

**COURSE
GUIDE**

**MKT 859
INDUSTRIALMARKETING**

Course Team

Course Code

MKT 859

Course Title

Industrial Marketing

Course Developer/Writer

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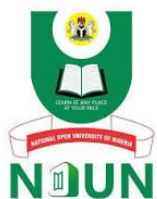
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INTRODUCTION

MKT 859 – Industrial Marketing acquaints you with some issues and decisions in the Marketing of Industrial products.

WHAT YOU WILL LEARN IN THIS COURSE

You will learn of the issues, policies and strategies in marketing of Industrial products to Industrial customers.

COURSE AIMS

The aim of this course is to acquaint you with some issues, policies and strategies in the marketing of Industrial products to governments, businesses and organizations.

COURSE OBJECTIVES

By the end of this course, you should be able to:

- Discuss the perspectives, challenges and priorities to the study of Industrial marketing;
- Discuss the differences between consumer and Industrial marketing;
- Explain the Stages of Organizational Buying Process;
- Identify the core Industrial buying issues;
- Describe the types of Industrial Customers and Industrial products;
- State the characteristics of Industrial markets;
- Select the appropriate strategies for the management of Industrial products and services;
- Discuss the issues in sales force management in Industrial Marketing;
- Explain the importance and features of sales territories;
- Describe sales territories planning, design and redistricting;
- Discuss producer-reseller relationships in Industrial Marketing;
- Explain the key pricing, promotion and distribution decisions in Industrial marketing;
- Describe the scope and role of Industrial Marketing Research;
- Discuss the elements of Industrial Marketing Strategy; and
- Identify the steps in Industrial Strategic Marketing Planning.

WORKING THROUGH THE COURSE

To complete this course, you are expected to read the study units, and other relevant books and materials provided by the National Open University of Nigeria at the end of each unit of work.

Each unit contains self-assessment exercises and at certain points in the course, you are required to submit assignments for assessment purpose. At the end of the course, there is a final examination. This course is expected to last for a period of one semester. Below, you will find listed, all the components of the course, what you have to do, and how you should allocate your time to each unit in order that you may complete the course successfully and on time.

ASSIGNMENT FILE

This gives you the details of the work you must submit to your tutor for marking. The marks you obtain from these assignments will count towards the final marks you obtain for the course. Further information on assignments will be found in the course of your study.

The Course Materials

National Open University of Nigeria will provide you with the following:

The Course Guide: This consists of five Modules, each having a minimum of three units of work as listed hereunder. Also, at the end of each unit are lists of books – References and Further Reading. While you may not procure or read all of them; they are essential supplements to the course materials.

Study Units

The study units are as follows:

