professionalism in those that work in the B2B world.

One way of achieving this is for organisations to empower their people to manage the customer relationship. This will enable them to provide solutions and support your customers in the best possible way. This benefits both the customer and your organisation, and makes managing customer relationships a lot more rewarding for you.

Confidentiality in B2B customer relationships often comes down to issues of trust, openness and honesty.
When, for example, you are serving both a customer and their competitors, you need to be particularly careful of confidentiality, loyalty and the wider competitive considerations. You certainly need to follow your organisation's guidelines when it comes to choosing which of a number of your customers to supply a shortage product to.

Ensure also that you fully consider your customer's end-users.
If the supply of product fails, your customer will normally fail as well. However, this is where you need trust and honesty – to share responsibility for any such problems. B2B customers who identified ideal attributes that they wanted from their suppliers, stated that first and foremost comes mutual trust and transparency, leading to respect. So ensure, for the good of your valuable customer relationships, you work in a style that is open, honest and direct.

To meet and exceed the expectations of your customers, you need to be familiar with your customer service framework.
This sets out how you and your colleagues will help the organisation achieve service excellence. Therefore, it makes perfect sense that you should let your customers know about it. One of the best ways of doing that, as well as actually taking

customers through your mission, objectives, structure and policies, perhaps in a contract meeting, is to ensure that you deliver the promise. Customers will love to see that the way you do business with them aligns with your organisation's vision for customer service. You will be representing an organisation that does as it says it will do!

From the ICS's research report, Excellence in Managing the Business-to-Business Customer Relationship [Frost, Dutton and Ells, 2007], the following key points are relevant here:

- Most customers would be prepared to pay a higher contract price to find a partner that offers higher levels of customer service.
- B2B suppliers should have clear policies, procedures and protocols, ensuring that each customer is treated fairly and consistently.
- Avoid an intense, sales-based culture with your customers. It can be seen as aggressive and is not generally welcomed.
- Customers dislike organisations that 'talk big' but 'deliver small'; they like those that are flexible and responsive.
- Many customers are reluctant to commit to one lone supplier, preferring to spread risk. They are concerned not to put too much power in the hands of one supplier, as some perceive that this power could be abused, encouraging the supplier to become arrogant.
- Good communication is essential and key to success; it needs to be regular, at the right level, and consistent.
- Customers like to be respected and well-treated. They are not interested in their suppliers' problems or internal politics. They like to work through one trusted point of contact that can add value.
- Complacency, lack of responsiveness and failure to deliver will usually lead to customer frustration and a breakdown in the B2B relationship. Are you empowered to manage your customer relationships and make a real difference? If you can add value you will maximise your chances of really engaging customers and developing longer-term relationships.
- Customers avoid suppliers that talk 'big' but deliver 'small' in the contract negotiation process, as this indicates how they may subsequently perform. Poor contract negotiations often damage business relationships. Customers do not want to deal with weak managers who cannot deliver. The right people, in the right place exhibiting sound interpersonal skills are paramount.
- Many customers adopt a detailed supplier monitoring system to ensure maximum value and flexibility from the contract and to reduce risk. For example they often routinely collect and analyse data on delivery, performance, number of rejects and prices.

- Be a helper and advisor to your customers. If you have knowledge or expertise around a particular issue that the customer is struggling with, offer to help. This will work wonders in strengthening the relationship, and may also pay dividends when you, too need help.

Targeting in B2B: Today, Segmentation, Targeting and Positioning (STP) is a familiar strategic approach in Modern Marketing. It is one of the most commonly applied marketing models in practice. It is the second most popular, only beaten by the venerable SWOT / TOWS matrix. This popularity is relatively recent since previously, marketing approaches were based more around products rather than customers. In the 1950s, for example, the main marketing strategy was 'product differentiation'.

The STP model is useful when creating marketing communications plans since it helps marketers to prioritise propositions and then develop and deliver personalised and relevant messages to engage with different audiences.

STP is relevant to digital marketing too, where applying marketing personas can help develop more relevant digital communications as shown by these alternative tactical customer segmentation approaches.

In addition, STP focuses on commercial effectiveness, selecting the most valuable segments for a business and then developing a marketing mix and product positioning strategy for each segment. Through segmentation the firm can identify niches with specific needs, mature markets to find new customers, deliver more focused and effective marketing messages.

The needs of each segment are the same, so marketing messages should be designed for each segment to emphasise relevant benefits and features required rather than one size fits all for all customer types. This approach is more efficient, delivering the right mix to the same group of people, rather than a scattergun approach.

The list below refers to what’s needed to evaluate the potential and commercial attractiveness of each segment.

- **Criteria Size:** The market must be large enough to justify segmenting. If the market is small, it may make it smaller.

- **Difference:** Measurable differences must exist between segments.

- **Money:** Anticipated profits must exceed the costs of additional marketing plans and other changes.
- **Accessible:** Each segment must be accessible to your team and the segment must be able to receive your marketing messages
- **Focus on different benefits:** Different segments must need different benefits.

Product positioning

Positioning maps are the last element of the STP process. For this to work, you need two variables to illustrate the market overview.

In the example here, I’ve taken some cars available in the UK. This isn’t a detailed product position map, more of an illustration. If there were no cars in one segment it could indicate a market opportunity.

Expanding on the extremely basic example above, you can unpack the market by mapping your competitors onto a matrix based on key factors that determine purchase.

This chart is not meant to be any kind of accurate representation of the car market, but rather just illustrate how you could use a product positioning map to analyze your own businesses current position in the market, and identify opportunities. For example, as you can see in the gap below, we've identified in a possible opportunity in the market for low-priced family cars.

We're not saying this gap actually exists, I'm sure you could think of cars that fit this category, as the car market is an extremely developed and competitive market. However, it does show how you can use the tool to identify gaps in your own market.

Marketing mixes in B2B:

Organization A sells office files, notepads, and all sorts of office stationery to organization B, C and D. Organization A does not deal with Peter - an end-user who would like to buy two pencils for his son Tom. Business to business marketing refers to the transaction of goods and services between businesses.

Marketing mix helps to determine the unique selling points (USPs) of a brand. Marketing mix goes a long way in determining how an organization's products and services are different from the competitors.

Marketing mix is synonymous with four Ps

- Price
- Place
- Promotion
- Product

Business marketing is not everyone's cup of tea. One needs to understand that there is absolutely no room for emotions in business buying. Keep yourself in the client's shoes. He has all the rights of being choosy and selective; after all he would be investing in your organization.

Product

Offer something of value to your client.

If you want to purchase a laptop for one of your family members, would you simply go and pick up any brand available in the market? The answer is no. In fact nobody does that. Similarly, business buyers also invest in something which would yield higher profits. The products must have right features and should stand out. Never under estimate your client. Your client will definitely find out what your competitors are offering.

Your product must look good and function as per the requirements of the buyer.

Organization Z sells bulk SMS service to Organization X (An educational institute) which further uses the service to send text messages to existing students and also to potential admissions. Organization X has a database of around 50,000 students (including existing and new students) where as the bulk SMS service by Organization Z can send text messages to only 10,000 students and not more than that.

Do you think Organization X would invest in Organization Z'S Services? Obviously no.

Every organization must take into consideration the following two points:

Appearance of the product (Packaging, to give visualization)

Function of the product (must cater to the needs of the client)

Price

Business buyers generally pay more prices than individual consumers as they purchase in bulk. Business marketers must know how to structure their pricing, provided their brand is strong.

Promotion

Promotion refers to methods of communication, a business marketer uses to promote his brand among his clients. Remember your brand must stand apart from the rest. You really need to interact with your clients well. Promoting one's brand successfully increases the sales and eventually earns profits for the organization.

Brands can be promoted through business meetings, web meetings, e-mails, circulating newsletters, brochures, pamphlets and so on. Organize trade shows and invite all your potential and existing clients on a common platform. Give a nice demonstration of your products and services. Interact with your clients as much as you can. Don't let them go with a single doubt in their mind. Do not forget to collect their business cards. You will definitely need their contact details later for follow ups.

Place

It always pays to provide the products and services at the right place which is convenient and easily accessible for the client.

Relationship development for high performance:

Many business-to-business (B2B) companies think that if they sell their products or services at the lowest price, they win. That approach may work until a competitor initiates a price war or comes up with a new product. Then the B2B company is intensely vulnerable, easily replaced, and certain to lose profit.

Offering low prices is a short-term survival tactic, not a strategy for long-term, sustainable growth.

Competing on price is a losing strategy, and Gallup research shows it's an unnecessary one. B2B companies are more likely to be successful and secure in their customer relationships if they help their customers succeed. The more a B2B company helps its customers perform, the more essential it becomes. That kind of customer impact transforms B2B companies from vendors into vital partners.

Creating customer impact

To create customer impact, a B2B company must help its customers improve their performance. The more relevant the improvement, the more successful the partnership between the customer and the B2B company becomes, because the relationship shifts from one of price to one of advice. To begin the shift to an advice-based relationship, a B2B company must have a tremendous amount of knowledge and expertise in each customer's business and the marketplace in which it operates.

The B2B company must also research the customer, its industry, and its marketplace by asking the customer questions about its business goals and its greatest obstacles to achieving success.

It's easier to begin conversations like these if the relationship is built on the four key elements of customer engagement: Confidence, Integrity, Pride, and Passion. Once B2B companies gain their customers' trust, they can offer them new ideas that are tailored to the customers' needs-and help them make those ideas work. (See sidebar "Levels of Customer Engagement.")

This advice-based approach is difficult for competitors to duplicate, because it often depends on access they don't have, and it requires a significant investment of time and resources. Building this level of relationship can require so much energy that Gallup usually recommends that B2B companies concentrate their effort on their most important customers. Those partnerships are the most likely to offer the best return on the investment of time and resources.

