

**B2B-MARKETING**

**HIT**

**MBA-4<sup>TH</sup> SEM (MARKETING SPECIALIZATION)**

- Business marketing – the task of selecting, developing, and managing customer relationships for the advantage of both customer and supplier, with regard to their respective skills, resources, technologies, strategies, and objectives.
- Business market management – the process of **understanding, creating, and delivering value** to target markets and customers.
- B2B marketing – the marketing activities of any kind of organisation that has exchange relationships with other organisations or businesses.

### The Characteristics of Business Markets

1. The nature of demand.
2. Buying processes (i.e. it is complex, and the sell side takes longer).
3. International aspects.
4. Relationships.

### Decision-Making Unit (DMU)

- The decision-making unit for an engineering company considering the purchase of solar energy may consist of different parties (e.g. senior management, purchasing manager, plant engineer, production manager, and consultants), all of whom will have different criteria when selecting suitable suppliers (B2B buying motivations).

### Types of B2B Organisations

- Government organisations:
  - Health
  - Environmental protection
  - Education
  - Policing
  - Transport
  - National defence and security
- Commercial organisations:
  - Distributors
  - Original equipment manufacturers
  - Users
  - Retailers
- Institutional organisations:
  - Not-for-profit
  - Community-based organisations

### Types of Business Goods and Services

- Input goods – raw materials and semi-manufactured parts, which become part of the finished item, a.k.a. manufacturing inputs.
- Equipment goods – capital items that are not part of the finished item but necessary to enable the production process to take place (e.g. land and buildings), a.k.a. operating inputs.
- Supply goods – materials necessary to keep the production process running (e.g. oil).

### Things That Are Different In Business Markets

- Greater number of people involved.
- Technical complexity of products.
- Derived/variable nature of demand.
- Links between buyer and seller (large focus on relationships).
- Longer length of purchase cycles.
- Focus on distribution channels.
- Marketing management activities.

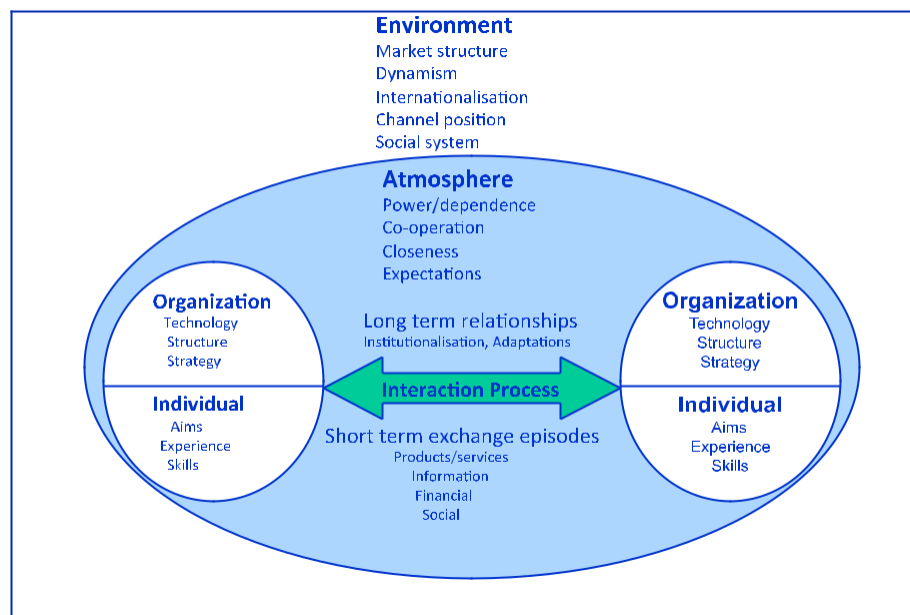
## Guiding Principles of Business Market Management

1. Regard value as cornerstone.
2. Focus on relationship interaction and networks.
3. Focus on business market processes.
4. Stress doing business across borders.