MODULE 1 BACKGROUND ON INDUSTRIALMARKETING

Unit 1: Overview of Industrial Marketing

Unit 2: Challenges and Priorities Unique to Industrial Marketing

Unit 3: Perspectives and Stages of Organizational Buying Process

Unit 4: Similarities and Differences between Industrial and Consumer Marketing

MODULE 2 INDUSTRIALBUYERS, CUSTOMERS AND PRODUCTS

Unit 1: Industrial Buying Issues

Unit 2: Types of Industrial Customers

Unit 3: Characteristics of Industrial Markets

Unit 4: Industrial Products

MODULE 3 MANAGING INDUSTRIALPRODUCTS AND SALES FORCE

Unit 1: Managing Industrial Products and Services

Unit 2: Sales Force Management in Industrial Marketing

Unit 3: Customers and Sales Territories

Unit 4: Sales Territories Planning, Design and Redistricting

Module 4 MARKETING DECISION VARIABLES

Unit 1: Pricing in Industrial Marketing

Unit 2: Communication/Promotion in Industrial Marketing

Unit 3: Communication Management Forms and Integrated Communication

Unit 4: Institutions Making Up the Distribution System in Industrial Marketing

Unit 5: Design Options in Forming Channels of Distribution

Unit 6: Producer-Reseller Relationships in Industrial Marketing

MODULE 5 STRATEGIC MARKETING MANAGEMENT

Unit 1: Industrial Marketing Research

Unit 2: Elements of Industrial Marketing Strategy

Unit 3: Steps in Industrial Strategic Marketing Planning

ASSESSMENTS

There are three aspects of the assessments. First are Self-Assessment Exercises (SAEs), second is the Tutor – Marked Assignments (TMAs) and the third is the Final Examination. You are advised to be sincere in attending to Self-assessment exercises. You are expected to apply knowledge, information and skills that you have acquired during the course. At the end of the units you will be provided with probable answers to the SAEs.

TUTOR-MARKED ASSIGNMENTS

There are Tutor-Marked Assignments in this course, and you are advised to attempt all. Aside from your course material provided, you are advised to read and research widely using other references which will give you a broader viewpoint and may provide a deeper understanding of the subject.

Ensure all completed assignments are submitted on schedule before set deadlines. If for any reasons, you cannot complete your work on time, contact your tutor before the assignment is due to discuss the possibility of an extension. Except in exceptional circumstances, extensions may not be granted after the due date.

FINAL EXAMINATION

The final examination for this course will be of three hours duration with a marked value of 70% of the total course grade. All areas of the course will be assessed and the examination will consist of questions which reflect the type of self-testing, practice exercise and tutor assignments you have previously encountered. Utilize the time between the conclusion of the last study unit and the examination to revise the entire course. You may find it useful to review your self-assessment exercises, tutor-marked assignments comments on them before the examination.

COURSE MARKING SCHEME

The work you submit will count for 30% of your total course mark. At the end of the

course however, you will be required to sit for a final examination, which will also count for 70% of your total marks.

HOW TO GET THE MOST FROM THIS COURSE

In distance learning, the study materials are specially developed and designed to replace the lecturer. Hence, you can work through these materials at your pace, and at a time and place that suits you best. Visualize it as reading the lecture instead of listening to a lecturer.

Each of the study unit follows a common format. The first item is an introduction to the subject matter of the unit and how a particular unit is integrated with the other units and the course as a whole. Next is a set of learning objectives. These objectives unfold what you should be able to do by the time you have completed the unit. Use these objectives to guide your study.

On finishing a unit, go back and check whether you have achieved the objectives. If made a habit, this will further enhance your chances of completing the course successfully.

The following is a practical strategy for working through the course:

- Read the Course Guide thoroughly.
- Organize a study schedule, which you must adhere to religiously. The major reason students fail is that they get behind in their course work. If you encounter difficulties with your schedule, please let your tutor know promptly.
- Turn to each unit and read the introduction and the objectives for the unit.
- Work through the unit. The content of the unit itself has been arranged to provide a sequence for you to follow.
- Review the objectives of each study unit to confirm that you have achieved them. If you feel unsure about any of the objectives, review the study material or consult with your tutor.
- When you are confident that you have achieved a unit's objectives, you can then start on the next unit. Proceed unit by unit through the course and try to pace your study so that you keep yourself on schedule.
- After submitting an assignment to your tutor for grading, do not wait for its return before starting on the next unit. Keep to your schedule. When the assignment is returned, pay particular attention to your tutor's comments.
- After completing the last unit, review the course and prepare yourself for final examination. Check that you have achieved the units objectives (listed at the beginning of each unit) and the course objectives listed in this course guide.

FACILITATORS/TUTOR AND TUTORIALS

There will be specific time for tutorial sessions, in support of this course. You will be notified of the dates, time and location of these tutorials, together with the name and phone number of your tutor, as soon as you are allocated a tutorial group.

Your Tutor will mark and comment on your assignments; he/she will keep a close

watch on your progress and on any difficulties you might encounter and provide assistance to you during the course. You must mail your tutor -marked assignments to your Tutor earlier before the due date. They will be marked by your Tutor and returned to you as soon as possible.