Measuring the most important

How can a B2B company determine which of its customers are most important and if they are engaged? It's not always obvious. Some customers can seem like solid profit centers, but if they're quietly disengaged, they may already be looking to replace a vendor. Others provide mediocre margins, but they could be much more lucrative if a B2B company built the relationship up by offering solid advice.

A quantitative analysis of customer engagement levels generally gives a B2B company the clearest view into the status of its accounts. This can be particularly effective at identifying at-risk accounts. For example, as Ed O'Boyle and Craig Kamins noted in a *Gallup Business Journal* article, Gallup tracked the customer engagement scores across 75 of the top accounts at a professional services firm. Our analysis found that low engagement scores were a primary indicator of future revenue decline. Among accounts with high engagement scores, 21% of the accounts grew by 20% or more the next year, while 34% declined by 20% or more. Among accounts with low engagement scores, 15% grew by 20% or more the next year, while 60% declined by 20% or more. Unless companies actively monitor the strength of their customer relationships, few know they have a problem until it's too late.

A recent Gallup study -- discussed in an article by Ed O'Boyle, John Fleming, and Bryant Ott -- asked members of B2B company account teams to predict how they thought customers would rate them using CE^{11}, Gallup's customer engagement metric. We also surveyed their customers using CE^{11}. Everyone on the client side was shocked at the results. The correlation between the account teams' ratings and those of their actual customers was essentially zero. The members of the account teams were almost entirely wrong about how their customers viewed them.

Seizing financial opportunities

That situation is unfortunate, but not unusual. Few B2B companies know how to engage their customers. In fact, only 20% of B2B customers are fully engaged, Gallup's 2013 analysis shows. But those fully engaged customers deliver a 23% premium over average customers in share of wallet, profitability, revenue, and relationship growth.

This pattern of engagement holds true across every B2B company that Gallup has studied. From cargo carriers to meat packers, companies across all industries we studied experience significant differences between fully engaged and actively disengaged customers.

No matter what business a B2B company is in, it will benefit from developing strong relationships with its customers -- partnerships based on advice, not price. Anyone can offer low prices, but that's a short-term survival tactic, not a strategy for long-term, sustainable growth. A partner that makes a company more successful is hard to beat -- and even harder to replace.

Organisational Buying behaviour in B2B:

Insights on how B2B is similar and differs from

B2C marketing–purchasing behaviour and strategies.

Deductive modelling of B2B marketing–purchasing behaviour.

Inductive modelling of B2B marketing–purchasing behaviour.

Innovation and diffusion decisions and strategy propositions.

B2B network research findings and strategy implications.

Organisational Buying behaviour:

Organization buying is the decision-making process by which formal organizations establish the need for purchased products and services and identify, evaluate, and choose among alternative brands and suppliers. (Webster and Wind) Some of the characteristics of organizational buyers are:

A new product that the industry has developed, Customer Dialogue, is a management tool that investigates business customers' satisfaction towards a certain company, the supplier. Business to Business (B2B) is a type of commerce transaction that typically exists between a manufacturer and wholesaler, or wholesaler and retailer, so in other words business that is conducted between companies. It is crucial for any manufacturer or a wholesaler to know how their customers are doing and how pleased and satisfied they are with the cooperation with the supplier. This is important, since any company aiming to succeed needs engaged and hence loyal customer companies. "B-to-B" customers engage in relationships with companies they like and which give them competitive advantage customer satisfaction is not enough".

Gathering information internally might be time consuming and therefore expensive as well, so using external consultancy to measure customer companies' satisfaction can be the most convenient deal for a company. Outsourcing even in general can be a value adding activity for a company, to benefit of other company's core competencies.

A third party can bring external expertise regarding investigating customer satisfaction concerning business customers. By outsourcing a company can also obtain objective data about itself and its employees.

Physical products can always be copied by rivals, but talented and engaged employees give a competitive advantage. “Human relations/ customer contact points are increasingly important engaged employees translates into higher earnings”

Buying process can be difficult for the buyer, so the smoother the sales person can make the transitions between the steps the better. In the early stages of the process, during awareness, it is important to show the industry trends about the matter to the decision maker and point out the value of adopting the product. Here the sales person can create problem awareness that could take the decision maker from the first step, status quo, seamlessly to the second step, priority shift. At the evaluation stages the buyers have some knowledge of possible solutions and want to carry out the process. Buyers are aware of the leading experts in the field and know what they can accomplish. The seller must point out clear differences between it and the key competitors as well as bring forth its expertise in the field. The seller should reason and convince the company representatives, that they should do something different. In the decision stage the buyers decide in following Process.

B2B Buying Process:

*Need Specification

*Product Specification

*Supplier Search

*Proposal Solicitation

*Supplier Selection

*Order Routine Specification

*Performance Review

Straight rebuy

This is a routine, low involvement purchase. Minimal information is needed and consideration of alternatives is not needed. This type of purchase is handled by the purchase department and is usually purchased from a list of approved suppliers. Examples of straight rebuy are repeat purchases of office supplies, and small components.

Modified rebuy

This type of purchase is similar to a straight rebuy with more information and people involved. The buyer may want to reconsider suppliers, prices, terms, or modify product specifications.

New-task buying

New-task buying is deemed the most complex buying situation because it is a first-time purchase of a major product. Several people are involved in the decision because there can be high amounts of money and risk. Much information is gathered and evaluations of alternatives are explored. It is also complex as the decision makers have little experience with the product before the purchase can be made. The buying centre has the challenge of finding out all the organisation's needs and communicating the product's ability of meeting the needs.

Systems buying

This type of buying is purchasing a packaged solution to a problem from a single supplier. This originates from governments buying packages such a major communication systems. Instead of buying separate components, buyers look for suppliers who supply the components and assemble the package for them.

Decision-making process

When the DMU wants to purchase a certain product or service the following steps are taken inside the buying center:

- Need or problem recognition: the recognition can start for two reasons. The first reason can be to solve a specific problem of the company. The other reason can be to improve a company's current operations/performance or to pursue new market opportunities.
- Determining product specification: The specification includes the peculiarities which the product/service that is going to be purchased must contain.
- Supplier and product search: this process contains the search for suppliers that can meet a company's product or service needs. First a supplier that matches with the specifications of the company has to be found. The second condition is that the supplier can satisfy the organizations financial and supply requirements.
- Evaluation of proposals and selection of suppliers: the different possible suppliers will be evaluated by the different departments of the company.
- Selection of order routine: this stadium starts after the selection of the supplier. It mainly consists of negotiating and agreeing with the supplier about

certain details.

- Performance feedback and evaluation: performance and quality of the purchased goods will be evaluated.

In this process of making decisions different roles can be given to certain members of the center of the unit depending on the importance of the part of the organization.

The different roles are:

- Initiator: the initiator(s) make a request to purchase a product or service or recognizes the problem, with this action they start the decision-making process. e.g. maintenance manager
- Decider: the decider makes the actual purchase decision. Typically, deciders do not have or need formal authority but have sufficient weight within the buying team to decide if a service/product will be purchased.
- Buyer: the buyer (also called: purchasing manager) selects the suppliers and manages the buying process such that the necessary products are acquired.
- Influencer: the influencer contributes to the formulation and determination of the specifications of the product or service. The influencer evaluates and recommends which potential supplier satisfies the specific needs of the organization.
- User: the user(s) are the persons that actually use the product or service. Users are not always involved in the buying process, but have a critical role in the feedback and evaluation process of the performance of the good that has been purchased.
- Gatekeeper: the gatekeeper(s) control(s) the flow of information in to and out of the company and buying centre/team.*

Module: III

Though B2B depends more on Direct marketing or Zero level channels but some businesses need "middlemen" to get their products to the public. Market intermediaries, part of the supply chain between the manufacturer and the ultimate consumer, keep the channels of distribution open and flowing. They create place, time and possession benefits for manufacturers by ensuring market coverage, reducing market coverage cost, increasing availability of cash flow through financing and credit, providing storage, ensuring products are available on a timely basis, linking the manufacturer with the customer and increasing customer convenience.

Wholesalers

Wholesalers typically are independently owned businesses that buy from manufacturers and take title to the goods. These intermediaries then resell the products to retailers or organizations. If they're full-service wholesalers, they provide services such as storage, order processing and delivery, and they participate in promotional support. They generally handle products from several producers but specialize in particular products. Limited-service wholesalers offer few services and often serve as drop shippers where the retailer passes the customer's order information to the wholesaler, who then packages the product and ships it directly to the customer.

Distributors

Distributors are generally privately owned and operated companies, selected by manufacturers, that buy product for resale to retailers, similar to wholesalers. These intermediaries typically work with many businesses and cover a specific geographic area or market sector, performing several functions, including selling, delivery, extending credit and maintaining inventory. Although main roles of distributors include immediate access to goods and after-sales service, they typically specialize in a narrower product range to ensure better product knowledge and customer service.

Retailers

Retailers work directly with the customer. These intermediaries work with wholesalers and distributors and often provide many different products manufactured by different producers all in one location. Customers can compare different brands and pick up items that are related but aren't manufactured by the same producer, such as bread and butter. Purchasing bread or medications directly from a manufacturer or pharmaceutical company would be time-consuming and expensive for a customer. But buying these products from a local retail "middleman" is simple, quick and convenient.

Agents and Brokers

Agents and brokers sell products or product services for a commission, or a percentage of the sales price or product revenue. These intermediaries have legal authority to act on behalf of the manufacturer or producer. Agents and brokers never take title to the products they handle and perform fewer services than wholesalers and distributors. Their primary function is to bring buyers and sellers together. For example, real estate agents and insurance agents don’t own the items that are sold, but they receive a commission for putting buyers and sellers together.

Manufacturers’ representatives that sell several non-competing products and arrange for their delivery to customers in a certain geographic region also are agent intermediaries.