### Value As The Cornerstone of Business Market Management

- Value in business markets is the worth in monetary terms of economic, technical, service and social benefits a customer firm receives in exchange for the price it pays for a market offering.
- Fundamental value equation:
  - $(\text{Value}_a - \text{Price}_a) > (\text{Value}_c - \text{Price}_c)$
- Customer incentive to purchase – the difference between value and price.
- Value can only be estimated.
- Value changes when:
  - Functionality or performance provided remains the same while its cost changes to customer.
  - Functionality or performance changes while the cost remains the same.
- Assessing value:
  - Supplier firms create and deliver value to targeted market segments and customer characteristics.
  - Business market management strives to both understand and capitalise on customer and market segment variations.
- Value analysis:
  - Conducted by a cross-functional team with the customer firm.
  - Team assesses market offerings' attributes in terms of:
    - Functionality or performance.
    - Total cost of specific performance or functionality.
    - Identification of lower-cost alternatives.
- Factors that affect a customer's perception of the value it receives:
  - The length of customer lead times.
  - Variation from promised delivery dates.
  - Condition of the product on arrival.
  - Sales calls and order initiation requirements.
  - Credit, billings and collection procedures.
  - Effectiveness of after-sales support.
  - Product performance, fit and function.
  - Product documentation and instructions.
  - Product downtime frequency and duration
  - Maintenance cost and difficulty.

## Focus On Relationship Interaction and Networks



### Managing Business Market Processes

- Business process – a collection of activities that take one or more kinds of input and creates an output that is of value to the customer.
- Business market processes:
  - Management processes:
    - How the CEO runs the company.
    - How the management interacts with employees.
    - How decisions get made.
    - How communication takes place.
  - Business processes:
    - Focus is on reengineering efforts.
    - Large, crosscutting collections of activities (product design, order fulfillment, customer service).
  - Work processes:
    - Basic building blocks of business processes.
    - How the work actually gets done.
- Understanding value:
  - Organisational buying behaviour: learning how companies rely on a network of suppliers to add value to their offering, integrate purchasing activities with those of other functional areas and outside firms, and make purchase decisions.
  - B2B relationships and networks: learning how companies interact and collaborate in complex B2B networks to increase speed to market for products and services.
  - Marketing sensing: generating knowledge about the marketplace that individuals in the firm use to inform and guide their decision-making.
  - B2B strategy and planning: studying how to exploit a firm's resources to achieve short-term and long-term marketplace success, deciding upon a course of action, and flexibly updating it during implementation.

- Creating value:
  - Managing B2B products and services: putting products, services, programs, and systems together in ways that create great value for targeted market segments and customer firms.
  - Integrated B2B marketing communications: developing new core products or services, augmenting them to construct market offerings, and bringing them to market. Realisation is all the activities used to transform ideas into a market offering that it commercialises.
  - B2B marketing channels: designing a set of marketing and distribution arrangements that create superior customer value and executing those arrangements either directly through supplier firm sales forces and logistics system or indirectly through resellers and third-party service providers.
- Delivering value:
  - Gaining and retaining customers: differentiating business opportunities, prospecting for new business, and retaining customers for lifetime value.
  - Sustaining distributor partnerships: a supplier and its distributor fulfilling commitments they have made to deliver value to customer firms, strengthening this delivered value, and working progressively together to continue to fulfill changing marketplace.

#### **Business Across Borders**

- Language and culture.
- Cross-border negotiation.
- Outsourcing.
- Currency exchange and payment risk.

## LECTURE 2 – Organisational Buying Behaviour and Negotiation Skills

- Understanding firms as customers is the process of learning how companies rely on a network of suppliers to:
  - Add value to their offering.
  - Integrate purchasing activities with those of other functional areas and outside firms.
  - Make decisions.
- By understanding firms as customers, one is better able to craft responsive market strategies.

### Organisational Purchase Behaviour

- Purchasing – the process of acquiring resources and capabilities for the firm from outside providers.

### Potential Stages In The Organisation Buying Process

1. Problem recognition.
2. General need description.
3. Specification.
4. Supplier search.
5. Proposals submission.
6. Supplier selection.
7. Order process specification.
8. Performance review.