Do not hesitate to contact your Tutor by telephone, e-mail or your discussion group (board) if you need help. The following might be circumstances in which you would find help necessary. Contact your Tutor if:

You do not understand any part of the study unit or the assigned readings.

You have difficulty with the self – tests or exercises.

You have a question or problem with an assignment, with your tutor's comments on an assignment or with the grading of an assignment.

You should try your best to attend tutorials. This is the only chance to have face-to-face contact with your tutor and to ask questions which are answered instantly. You can raise any problem encountered in the course of your study. To gain the maximum benefit from the course tutorials, prepare a question list before attending them. You will learn a lot from participating in discussions actively.

SUMMARY

This course is designed to introduce you to the principles, tasks, challenges and decision areas in Industrial Marketing. At the end of this course, you will be able to function effectively as a brand manager of an Industrial product or be able to market effectively the products of your organization to governments, businesses and organizations.

We, therefore, sincerely wish you the best and that you enjoy the course.

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MKT 859 INDUSTRIAL MARKETING

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Unit 2: Elements of Industrial Marketing Strategy

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MODULE 1 BACKGROUND ON INDUSTRIAL MARKETING

Unit 1	Overview of Industrial Marketing
Unit 2	Challenges and Priorities Unique to Industrial Marketing
Unit 3	Perspectives and Stages of Organizational Buying Process
Unit 4	Similarities and Differences between Industrial and Consumer Marketing

UNIT 1: OVERVIEW OF INDUSTRIAL MARKETING

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1.2 Intended Learning Outcomes

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1.3.2 The Difference between Industrial and Consumer Marketing