Criteria for channel design in B2B:

Some of the factors to consider while selecting channels of distribution are as follows:

(i) Product

(ii) Market

(iii) Middlemen

(iv) Company

(v) Marketing Environment

(vi) Competitors

(vii) Customer Characteristics

(viii) Channel Compensation.

We have to consider the following factors for the selection of channel of distribution:

(i) Product:

Perishable goods need speedy movement and shorter route of distribution. For durable and standardized goods, longer and diversified channel may be necessary. Whereas, for custom made product, direct distribution to consumer or industrial user may be desirable. Also, for technical product requiring specialized selling and serving talent, we have the shortest channel. Products of high unit value are sold directly by travelling sales force and not through middlemen.

(ii) Market:

(a) For consumer market, retailer is essential whereas in business market we can eliminate retailing.

(b) For large market size, we have many channels, whereas, for small market size direct selling may be profitable.

(c) For highly concentrated market, direct selling is preferred whereas for widely scattered and diffused markets, we have many channels of distribution.

(d) Size and average frequency of customer’s orders also influence the channel decision. In the sale of food products, we need both wholesaler and retailer.

Customer and dealer analysis will provide information on the number, type, location, buying habits of consumers and dealers in this case can also influence the choice of channels. For example, desire for credit, demand for personal service, amount and time and efforts a customer is willing to spend-are all important factors in channels choice.

(iii) Middlemen:

(a) Middlemen who can provide wanted marketing services will be given first preference.

(b) The middlemen who can offer maximum co-operation in promotional services are also preferred.

(c) The channel generating the largest sales volume at lower unit cost is given top priority.

(iv) Company:

(a) The company’s size determines the size of the market, the size of its larger accounts and its ability to set middlemen’s co-operation. A large company may have shorter channel.

(b) The company’s product-mix influences the pattern of channels. The broader the product- line, the shorter will be the channel.

If the product-mix has greater specialization, the company can favor selective or exclusive dealership.

(c) A company with substantial financial resources may not rely on middlemen and can afford to reduce the levels of distribution. A financially weak company has to depend on middlemen.

(d) New companies rely heavily on middlemen due to lack of experience.

(e) A company desiring to exercise greater control over channel will prefer a shorter channel as it will facilitate better co-ordination, communication and control.

(f) Heavy advertising and sale promotion can motivate middlemen in the promotional campaign. In such cases, a longer chain of distribution is profitable.

Thus, quantity and quality of marketing services provided by the company can influence the channel choice directly.

(v) Marketing Environment:

During recession or depression, shorter and cheaper channel is preferred. During prosperity, we have a wider choice of channel alternatives. The distribution of perishable goods even in distant markets becomes a reality due to cold storage facilities in transport and warehousing. Hence, this leads to expanded role of intermediaries in the distribution of perishable goods.

(vi) Competitors:

Marketers closely watch the channels used by rivals. Many a time, similar channels may be desirables to bring about distribution of a company's products. Sometimes, marketers deliberately avoid channels used by competitors. For example, company may by-pass retail store channel (used by rivals) and adopt door-to-door sales (where there is no competition).

(vii) Customer Characteristics:

This refers to geographical distribution, frequency of purchase, average quantity of purchase and numbers of prospective customers.

Channel Compensation:

This involves cost-benefit analysis. Major elements of distribution cost apart from channel compensation are transportation, warehousing, storage insurance, material handling distribution personnel's compensation and interest on inventory carried at different selling points. Distribution Cost Analysis is a fast growing and perhaps the most rewarding area in marketing cost analysis and control.

Channel conflict:

It is a conflict between the channel members due to the perceived unfairness. There are 2 types of channel conflicts:

Vertical: It is the conflict between producer and intermediary or intermediary at one level and intermediary at the other level. The primary reason why vertical channel conflict occurs is when the trade partners in the distribution channels are agonized because the company directly sells its products to the consumer. These days it is primarily happening due to the advent of internet. With the help of e-commerce, the companies directly sell their products via internet and hence the sales volume of other distribution channels is reduced.

Horizontal: It is the conflict between channel members at the same level. Example: between retailer-x and retailer-y or wholesaler-x and wholesaler-y. It happens due to the perceived unfair practice adopted by the one channel member which in turn affects the profitability/sales of other channel member.

For many organisations the development of their sales channel strategy **evolves 'piece meal'** over time. It often reflects the needs of specific departments, product groups or geographies to impact local or vertical markets at given times. Many partner organisations will have been desperate to represent you merely to add your name to their list of 'trophy names'. When this evolutionary process has been coupled with poor general knowledge of channel design it is no wonder that so many organisations find the creation of a **cohesive channel policy** difficult to achieve.

Product Market Assessment

All **successful channel strategies** are built on a foundation of customer to channel alignment. To develop this foundation, we must clearly understand your customers buying preferences and behaviours, and ensure that chosen channels are able to support the sales of specific solutions to these customers.

We will develop a clear understanding of target product markets as an essential first step in designing your channel strategy.

Need to consider these questions**:**

- Have we clearly defined and understood your product-markets?
- Do we have a clear understanding of your customers buying practices and preferences?
- How does product complexity impact the selection of your channels?
- Are your products 'Channel ready'?
- How will channel economics affect the choice of your channels?
- Do your products' processes match those required in the new markets?
- Is your product technically compatible with the common environments in the new market?
- How will your current pricing match the needs of the local market?
- What is the impact of cross-border eCommerce on your pricing and profitability?

We must identify your organisations best product market opportunities. When developing new business in International markets, the design of the channel mix is more complex but far more critical to early success. Clearly understanding which markets are best suited to your products and having real insight into local market conditions are essential in developing the right channel mix for each market.

Channel Profiling

In order to understand your potential product markets have to understand their solutions. One of our consultants will be tasked with gaining a deep understanding of your solutions and how they fit into the competitive marketplace. Our aim is to fully understand how the maturity of your products and their unique position in your market space will affect the choice of and access to particular product markets.

We will evaluate the complexity of your solution and provide a clear understanding of what skills each channel type will need to ensure a superior customer experience. We will assess channel readiness, giving clear guidance on localisation, local market technical requirements and any issues that relate to local solution specific differences. We will also gain a clear understanding of customer support issues and assess the most efficient model for local and regional technical support.

We will use insights from the customer buying behaviours of your current channels and markets to assist in understanding how International customers may want to buy from you. Our approach is to understand the buying motivation in each market place and to assess how value added services, price, local support and speed of delivery influence you customers buying behaviours.

Channel Economics

Another consideration in developing channel mix is to create a model that satisfies the specific transaction economics of your products and solutions. Understanding transaction costs between complex and high value solutions against simpler but high volume products will help develop an efficient channel mix.

Channel Conflict

Our approach ensures that channel conflict is minimised. Conflict is an inevitable consequence of a multiple channel strategy but with clear understanding of the needs of your customers we build in the means to manage channel conflict effectively and early.

Channel Strategy Project Plan

ProSecta will ensure that your channel strategy develops from careful analysis of your customers needs and by understanding how the complexity of your products will influence the type and costs of the sales channels selected. We will build this information into a project plan to assist in future enhancements to your channels.

Evolving your Channel Strategy

Finally, a channel strategy cannot remain static for long. Organisations are dynamic and are constantly changing in order to provide new products and services to their customers in increasingly diverse markets. Add to this the impact of mergers and acquisitions and you need to be continually evolving your channel strategy, to ensure that customer and corporate needs are satisfied.

Traditional approaches to channel conflict

To eliminate channel conflict, you could have an e-commerce. You can deliver a great customer experience using e-commerce technology for catalog, merchandising, personalization, on-site search, guided navigation. The end game would be to guide the customer to fill out a lead gen campaign or go to a partner to purchase. This method certainly eliminates channel conflict.

I would call that method the “do nothing plan”. For all others, it is just a matter of time before B2B e-commerce drives significant structural changes in their channel(s). It then becomes a question of “when” it happens and “who” will benefit (besides the end customer). For those B2B firms, there are a few traditional approaches to channel conflict.

1. **Share the wealth** – either by doing a cart transfer to fulfill the order with a channel partner, sharing revenue on the e-commerce site, or simply linking the customer to the channel partners website.
2. **Niche e-commerce** – choose new products or enter new markets that don’t currently sell in your channel and sell those through e-commerce.
3. **Screw the channel** – nobody has said it in those words, but this essentially means that we are doing e-commerce without regard to the channel.

All of these options have pros and cons and there are multiple examples in the marketplace especially in high-tech and manufacturing.

A different approach to channel conflict

The data that you collect on all of your sites including e-commerce has value. Data such as customer data, product data, analytics and behavioral data has value to understand your customers researching methods, search terms, buying patterns, online versus offline behaviors, etc. Instead of taking a traditional approaches above, consider collaborating with your channel partners to share and use all of this valuable data (in aggregate of course) to identify new opportunities for both organizations. Collaboration will strengthen your relationship with your partners, open up new lines of communication, and create innovation opportunities. Along the way you probably won’t even make a dent in their channel sales. This doesn’t have to be an either / or approach, but is meant to look at the entire e-commerce ecosystem and extract value for all parties involved.

About the Sales channel

External channels are not the only conflict. B2B organizations struggle with balancing their online channels with the Sales channel as well. Sales departments often don’t know how e-commerce is going to affect their bottom line.

Taking a different angle on the data approach, consider how Grainger uses their data to benefit the sales teams. Grainger uses the plethora of data available from online customer interactions to help offline salespeople sell more effectively.

Internet Retailer talks about this data, Grainger shares its shopping cart abandonment data with members of its sales team. If John Doe of Caterpillar Inc. visits Grainger.com, logs in and fills his cart with products, but then does not complete the purchase, whichever salesperson at Grainger oversees the Caterpillar account or the geographic region in which John Doe resides, will get access to this information.

This arms the salesperson with the knowledge of what John Doe is interested in buying—valuable information when trying to close a sale, says vice president of e-commerce Paul Miller.