### Typical Organisational Buying Classifications

- Straight rebuy (pure routine):
  - Some utilities.
  - Bulk chemicals.
  - Office supplies.
- Modified rebuy:
  - Consulting services.
  - New trucks.
  - Electrical components.
  - PC terminals.
- New task (complete negotiation; resource intensive; can be the most profitable):
  - Bridges, dams.
  - Custom-built offices.
  - Installations (machinery).
  - Weapon systems.

### Goals of Purchasing

- *Uninterrupted flow of materials:* Provide an uninterrupted flow of the materials, supplies, and services required to operate the organisation.
- *Manage inventory:* Minimise the investment in inventory.
- *Improve quality:* Maintain and improve quality by carefully evaluating and choosing products and services (TQM).
- *Developing and managing supplier relationships:* Find competent suppliers and forge productive relationships with supply chain.
- *Achieve lowest total cost:* Purchase required products and services at lowest total cost.
- *Reduce administrative costs:* Accomplish the purchasing objectives at the lowest possible level of administrative costs.
- *Advance firm's competitive position:* Improve the firm's competitive position by reducing supply chain costs or capitalising on the capabilities of suppliers.

## **Influences On Organisational Purchasing Decisions**

- External:
  - Socio-economic changes.
  - Globalisation of business.
  - Customer power.
  - Market stagnation.
  - Process mentality.
- Internal:
  - Nature of firm's business.
  - Structure of purchasing.
  - Purchasing policy.
  - Purchasing ethics.
  - Systems.
  - Technology.
- Individual:
  - Perception of consequences.
  - Extent of personal influence.
  - Social relationships.
- Relational:
  - Relational approaches to inter-firm relationships.
  - Transactional approaches to inter-firm relationships.

## **Sourcing**

- Single sourcing advantages:
  - One relationship to manage.
  - Greater commitment.
  - Clearer responsibilities.
  - More leverage over supplier.
  - Simplified monitoring.
  - Easier supplier training.
  - Cheaper tooling costs.
  - Simplified scheduling.
- Multiple sourcing advantages:
  - Avoids supplier dependence.
  - Bargaining leverage (to maintain low prices).
  - Insurance against disrupted supply.
  - Not limited to capacity of single supplier.
  - Access to more supplier data.
  - Stimulus to competition.
  - Greater prompt to innovation.

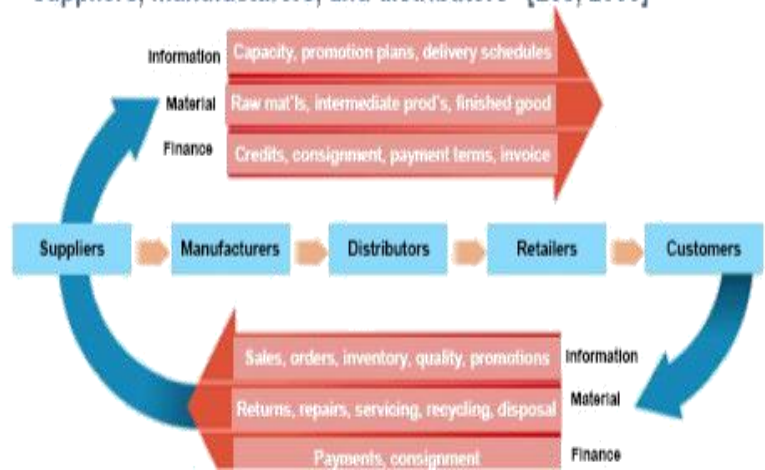
### **Shift In Sourcing Practices**

- Traditional:
  - Purchasing.
  - Multi-source.
  - Material focus.
  - Single point of contact (sales), i.e. arm wrestling relationship.
- Current:
  - (Out)Sourcing.
  - Single source.
  - Material and activity sourcing.
  - Overall supply-chain partnership, i.e. win-win relationship.