1.3.3 Why Study Industrial Marketing

1.4 Summary

1.5 References/Further Reading/Web Resources

1.6 Possible Answers to Self-Assessment Exercise

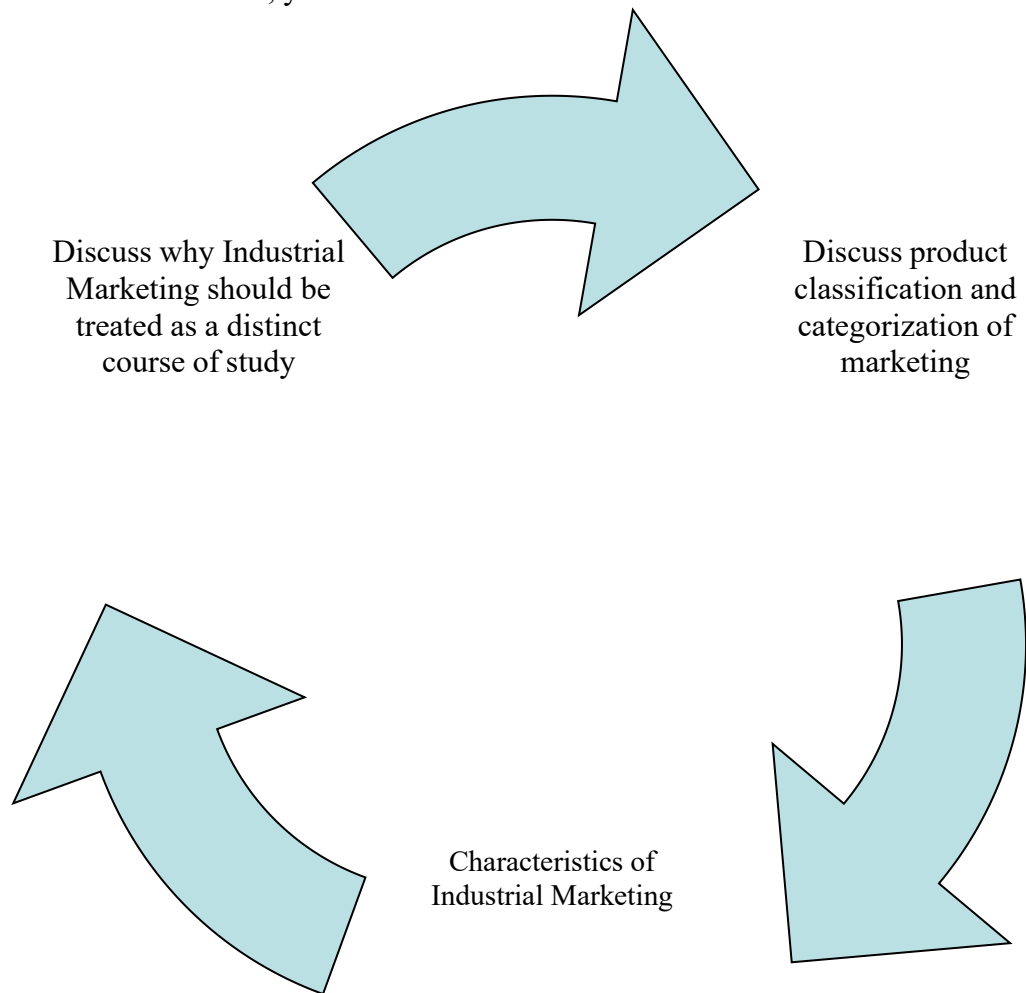
1.1 Introduction

Put simply, Industrial Marketing is the marketing of products by one enterprise to another. The nature of Industrial Marketing is such that it focuses on marketing to other businesses rather than individual consumers. Industrial Marketing is increasingly being replaced and commonly known as B2B marketing, Business Marketing, Business-To-Business Marketing, Commercial Marketing, Organizational Marketing, Government Marketing, Institutional Marketing or Producer Marketing. There are clear differences between industrial and consumer products leading to distinction between Consumer Marketing (B2C or Business to Customer model) and Industrial Marketing (B2B). The differences existing between consumer and industrial products manifest in differences in the consumer/customers of the two broad types of products. While Consumer Marketing seeks to satisfy the buying needs of individuals and households with consumer products Industrial Marketing seeks to satisfy the buying needs of governments, manufacturing firms, institutions and resellers with industrial products.

The differences arising from the different dimensions of the two broad marketing types manifest in the application of different marketing strategies and tactics as marketers seek to create and offer value to key participants in the two markets. In this introductory unit of this course, we shall be discussing product classification and categorization of marketing, differences between consumer and Industrial Marketing and the reasons for studying Industrial Marketing.

1.2 Learning Outcomes

At the end of this unit, you should be able to:



1.3 Overview of Industrial Marketing

1.2.1 Product Classification and Categorization of Marketing

A common basis for product classification in marketing literature is consumer products and industrial products. While consumer products refer to products purchased by end users (individuals and households) for personal consumption, industrial products are purchased by manufacturers as inputs for further production, governments, including Ministries, Departments and Agencies (MDAs) of Federal, State and Local governments,

Resellers, including wholesalers and retailers and institutions, including schools, churches, hospitals etc. It is to be noted that there are few products that are distinctly or exclusively consumer or industrial. Most products are both consumer and industrial in nature.

In line with the broad classification of products, into consumer and industrial, marketing has been broadly categorized into consumer marketing and industrial/organizational/business marketing. While consumer marketing majorly addresses the issues of marketing of products to individuals and households for their personal consumption, Industrial Marketing concerns itself with the issues involved in marketing industrial products to manufacturers, governments, institutions and resellers.

1.3.2 Characteristics of Industrial Marketing

The following are the key characteristics of Industrial Marketing

1. Fewer yet Larger Markets

Buyers are way fewer as opposed to consumer buyers, but these buyers buy in bulk.

2. Well-established Relations

The relationship between buyers and sellers is much closer than that of a consumer and the seller. This is because changing sellers costs a lot of time, money, and effort once a relationship is formed.

3. Complex Process

The entire buying and selling process is extremely complex. A lot of approval is needed from various officials.

4. Derived Demand

The demand for industrial goods is derived from the demand for the final product sold to consumers. If the demand for the good consumer increases, so makes the demand for the industrial good and vice-versa.

5. Inelastic Demand

The demand for industrial goods and services is not affected by changes in the price of the product or service. This is the notion of inelastic demand. It is especially applicable in the short run.