It's also one way of avoiding alienating a large sales force by selling directly to business consumers online. "You have to understanding your salespeople's motivation and give them things that help them to be more successful," Miller said. "This benefits everyone."

VMS in B2B: A **vertical marketing system** (VMS) is one in which the main members of a distribution channel—producer, wholesaler, and retailer—work together as a unified group in order to meet consumer needs.

Vertical marketing systems is a kind of cooperation that exists between the distribution channels that are available in various levels with different members working together for promoting the efficiency and also the scale of economies in way that the products can be promoted towards customers, products get inspected, credit can be provided to the customers and also can be delivered to the customers.

There are various marketing systems available in the vertical type. According to the category of the VMS, you should be able to do the various things that are related with the marketing. The vertical marketing system comprises of mainly three components. Producer, wholesaler and retailer are the three major components included in this kind of marketing system. Producer can be considered as the manufacturer who is involved in the making of the product.

The wholesaler usually purchases the products from these producers and then they manage the distribution to the retailers. The retailers are the people who markup the price of the products depending on wholesaler and also can sell the products to the final users or the customers.

Corporate

A corporate vertical marketing system can be involved with the ownership that of the levels of distribution or production chain that is associated with a single company. An example for the corporate is Apple who is responsible for doing everything related with their products.

Apple Company has place for the designing and also the making of the products. These products that are made by the company are sold in the retailer shops of the company itself. They need not have to depend on any of the other people for the purpose of production or even selling of the products.

Contractual

This is a kind of vertical marketing system that has formal agreement involved in it that exists between various levels that of the production or it can be between the levels of distribution channel. This is done for coordinating the overall process that is related with the particular company. A common form of contractual VMS is franchising.

Administered

This is a kind of VMS that has one member from the production as well as the distribution chain has more dominance and they organize the whole nature that is associated with the vertical marketing system in an informal manner. This is due to the sheer size that is associated with the company.

This is a kind of the vertical marketing system that is similar to that of wal mart which is the huge kind of retailer available in the market. They usually dictate their terms and conditions to the companies that are small and are involved in a kind of making some products who come under the category of producers a base component of the VMS.

It is not a possible thing for the smaller companies to exert such a kind of influence for running that kind of system but there are chances for them to find it necessary for dealing with producer or wholesaler who is functioning under such a kind of system.

A **horizontal marketing system** is a distribution channel arrangement whereby two or more organizations at the same level join together for marketing purposes to capitalize on a new opportunity. For example: a bank and a supermarket agree to have the bank's ATMs located at the supermarket's locations; two manufacturers combining to achieve economies of scale otherwise not possible with each acting alone to meet the needs and demands of a very large retailer; or two wholesalers joining together to serve a particular region at a certain time of year.

According to businessdictionary.com, a horizontal marketing system is a merger of firms on the same level in order to pursue marketing opportunities. The firms combine their resources, such as production capabilities and distribution, in order to maximize their earnings potential.

An example is Apple and Starbucks, who announced a music partnership in 2007. The purpose of this partnership was to allow Starbucks' customers to wirelessly browse, search, preview, buy, and download music from iTune's store onto their iPod touch, iPhone Touch, or PC or Mac running iTune. Apple's leadership in digital music, together with the unique Starbucks experience, created a partnership that offered customers a world class digital music experience.

Apple benefits from this partnership with higher iTune's sales as Starbucks has a vast and loyal customer base. When Apple first introduced iTune Store, it had hoped to sell one million songs in six months, but to its surprise, sold over one million songs within the first six days of launching. With such loyal online music consumers, Starbucks benefits from higher sales, increase in market share, and stronger customer loyalty. This example demonstrates how two companies can join forces to follow a new market opportunity. This opportunity allowed Starbucks and Apple to both achieve greater results than otherwise would have been possible if they somehow attempted this strategy independently.

Distribution channel definition: (Michael D. Hutt, 2010)

- The link between the manufacturer and the customer is called the Channel of Distribution.
- The channel accomplishes all the tasks necessary to get the product/service to market
- Tasks can be performed by the manufacturer or be delegated throughout the channel

Distribution channel is a set of interdependent organizations that ease the transfer of ownership as products move from producer to business user or consumer.

The distribution of products involves two main elements:

- The management of the tangible or physical aspects of moving a product from the producer to the end user (part of supply chain management).

The management of the intangible aspects or issues of ownership, control and flows of communication between the parties responsible for making the offering accessible to the customer (channel management).

DEVELOPING A DISTRIBUTION STRATEGY

• **Distribution functions.** What exactly must be done in the distribution channel?

• **Distribution channel: direct or indirect?** Should the firm deal directly with consumers and/or end-user customers? Or should it use intermediaries, and if so, which ones?

• **Distribution channel breadth.** How many intermediaries should there be at each distribution level? For example, how many wholesalers and/or retailers? Should there be exclusivity?

• **Criteria for selecting and evaluating intermediaries.** How should the firm decide whether a particular intermediary is appropriate for handling its products?

DISTRIBUTION FUNCTIONS & PURPOSE

Distribution functions classified by product, information, and ownership

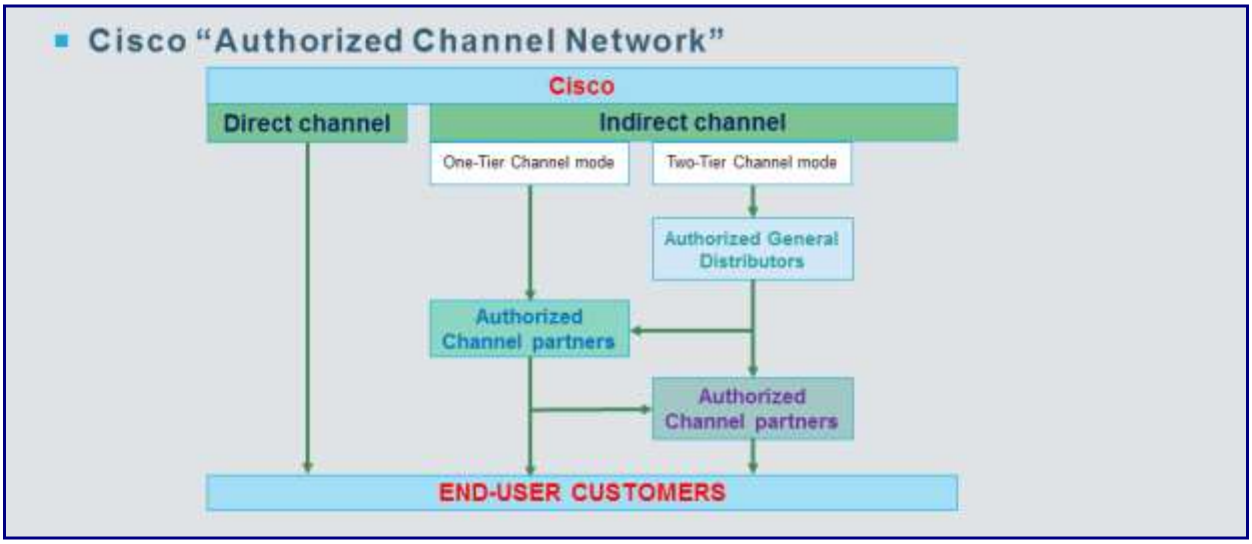
Physical product	**Information**	**Ownership**
Physical movement	Order collection	Transfer of title
Quality assurance	Information-sharing	Financing
Inventory	Selling and promotion	Risk-shifting
Assortment	Marketing research	Impartiality
Bulk-breaking		Service
Physical-state changes		

There are some specific uncertainties associated with buying and selling. Marketing Channels exist because they provide a means by which these uncertainties can be reduced or shared.

Function	**Purpose**
Exchanges of products, services, information, technical, financial, social matters	– Extending relationship, trust, commitment between all parties – Reducing the uncertainty – Better positioned to concentrate on other tasks
Reducing complexity from numbers of transactions, frequency of contact by using intermediaries	– Producers focus on their core activities. – End-user customers can obtain improved individual support and service
Increasing value and competitive advantage	– Producers can reduce the risk of purchase uncertainty – Intermediaries through their services create the competitive advantage

- **DISTRIBUTION CHANNELS: DIRECT OR INDIRECT?**

Levels of marketing channels for business customer markets



Direct is when the manufacturer performs all the marketing functions without the use of any intermediaries.

Indirect is when some type of intermediaries sells or handles the product

Direct distribution	**Indirect distribution**
Products are complex	Markets are fragmented and widely dispersed
Solution are highly customized	
Large quantity sales	Small quantity sales
Complex end-user customer purchasing decisions; multiple functions and high-level executives	Simple end-user customer purchasing decisions

Direct distribution includes:

– **Direct marketing**: is the use of consumer-direct channels to reach and deliver goods and services to customers without using marketing middlemen. Some tools of direct marketing are direct mail, catalogue marketing, telemarketing, e-commerce (Philip Kotler et al,.2008)

- **Direct mail**:
    - Direct-mail marketing means sending an offer, announcement, reminder, or other item to an individual consumer.
    - Since it is traditional and is said to be death recently, in fact they are still relevant and effective for B2B mailers.
    - In constructing an effective direct-mail campaign, direct marketers must decide on their objectives; target markets, and prospects; offer

elements; means of testing the campaign; and measures of campaign success

Response rate is usually used as a KPI to judge a campaign's success. An order-response rate of 2% is normally considered good.