- ♦ “Supply chain management involves the flows of **material**, **information** and **finance** in a network consisting of customers, suppliers, manufacturers, and distributors” [Lee, 2000]

### Supply Chain Management

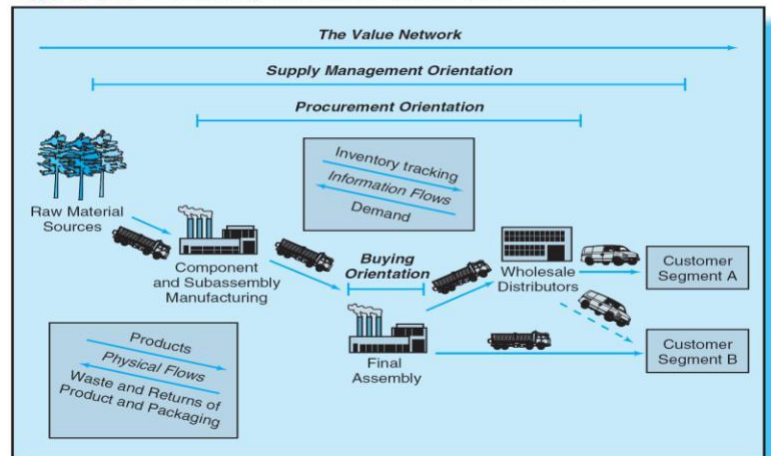
- Supply chain management – involves the flows of material, information, and finance in a network consisting of customers, suppliers, manufacturers, and distributors.



### Understanding Purchasing Orientation and The Value Network

- Value network – set of organisations that perform portions of business processes designed to create economic and technical benefits, and service and social benefits. The organisations equitable share in resulting benefits.

Figure 3.1 Purchasing Orientations and the Value Network



- Purchasing orientation – the overall philosophy that guide managers who make purchase-related-decisions and delineates their span and influence.
- Helps in suppliers selection strategy and helps you understand how your own strategies and activities hinder the completion of processes.
- Purchasing orientations:

#### 1. Buying:

- Obtaining the best deal in terms of price, quality, and availability.
- Maximising power over suppliers.
- Avoiding risk where possible.
- Developments in Buying:

- Target pricing.
- Lopez approach.
- Global sourcing.
- Customised materials.
- B2B matrix (e-hubs).

#### 2. Procurement:

- Improving quality, i.e. ISO 9000/TQM.
- Reducing total costs, i.e. TCO.
- Cooperating with suppliers.

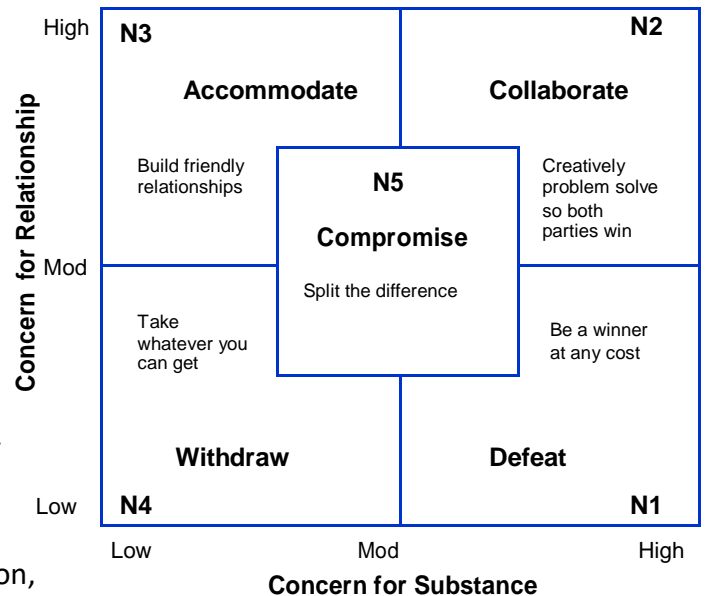
#### 3. Supply Management:

- Focus on all of the firm’s efforts on delivering value to end users.
- Concentrate the firm’s own resources on a set of core competencies and strategically outsource all other activities.
- Build a supply network that efficiently completes required business process.
- Sustain highly collaborative relationships with selected supplier and sub-supplier firms.
- Pursue segment specific supply and management strategies.