6. Fluctuating Demand

The demand for industrial goods and services is more volatile than that of consumer goods and services.

7. Professional Buyers

Industrial goods are often purchased by professionally trained agents who have a thorough knowledge of the products they are trying to purchase. Customer Marketing does not always have to consider the customer being a well-informed bargainer. This is a unique feature of industrial Marketing.

SELF-ASSESSMENT EXERCISE 1

List the key characteristics of industrial marketing.

1.3.3 Why Study Industrial Marketing

The following reasons will explain why students need to study Industrial Marketing as a course:

1. It is generally claimed that government is the biggest buyer in any economy. Industrial/business marketers serve the largest market of all; the dollar volume of transactions in the industrial or business market significantly exceeds that of the ultimate consumer market. The purchases made by companies, government agencies and institutions "account for more than half of the economic activity in industrialized countries such as the United States, Canada and France. "In the specific case of Nigeria, it is to be noted that government is not just the biggest buyer of products but also the biggest employer of labor. The size and importance of government as an employer and buyer suggest that any business that wants to make it must necessarily sell to government.
2. Governments buy in a special way. The Procurement Act of 2004 specifies the way government should buy goods and services in Nigeria. Marketers need to understand the way government agencies in Nigeria buy if they are to successfully sell to them.
3. The knowledge, skills and attitude needed by Industrial Marketing officers are different from those needed by consumer marketing officers. This derives from the fundamental differences of strategy and tactics in managing industrial and consumer marketing. It is important therefore that students study Industrial Marketing as a separate course.

SELF-ASSESSMENT EXERCISE 2

Identify the reasons why industrial marketing is being studied.

1.4 Summary

In this study unit, the issues covered included the following:

Product classification and categorization of marketing

The difference between consumer and Industrial Marketing

Why study Industrial Marketing.

In the next unit, you will be taken through the different perspectives and stages of organizational buying process.

1.5 References/Further Reading/Web Resources

Anderson, J. C. & Narus, J. A. (2004). *Business Market Management: Understanding, Creating, and Delivering Value*, 2nd Edition, Pearson Education, Inc.

Biemans, W.G. (2010). *Business to Business Marketing: A Value-Driven Approach*, McGraw-Hill Higher Education

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Morris, M. H., Pitt, L.F. & Honeycutt, E. D. (2001). *Business-to-Business Marketing: A Strategic Approach*, Sage Publications Inc.

Reid, D. A. & Plank, R.E. (2004). *Fundamentals of Business Marketing Research*, Best Business Books, an Imprint of the Haworth Press, Inc.

1.6 Possible Answers to Self-Assessment Exercise

1. The following are the key characteristics of Industrial Marketing:
 - a. Fewer yet Larger Markets

- b. Well-established Relations
- c. Complex Process
- d. Derived Demand
- e. Inelastic Demand
- f. Fluctuating Demand
- g. Professional Buyers

2. The following reasons will explain why students need to study Industrial Marketing as a course:

- a. It is generally claimed that government is the biggest buyer in any economy.
- b. Governments buy in a special way.
- c. The knowledge, skills and attitude needed by Industrial Marketing officers are different from those needed by consumer marketing officers.

UNIT 2: CHALLENGES AND PRIORITIES UNIQUE TO INDUSTRIAL MARKETING

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2.3 Challenges and Priorities Unique to Industrial Marketing

2.3.1 Priorities of Industrial Marketing

2.3.2 Challenges of Industrial Marketing

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1.5 References/Further Reading/web resources