Advantages	Disadvantages
Relatively inexpensive Measurable results Testable packages Can reach a large audience Can find hard to reach/new customers Can be altered segment by segment Can be personalized Non-threatening Can build brand recognition Introduce new products Offer can foster goodwill Catalog shopping is fun	Low levels of effectiveness/response Postage costs rising Targeting may be questionable Huge waste—will it be opened Low ROI Requires investment in logistics (like the Internet) Not prestigious, negative image, "junk mail" Customer must buy without touching/seeing Considered a nuisance, "junk" mail May foster emotional backlash Not environmentally sound

- **E-mail:** Reasons to use
    - It's quicker. An email campaign can be created and produced in half the time that a direct mail campaign requires
    - It's cheaper.
    - You get results faster. Most email campaigns generate 80% of their results within 48 hours.
    - It's easier and less expensive to test. A direct mail test typically means multiple print versions, which drives up costs. Testing with email can be just as complicated, but overall, email is a much more flexible medium.

The viral effect. Emails get copied and forwarded more readily than does a direct mail campaign.

Telemarketing

- Telemarketing is the use of the telephone and call centers to attract prospects, sell to existing customers, and provide service by taking orders and answering questions.
- Telemarketing helps companies increase revenue, reduce selling costs, and improve customer satisfaction.
- Companies use call centers for inbound telemarketing-receiving calls from customers and outbound telemarketing-initiating calls to prospects and customers.

Advantages	Disadvantages
Direct contact Inexpensive Efficient Quick Can reach remote areas Can be part of a CRM system Easy Personal contact Can be a good source for leads	Cold calls Actually is impersonal Regulations Unpopular with customers Often outsourced, off-shore, comprehension issues Intrusive Annoying Unsolicited Order-taking vs. selling Poor follow-up

Direct sales force which is owned by the manufacturer and is best used for the most complex sales opportunities: highly customized solution, large customers, and complex product.

- **Strength:**
    - Sales team is kept relatively well-informed about manufacturer's business.

    - Sales team is hired and trained specifically to sell manufacturer's product.
    - Sales team provides the most direct feedback path (compared with other channels) between customer and manufacturer.
- **Weakness**:
    - Sales professional's credibility is suspect with prospects and customers because he has only one product line to sell.
    - Sales professional only gets in prospect's door when prospect is interested in product.
    - Sales professional effectively sells products to their specifications, but is poor at selling solutions.
    - Prospect assumes that the cost of all services required to make a product fit into his application is included in the Product's price.
    - The travel costs add no value to the product.

Benefits of a Direct Distribution:

Manufacturer knows well its customers and prospects, keeps close relationship with them and can learn why customers buy its products and how they use them. (Edwin Lee et al,.1996)

Cutting out the cost of middlemen enables the business to be more competitive on price.

It makes company's offer and strategy less visible to competitors.

Direct marketers can measure responses to their campaigns to decide which have been the most profitable.

Disadvantages of Direct Distribution:

High cost: Cost for maintaining the sales force is high. Cost includes salaries, commissions, bonuses, travel expenses, benefits. (Philip Kotler et al,.2008)

Limited coverage: direct distribution is used for limited regions only due to high cost and management.

Indirect distribution:

Two main intermediaries are **distributors** and **manufacturers' representatives**.

Distributors are the most pervasive and important single force in distribution channels. Distributors are generally small, independent businesses serving narrow geographic markets. Distributors are full-service intermediaries; they take title to the products sold, maintain inventories, provide credit, delivery, wide product assortment, and technical assistance; and may even do light assembly and manufacturing and they perform the full range of marketing functions.

Distributor Responsibilities:

Responsibility	**Activity**
Contact	Reach all customers in a defined territory through an outside sales force that calls on customers or through an inside group that receives telephone orders
Product availability	Provide a local inventory and include all supporting activities: credit, just-in-time delivery, order processing, and advice
Repair	Provide easy access to local repair facilities (unavailable from a distant manufacturer)
Assembly and light manufacturing	Purchase material in bulk, then shape, form, or assemble to user requirements

Classification of Distributors

Kinds of distributors	**Characteristics**
General-line distributors	Catering to a broad array of industrial needs. One-stop purchasing. Customers do not need a high level of service and technical expertise.
Specialists	Focusing on one line or on a few related lines of products. Customers require a high level of technical capability and a well-developed understanding.
A combination house	Operating in two markets: industrial and consumer

Advantages	Disadvantages
– Shopping Convenience: Consolidates orders and simplifies the Purchasing Agent's job. Immediate delivery from stock. – Well financed: Uses its funds to stock products, provides bundled discounts, and special terms for customers. Can carry inventory and help finance customers' businesses. – Credible and convenient for Purchasing Agents. – Handles reorders effectively. – Focused customer base – Cover more geography	– Relationships to user-buyers: Not effective at developing new customers. – Short term selling. – Limited technical support. – Carry competitive products, less loyal. – Control final pricing. – Unmanageable. – Can be a threat to other sales channels on reorders.

Manufacturers' Representatives is used when business marketers who need a strong selling job with a technically complex product. Reps are salespeople who work independently (or for a rep company), represent several companies in the same geographic area, and sell noncompeting but complementary products.

The Representative's Responsibilities:

Responsibility	Activity
Contact	Reps are the manufacturers' selling arm, making contact with customers, writing and following up on orders, and linking the manufacturer with the industrial end users
Product availability	A rep neither takes title to nor holds inventory of the products handled. (Some reps do, however, keep a limited inventory of repair and maintenance parts)

Technical advice	The rep's forte is expert product knowledge coupled with a keen understanding of the markets and customer needs. The rep also provides customers with a continuing flow of information on innovations and trends in equipment, as well as on the industry as a whole

Representatives are paid a commission on sales and paid only when they generate orders. The commissions can be adjusted based on industry conditions.

Representatives are used because:

– Economic matter: to minimize the expense of maintaining own sales forces; obtain total market coverage with costs incurred only as sales are made; the quality of the selling job is often very good as a result of the rep's prior experience and market knowledge.

– Limited Market Potential: A manufacturer may use a direct sales force in heavily concentrated business markets, where the demand is sufficient to support the expense, and use reps to cover less-dense markets. Because the rep carries several lines, expenses can be allocated over a much larger sales volume.

– Servicing Distributors: When a manufacturer sells through distributors only, reps may sell to and service those distributors.

– Reducing Overhead Costs: First, the manufacturer does not provide fringe benefits or a fixed salary to reps. Second, the costs of training a rep are usually limited to those required to provide product information. Thus, using reps eliminates significant overhead costs.

Advantages	**Disadvantages**
– Has already established credibility with customers. – Improves the manufacturer's cash flow. – Is more important to a customer (more contact, fill several needs of each account with more than one	– Not as versed in manufacturer's product (they have to take care other product lines). – Can lose credibility with some of a manufacturer's key accounts because of account problems with other product lines. – Very independent, difficult to

product line). – Is more application-focused than product-focused. – Has access to local consultants. – Sells more profitably to smaller accounts. – A variable expense to the manufacturers.	control. – Less loyalty (loyalty to biggest selling lines only) – Loss of brand image control. – The manufacturer can lose the customers if reps leave.

Key differences between Reps and Distributors

Reps	**Distributor**
– A representative of manufacturer – Not financially involved in sale – The reps works for manufacturer and is paid by manufacturer in an agreed way – normally sales' commission – Customer ownership is technically belong to the manufacturer, but many well-established reps have their own customer base, and some wholesalers may only buy through a certain reps – Not normally responsible for after sales service – Distribution not normally the responsibility of the reps – Unlikely to be involved in funding	– A customer of manufacturer – Buys for own account – Marks up supply price to cover additional in-market costs of ownership, distribution and invoicing/debt recovery – The distributor has a strong relationship with customers in the retail/wholesale field – Responsible for after sales service and in some cases warranty and guarantee issues – Distribution responsibility

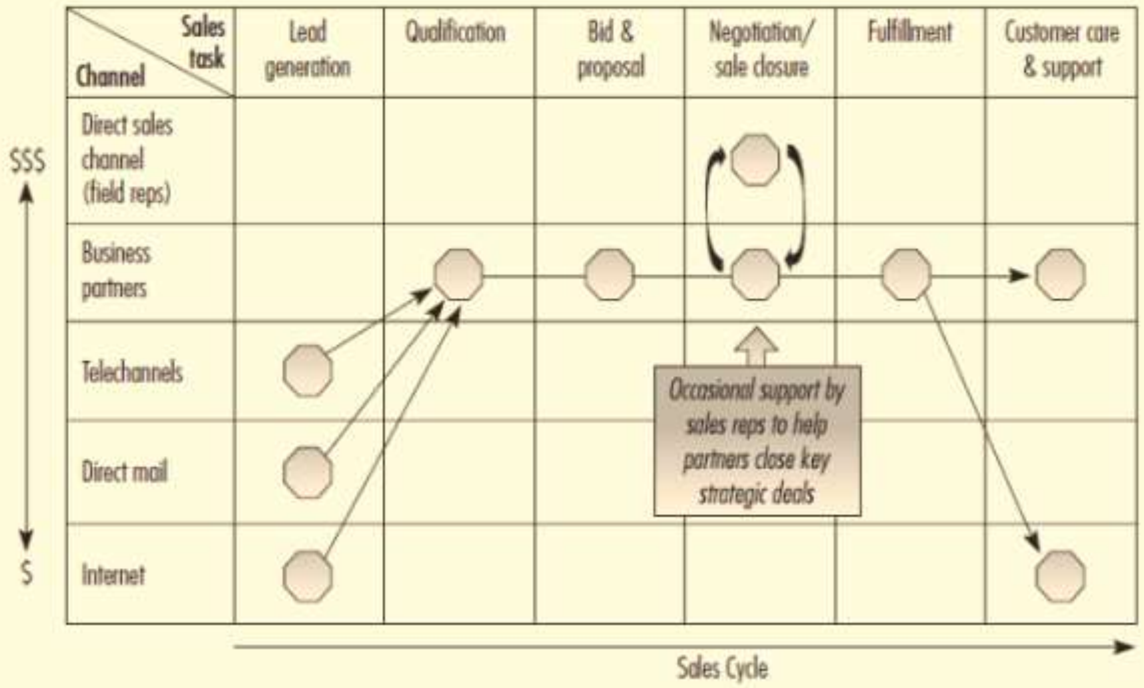
promotional activity	– Helps pay for and undertakes promotion and marketing of manufacturer's product/service in the marketplace
– No control of resale price	– Controls selling price
– Does not accept credit risk for principal	– Accepts credit risk of buyers
– Manufacturer sells through an agent	– Manufacturer sells to a distributor

INTEGRATED MULTICHANNEL MODELS

Leading business marketing firms use multiple sales channels to serve customers in a particular market. The goal of a multichannel model is to coordinate the activities of many channels, such as field sales representatives, channel partners, call centers, and the Web, to enhance the total customer experience and profitability.