## The N2 Model of Negotiating Behaviour

- Two universal concerns of negotiation:
  1. The substance or outcome of the agreement.
  2. The relationship with the other party(ies).
- How patterns of negotiating evolve:
  - The two universal concerns are shared by all negotiators, regardless of the object of their negotiations.
  - Each concern interacts with the other to produce a pattern or style of negotiating behaviour.



- Five characteristic negotiating style:
  - N1: Win-lose competition, intimidation, adversarial relationship. Defeat the other party.
  - N2: Searching for common interests, problem solving behaviour and recognising both parties need their needs satisfied. Work to build a win-win outcome.
  - N3: This pattern promotes harmony, avoidance of substantive differences, yielding to pressure to preserve the relationship. Accommodate the other party's needs.
  - N4: Withdrawal feeling of powerlessness, indifference to the outcome, resignation, surrender, take whatever the other party is willing to concede. Withdrawal and remove oneself from the negotiation.
  - N5: Meet the other party half way, looking for trade-offs, splitting the difference and other half way measures. Find an acceptable agreement.

### How To Use The N2 Model

- The N2 model is intended as a clarifying model of negotiating behaviour.
- Once the model is understood you can gain a clearer insight into your present behavioural preferences.
- If certain preferences are likely to produce undesirable results, then a negotiator may want to consider a program of behavioural change.
- Variations of each style may be appropriate under certain conditions.
- A negotiator may choose one of the styles for a particular negotiation.
- However, a consistent application of the N2 Style offers the greatest probability of producing negotiating results of the highest quality and enduring satisfaction for both parties.

### Interpersonal Skills To Move To An N2 Direction

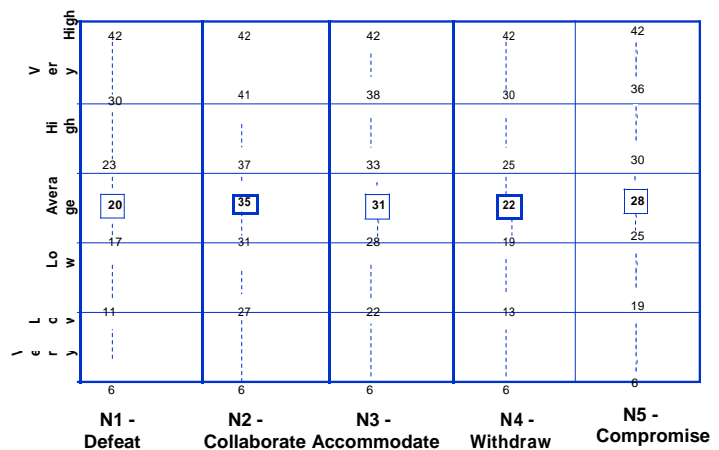
- Assertive behaviour.
- Supportive climate building.
- Active listening/Empathetic responding.
- Nonverbal behaviour sensitivity.
- Using probes to raise receptivity.
- Confronting and working through differences.

### An Approach For A Win-Win Outcome

- Comprehensive preparation.
- An appropriate opening to set the tone of the negotiation.
- Exploring of each party's needs.
- Creative development of alternatives.
- Appropriate closing to define the agreement.
- Critique of the negotiated outcomes.

### How To Score The NSP

- The Negotiating Style Profile (NSP) is designed to help you gain a deeper understanding of your negotiation style. There are no right or wrong answers.
1. Complete the 30 statements.
  2. Complete response form and transfer to the scoring form.
  3. Add each column and place at the bottom of the column.
  4. These scores reflect your preference for each negotiating style in the model.
  5. Create your profile on the chart.



### Negotiation Mistakes

- Neglecting the other side's problem.
- Letting price bulldoze other interests.
- Letting positions drive out interests.
- Searching too hard for common ground.
- Neglecting BATNAs ("best alternative to a negotiated agreement").
- Failing to correct a skewed vision.