In a multichannel system, different channels can perform different tasks within a single sales transaction with a customer. For example, business marketing firms might use a call center and direct mail to generate leads, field sales representatives to close sales, business partners (for example, industrial distributors) to provide fulfillment (that is, deliver or install product), and a Web site to provide post sale support.

FIGURE 11.3 | MULTICHANNEL INTEGRATION MAP: SIMPLE EXAMPLE OF HIGH-COVERAGE PARTNERING MODEL



SOURCE: Lawrence G. Friedman, *Go to Market Strategy: Advanced Techniques and Tools for Selling More Products, to More Customers, More Profitably* (Boston: Butterworth-Heinemann, 2002), p. 243. Copyright 2002. Reprinted with permission from Elsevier Science.

Lead Generation: Triggered by a sales call, a customer's response to direct mail, or by a request for information through a Web site, an initial contact with a prospect is made.

Lead Qualification: Potential customer is screened: the prospect's need for the product or service, buying interest, funding, and timeframe for making the purchase.

Bid and Proposal: Preparation of bid and proposal to meet customer's requirements (a complex task for large technical projects).

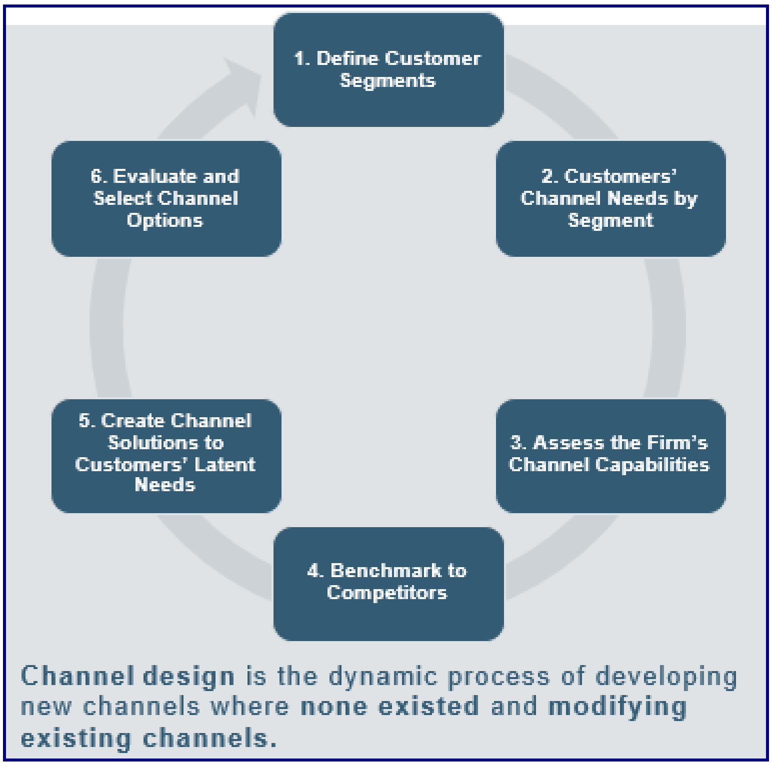
Negotiation and Sales Closure: The negotiation of prices, terms, and conditions, followed by agreement on a binding contract.

Fulfillment: For standardized product or service, delivery of offering to customer. Configuration, customization, and installation for more complex sales.

Customer Care and Support: Post-sale problem resolution, customer guidance, and ongoing contact to insure customer retention, loyalty, and growth.

CHANNEL DESIGN

Channel design is the dynamic process of developing new channels where none existed and modifying existing channels.



Step 1: defining target market segments and isolating the customer buying and usage behavior in each segment.

Step 2: Identifying and prioritizing the channel function requirements for customers in each market segment.

Step 3: assessment for the strengths and weaknesses of the firm's channel to identify particular channel functions to enhance the customer value proposition.

Step 4: What strategies are key competitors using? A clear direction for strategy is revealed by understanding the channel offerings of competitors.

Step 5: Customers' needs may be latent and unarticulated, and it is the channel's responsibility to tap into and surface those requirements.

Step 6: Channel decisions (number of channel levels, number and types of intermediaries, linkages among them) based on the consideration of the cost-benefit trade-offs and the estimated profitability that each of the viable channel options present.

CHANNEL ADMINISTRATION

Flow of channel administration

Why is the selection of channel members (specific companies, rather than type, which is specified in the design process) part of channel management rather than an aspect of channel design? The primary reason is that intermediary selection is an ongoing process—some intermediaries choose to leave the channel, and the supplier terminates others. The manufacturer should be prepared to move quickly, replacing poor performers with potentially better ones. (Michae D.Huttl et al,.2010)

- **Criteria for selecting and evaluating intermediaries**: (Capon,N et al,.2009)

Both the firm and its distributors should recognize their obligations before entering into an agreement. To improve the chances of success, the supplier should ask several questions of potential distributors:

- • What is the distributor’s credit and financial condition?
- • What is the distributor’s selling capability? What is its historic sales performance?
- • Will the distributor forgo competitive products? Does it welcome the supplier’s products?
- • What is the distributor’s general reputation among suppliers and customers?
- • Does the distributor have adequate market coverage?
- • How competent is the distributor’s management?
- • How does the distributor rate on aggressiveness, enthusiasm, and taking initiative?
- • Is the distributor the appropriate size to do business with us?

Controlling conflict and Motivating Channel Members

Cooperation between members in the channel can be achieved in two main ways. One way is to exercise authority through the use of the power that one organization may have over others. Another way is to establish trust and a spirit of collaboration between organizations. Through trust it is possible to develop a sense of commitment so that all organizations attempt to support one another. (Chris Fill et al,.2009)

Organizations seek to influence interorganisational relationships through a variety of communication strategies.

Influence strategies

Strategy	**Message**	**Power source**
Promise strategy	If you do what we wish we will reward you.	Reward
Threat strategy	If you do not do what we wish we will punish you.	Coercion
Legalistic strategy	You agreed, so you should do what we wish.	Legitimacy
Request strategy	Please do what we wish.	Referent, reward, coercion
Information exchange strategy	We will not mention what we wish.	Expertise, reward
Recommendation strategy	If you do what we wish you will be rewarded (e.g. more profitable).	Expertise, reward

These days, the use of relative power positions based on access to and control of resources is no longer regarded as the preferred and pervasive marketing management tool. With the focus turning to the development and maintenance of buyer–seller relationships, trust and commitment have emerged as significant contemporary managerial concepts.

Motivational techniques

A Partnership: Channel member motivation begins with the understanding that the channel relationship is a partnership. Manufacturers may be able to increase the level of resources directed to their products by developing a trusting relationship with their reps; by improving communication through recognition programs, product training, and consultation with the reps; and by informing the reps of plans, explicitly detailing objectives, and providing positive feedback.

All channel members cooperate, collaborate and share information in order to achieve agreed goals. Through improved channel relationships and associated collaborative activity, the intensity, frequency and duration of channel conflict can be significantly reduced. A cooperative arrangement still allows manufacturers to get close to the end-user customer and to exercise control over their brand and capture a greater share of the sales revenue.

Margins and Commission

Intermediaries' compensation should reflect the marketing tasks they perform. The compensation policies should meet the industry and competitive standards, otherwise, the support from intermediaries will lose.

Building Trust and Commitment

In a B2B context, trust is the confidence that one organization has interacting with another organization with respect to their reliability, integrity and predictability regarding desirable outcomes. A lack of trust can lead to uncertainty and from that position, conflict and dissatisfaction.

Commitment is associated with a partner's consistency, competence, honesty, fairness and willingness to make sacrifices, take responsibility, be helpful and benevolent.

Successful cooperation results from relationships in which the parties have a strong sense of communication and trust. Robert M. Morgan and Shelby D. Hunt suggest that relationship commitment and trust develop when firms offer benefits and resources that are superior to what other partners could offer; firms align themselves with other firms that have similar corporate values; firms share valuable information on expectations, markets, and performance; and (Philip Kotler et al,.2008) firms avoid taking advantage of their partners.

Controlling and evaluating members' performance

Performance of individual channel members must be evaluated continually. The manufacturer should be prepared to move quickly, replacing poor performers with potentially better ones.

Channel member performance evaluation:

Criterion	**Frequently Used Operational Performance Measures**	
Sales performance	Gross sales. Sales by product and market segment. Sales growth over time.	Actual sales/sales quota. Market share. Price levels realized.
Inventory maintenance	Average inventory maintained. Inventory/sales ratio.	Inventory turnover. On-time delivery.
Selling capabilities	Total number of salespeople. Salespeople assigned to the supplier's products.	Salespeople assigned by geography. Account managers assigned to strategic customers.
Information provision	Sales data by customer. Information on end-user needs.	Information on inventories and returns.

The firm should continuously evaluate its intermediaries' performance. But it must remember that intermediary relationships are a two-way street. The distributor is also evaluating its supplier's performance.

MMS in B2B:

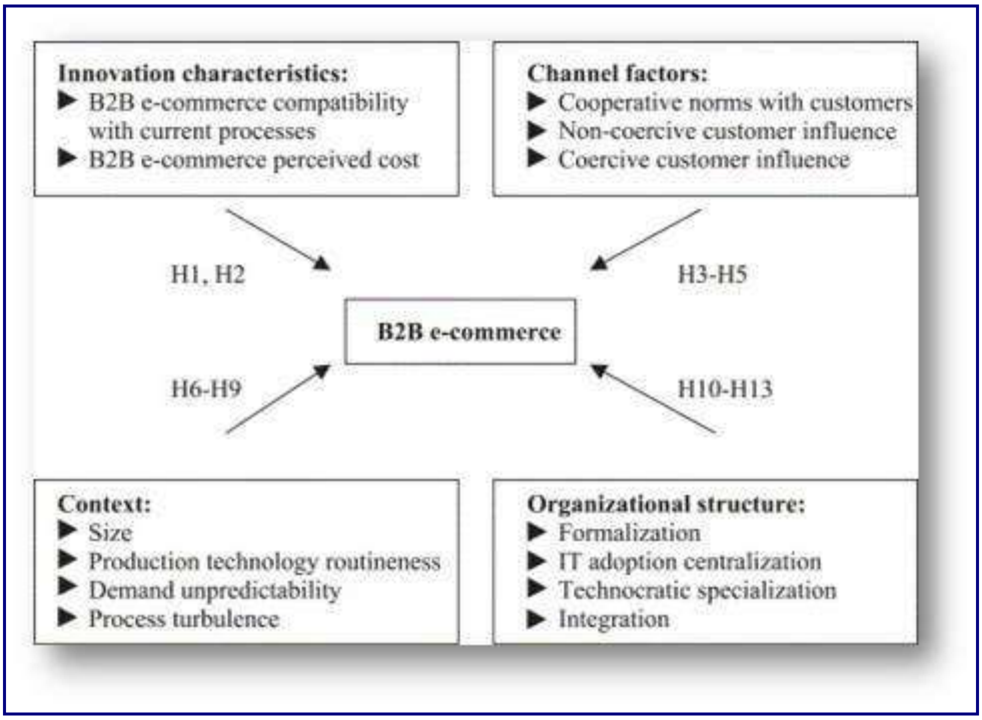
B2B E-Commerce Distribution Benefits

B2B e-commerce use has proved more difficult than expected. The community is looking for answers on how to proceed. The significance of B2B e-commerce makes it imperative to study it for three reasons:

1.It is becoming a viable alternative to traditional markets

2.Its commercial potential is enormous

3.Little is known about the factors that influence the nature of firm participate



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B2B E-commerce Distribution Management System has some general features such as:

- Scalable
- Customizable Control Panel
- Applicable in all Global Markets
- Intuitive
- Minimal usage of Web Services resources
- User-friendly
- Non-linear logic
- Multi-level User Access
- Minimum number of hits

logistic Management:

In the emerging online business-to-business world, traditional order-, warehousing-, and logistics-management systems are unable to fulfill the increasing demand for products and services via the Web. This makes executing delivery problematic, the experts said.

Solutions vary: revamping logistics platforms, outsourcing to third-party logistics providers, and, perhaps more important, getting logistics professionals more involved in the front-end supply-chain planning process.

High-tech companies are concerned daily with on-time delivery, time-to-market, system integration, internal and external supply-chain collaboration, and forecast inaccuracy. For some, the logistics associated with e-business is an extension of strategies already in place. Although some companies have proactively addressed the back-end issues associated with order fulfillment, many are still laying the groundwork for their e-business game plan.

Anything clouding visibility into supply or demand information can disable a manufacturing line or, worse, make the OEM miss a deadline in bringing a product to market.

That's why it's important to consider how the logistics functions will work at the same time a company is developing its e-commerce strategy, observers said.

Determining how robust the existing logistics platform is and what revisions need to be made are critical. Although orders may be initiated via a Web site, much of that data must be manually input into other supply-chain management, planning, warehouse-management, and logistics systems.

- Direct channel marketing in B2B sector has grown as new technology enables organizations to build relationships directly to each of their customer.
- Electronics channel represent opportunities for manufactures to reach end user customers but also to provide intermediaries with higher levels of service and support. However, we also need to consider compatibility and the demand of the company (Hypotheses testing) before using B2B E-commerce channel.
- We understand the different marketing channels but it doesn’t mean that we will intend to choose a single channel for business activities. In reality, organizations use a multi channel strategy which consider carefully in order that production efficiencies are achieved and all customer types have access to product. In the Internet economy, the logistics platform will have to address content management, application development, cross-function integration, business intelligence, and mobile Internet access.

Companies will need to set up a platform that enables suppliers and customers to retrieve information about the demand picture, forecasts, delivery dates, shipment tracking, and other data necessary for planning their business suggestions. A logistics hub would allow buyers, sellers, distributors, and transportation providers to tap into one central source, pull data from ERP systems, and receive order-tracking alerts and notification of potential problems.

Need and Importance of Logistic Management: a logistics management services provider, act to improve the operations by offering expertise in logistics offering both logistics technology and integrated logistics freight services, so logistic helps businesses stay in business, keep customers, and focus on their core to acquire new customers. In the spirit of that, it knows that many industrial companies (Manufacturers, Distribution companies, material handling, etc.). A Logistic managemnt must have supply chains, are not finding they are very effective at content marketing, and typically don't have a lot of resources towards what is now one of the most effective ways to market.

International B2B marketing is becoming more important to companies as the world shifts from distinct national markets to linked global markets. Globalization brings homogenization of consumer needs, liberalization of trade, and competitive advantages of operating in global markets. Companies are forced to think and act globally in order to survive in such a dynamic environment. All these elements have a deep impact on the development and the positioning of companies on international marketplaces where competition is cruel. Furthermore, another significant change concerns the customers since they are more demanding in term of quality, lead time and order fulfilment. In this context, firms must be more and more flexible and reactive to anticipate and to adapt to such changes. This quest for flexibility and reactivity affects the conception and the management of firms and more generally their logistic systems and contributes to the development of partnership relations, to the emergence of mergers or strategic alliances between companies. As a result, a firm can no longer be considered as an isolated entity but as a component of a wider supply network. International Firms have begun to implement various strategies in order to remain competitive in world market. Logistics is one of the key areas in the process of international marketing as the delivery of goods to the buyer is as important as any other activity in business and marketing. Quite often, the most crucial part in International trade is the timely delivery of goods at a reasonable cost by the exporter to the importer. In fact, the prospective buyer may be willing to pay even higher price for timely supplies. The emergence of logistics as an integrative activity, with the movement of raw materials from their sources of supply to the production line and ending with the movement of finished goods to the customer has gained special importance. Earlier on, all the functions comprising logistics were not viewed as components of a single system. But, with emergence of logistic as an important part of corporate strategy due to certain developments in the field of international marketing has gained special significance. Before discussing the various aspects of logistics, let us look at its definition:

According to Council of logistics management:

“Logistics is the process of planning, implementing and controlling the efficient, effective flow and storage of goods, services and related information from point of origin to point of consumption for the purpose of conforming the customer requirement”.

This definition clearly points out the inherent nature of logistics and it conveys that Logistics is concerned with getting products and services where they are needed whenever they are desired. In trade Logistics has been performed since the beginning of civilization: it‟s hardly new. However implementing best practice of logistics has become one of the most exciting and challenging operational areas of business and public sector management. Logistics is unique, it never stops!

Logistics is happening around the globe 24 hours a days Seven days a week during fifty-two weeks a year. Few areas of business involve the complexity or span the geography typical of logistics.

CONCEPT OF B2B MARKETING LOGISTICS

Word, ‟Logistics‟ is derived from French word „loger‟, which means art of war pertaining to movement and supply of armies. Basically a military concept, it is now commonly applied to marketing management. Fighting a war requires the setting of an object, and to achieve this objective meticulous planning is needed so that the troops are properly deployed and the supply line consisting, interalia, weaponary, food, medical assistance, etc. is maintained. Similarly, the plan should be each that there is a minimum loss of men and material while, at the same time, it is capable of being altered if the need arises. As in the case of fighting a war in the battle-field, the marketing managers also need a suitable logistics plan that is capable of satisfying the company objective of meeting profitably the demand of the targeted customers.

From the point of view of management, marketing logistics or physical distribution has been described as „planning, implementing and controlling the process of physical flows of materials and final products from the point of origin to the point of use in order to meet customer‟s needs at a profit. As a concept it means the art of managing the flow of raw materials and finished goods from the source of supply to their users. In other words, primarily it involves efficient management of goods from the end of product line to the consumers and in some cases, include the movement of raw materials from the source of supply to the beginning of the production line. These activities include transportation warehousing, inventory control, order processing and information monitoring. These activities are considered primary to the effective management of logistics because they either contribute most to the total cost of logistics or they are essential to effective completion of the logistics task. However, the firms must carry out these activities as essential part of providing customer with the goods and services they desire.

SIGNIFIGANCE OF MARKETING LOGISTICS

The important of a logistics systems lies in the fact that it leads to ultimate consummation of the sales contract. The buyer is not interested in the promises of the seller that he can supply goods at competitive price but that he actually does so. Delivery according to the contract is essential to fulfilling the commercial and legal requirements. In the event of failure to comply with the stipulated supply of period, the seller may not only get his sale amount back, but may also be legally penalized, if the sales contract so specifies. There is no doubt that better delivery schedule is a good promotional strategy when buyers are reluctant to invest in warehousing and keeping higher level of inventories. Similarly, better and/or timely delivery helps in getting repeat orders through creation of goodwill for the supplier.

MARKET LOGISTIC DECISION:

Marketing logistics involve planning, delivering, and controlling the flow of physical goods, marketing materials and information from the producer to a market as necessary to meet customer demands while still making a satisfactory profit. Marketing logistics involve planning, delivering, and controlling the flow of physical goods, marketing materials and information from the producer to a market as necessary to meet customer demands while still making a satisfactory profit. Maintaining an organization’s competitive edge means understanding and implementing an effective marketing logistics strategy regarding product, price, place and promotion. These four functions of marketing logistics help the organization to reach the target customers and deliver the products or services sold by the organization to these customers.

ORDER PROCESSING TRANSPORTATION MODE: A transportation management system (TMS) is a subset of supply chain management concerning transportation operations and may be part of an enterprise resource planning system.

A TMS usually "sits" between an ERP or legacy order processing and warehouse/distribution module. A typical scenario would include both inbound (procurement) and outbound (shipping) orders to be evaluated by the TMS Planning Module offering the user various suggested routing solutions. These solutions are evaluated by the user for reasonableness and are passed along to the transportation provider analysis module to select the best mode and least cost provider. Once the best provider is selected, the solution typically generates electronic load tendering and track/trace to execute the optimized shipment with the selected carrier, and later to support freight audit and payment (settlement process). Links back to ERP systems (after orders turned into optimal shipments), and sometimes secondarily to WMS programs also linked to ERP are also common.

These systems have been offered with different types of licensing arrangements. The four main offerings are:

1. On-premises licensing (traditional purchased license)
2. Hosted licensing (remote, SaaS, Cloud)
3. On-premises hosted licensing (a blend of 1 and 2)
4. Hosted-TMS free of licensing (same as 2 but free with no license requirements)

Transportation management systems manage four key processes of transportation management:

1. **Planning and decision making** – TMS will define the most efficient transport schemes according to given parameters, which have a lower or higher importance according to the user policy: transport cost, shorter lead-time, fewer stops possible to ensure quality, flows regrouping coefficient, etc.
2. **Transportation Execution** – TMS will allow for the execution of the transportation plan such as carrier rate acceptance, carrier dispatching, and EDI.
3. **Transport follow-up** – TMS will allow following any physical or administrative operation regarding transportation: traceability of transport event by event (shipping from A, arrival at B, customs clearance, etc.), editing of reception, custom clearance, invoicing and booking documents, sending of transport alerts (delay, accident, non-forecast stops.)
4. **Measurement** – TMS have or need to have a logistics key performance indicator (KPI) reporting function for transport.

Various functions of a TMS include:

- Planning and optimizing of terrestrial transport rounds
- Inbound and outbound transportation mode and transportation provider selection
- Management of motor carrier, rail, air and maritime transport
- Real time transportation tracking
- Service quality control in the form of KPIs (see below)
- Vehicle Load and Route optimization
- Transport costs and scheme simulation
- Shipment batching of orders
- Cost control, KPI (key performance indicator) reporting and statistics
- Freight Audit
- Typical KPIs include but not limited to:

1. % of On Time Pick Up or Delivery Performance relative to requested
2. Cost Per Metric - mile; km; weight; cube; pallet
3. Productivity in monetary terms, e.g., cost per unit weight or shipping unit
4. Productivity in operational terms, e.g., shipping units/order or weight/load

However, all the above logistical functions need to be scrutinized as to how each parameter functions.

Warehousing in Logistic Management: Warehousing and warehouse management are part of a logistics management system, which is itself a component in supply chain management. Although viewed by some as simply a place to store finished goods, inbound functions that prepare items for storage and outbound functions that consolidate, pack and ship orders provide important economic and service benefits to both the business and its customers.

Central Location

A warehouse provides a central location for receiving, storing and distributing products. As each inbound shipment arrives, responsibility for the goods transfers to warehouse personnel, products are identified, sorted and dispatched to their temporary storage location. Storage isn't a static "thing" but rather a process that includes security measures and maintaining an environment that preserves the integrity and usefulness of the items. Once it's time to move items, each order is retrieved, grouped, packaged and checked for completeness before being dispatched to their new destination.

Value-Adding Operation

The objective of a logistics system is to reduce cycle times and overall inventories, lower costs and most importantly, improve customer service. Warehousing increases the utility value of goods by providing a means to have the right products available at the right place in the right time. Operations such as order consolidation, order assembly, product mixing and cross-docking that take place within the warehouse structure also add value to the overall logistics system.

Economic Benefits

Warehouses provide a economies of scale through efficient operations, storage capacity and a central location. Economic benefits are realized, for example, through consolidation and accumulation operations. Consolidation operations cut outbound delivery costs for both the business and its customers. Instead of shipping items individually from multiple sources, items are delivered to a central warehouse, packaged together and shipped back out as a complete order. Accumulation operations allow a warehouse to act as a buffer, balancing supply and demand for seasonal and long-term storage. This can be vital to business profitability when demand for a product is year-round but the product may only be available at certain times of the year.

Service Benefits

Warehouses can serve as part of a contingency plan to ensure outbound orders are filled in full and on time. A practice called safety stocking allows businesses to maintain a predetermined number of inventory items at its warehouse. On the inbound side, safety stocking means that an emergency such as a transportation delay or a shipment containing defective or damaged goods won't delay filling and shipping customer's order. On the outbound side, safety stocking is insurance against out-of-stock items.

I**nventory in Logistic management:**

The fundamental purpose of S&OP is to bring the demand management functions of the firm (for example, sales forecasting, marketing) together with the operations functions of the firm (for example, manufacturing, supply chain, logistics, procurement) and level strategic plans.

Managing customer and vendor relationships is a critical aspect of managing supply chains. In many cases, the collaborative relationship concept has been considered the essence of supply chain management. However, a closer examination of supply chain relationships, particularly those involving product flows, reveals that the heart of these relationships is inventory movement and storage. Much of the activity involved in managing relationships is based on the purchase, transfer, or management of inventory. As such, inventory plays a critical role in supply chains because it is a salient focus of supply chains.

Perhaps the most fundamental role that inventory plays in supply chains is that of facilitating the balancing of demand and supply. To effectively manage the forward and reverse flows in the supply chain, firms have to deal with upstream supplier exchanges and downstream customer demands. This puts an organization in the position of trying to strike a balance between fulfilling the demands of customers, which is often difficult to forecast with precision or accuracy, and maintaining adequate supply of materials and goods. This balance is often achieved through inventory.

Cost control in Supply chain management:

Poor logistics planning and decision making can result in excessive expenditures, missed delivery deadlines and damaged goods. This is why optimizing operational efficiency and reducing logistics costs are so important. In fact, they should be among the top priorities for any business that does a lot of shipping and hopes to remain financially viable.

Given today's high customer demands and a fluctuating global business climate, companies have to rely on smart logistics management practices.

If you have the time and resources, you may implement these practices yourself. If you want to save time and money, you may choose to outsource to a logistics provider who will implement these practices for you.

It is important to understand what good practices are, even if you do completely outsource logistics. You want to understand if you are dealing with a quality logistics provider. Implementing these practices, will help keep services at the desired level, regardless of circumstances.

Understanding the supply chain process

By definition, the logistics and supply chain process involve the movement of goods from the manufacturer to the client – or from raw material to end product.

More specifically, a supply chain refers to a complex system of activities, processes, resources and organizations dealing with the flow of goods and services from suppliers to consumers. Logistics is the flow of goods and services between the intermediary points in the supply chain in terms of transportation and storage. Although the understanding of logistics costs differs between companies, they generally include transportation, labour, storage and administrative costs. Inventory carrying and transportation also contribute to the bulk of these expenses. Of course, logistics costs will largely depend on the nature of the goods. The process is quite different for perishable and imperishable goods.

When it comes to logistics cost management, it’s important to remember that efficient performance and timely delivery are as vital as reducing logistics costs. You shouldn’t sacrifice the former for the sake of the latter. In short, you must consider both cost and performance, and balance them against each other.

Reverse logistics:

Reverse logistics is for all operations related to the reuse of products and materials. It is "the process of moving goods from their typical final destination for the purpose of capturing value, or proper disposal.

Remanufacturing and refurbishing activities also may be included in the definition of reverse logistics." Growing green concerns and advancement of green supply chain management concepts and practices make it all the more relevant. The number of publications on the topic of reverse logistics have increased significantly over the past two decades. The first use of the term "reverse logistics" in a publication was by James R. Stock in a White Paper titled "Reverse Logistics," published by the Council of Logistics Management in 1992. The concept was further refined in subsequent publications by Stock (1998) in another Council of Logistics Management book, titled Development and Implementation of Reverse Logistics Programs, and by Rogers and Tibben-Lembke (1999) in a book published by the Reverse Logistics Association titled Going Backwards: Reverse Logistics Trends and Practices. The reverse logistics process includes the management and the sale of surplus as well as returned equipment and machines from the hardware leasing business. Normally, logistics deal with events that bring the product towards the customer. In the case of reverse logistics, the resource goes at least one step back in the supply chain. For instance, goods move from the customer to the distributor or to the manufacturer.

When a manufacturer's product normally moves through the supply chain network, it is to reach the distributor or customer. Any process or management after the delivery of the product involves reverse logistics. If the product is defective, the customer would return the product. The manufacturing firm would then have to organise shipping of the defective product, testing the product, dismantling, repairing, recycling or disposing the product. The product would travel in reverse through the supply chain network in order to retain any use from the defective product. The logistics for such matters is reverse logistics.

Reverse logistics is more than just returns management, it is "activities related to returns avoidance, gatekeeping, disposal and all other after-market supply chain issues". Returns management—increasingly being recognized as affecting competitive positioning—provides an important link between marketing and logistics. The broad nature of its cross-functional impact suggests that firms would benefit by improving internal integration efforts. In particular, a firm's ability to react to and plan for the influence of external factors on the returns management process is improved by such internal integration. In a firm's planning for returns, a primary factor is the remaining value of the material returning and how to recover that value."Returned goods, or elements of the product, could even be returned to suppliers and supply chain partners for them to re-manufacture"