1.6 Possible Answers to Self-Assessment Exercise

2.1 Introduction

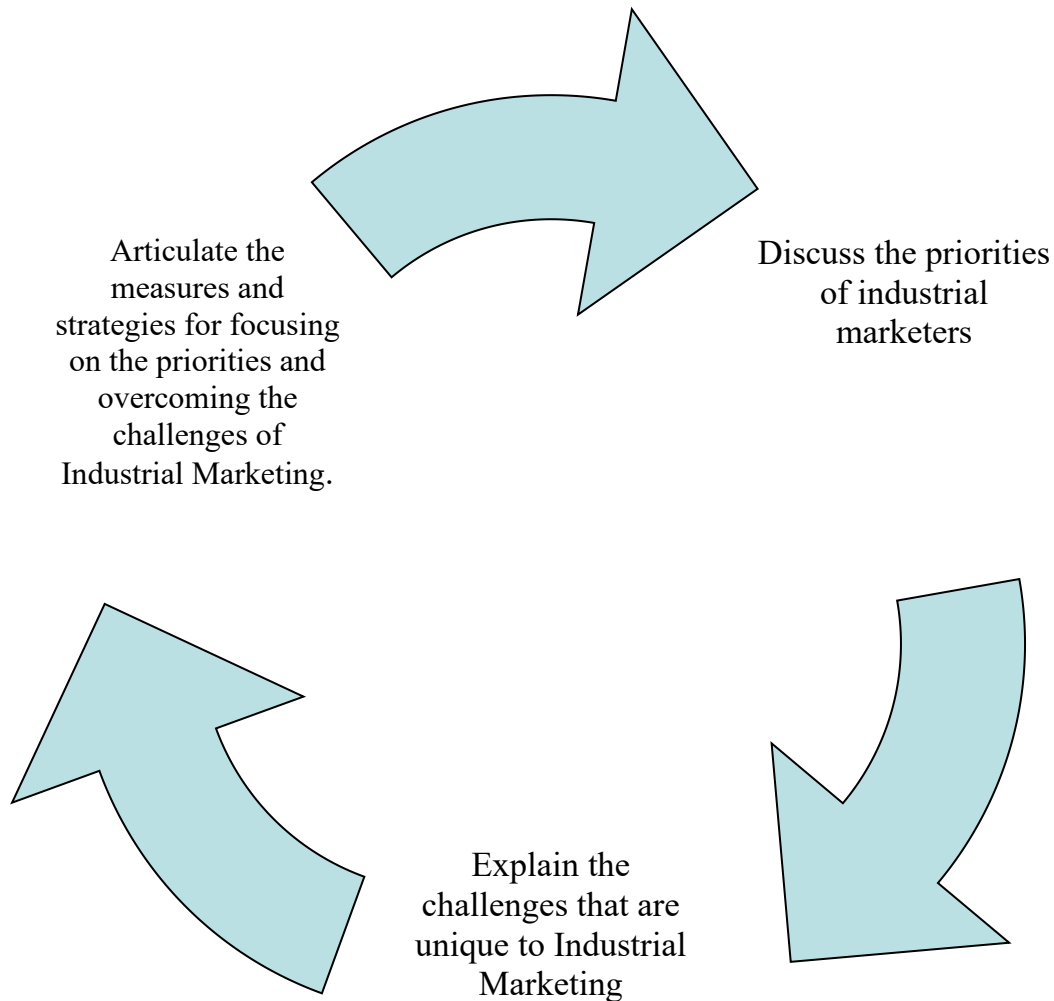
Industrial Marketing is clearly distinct from consumer marketing. The distinctive features of Industrial Marketing include the following: It's extremely complex, longer sales cycle, the variety of marketing, low market information, advertising generally doesn't follow trends, the buyers and their behaviors, Bidding is customary and the geographical and demographical distribution. The extreme complexity of industrial marketing stems from the many people normally involved in the negotiations leading to it. Many people and processes and procedures are ordinarily involved in discussions/interactions foreshadowing industrial marketing.

Industrial Marketing requires large orders, long-term relationships which makes the first pitch and sale often more complex. This revolves around the simple fact that businesses are made up of several individuals, which means you have to impress multiple people, with numerous different bits of information. The involvement of many persons and processes will lead to a longer sales cycle in industrial marketing. Given that industrial customers buy on specifications, industrial products will have to have many varieties if they are to meet the buying needs of customers. Every single product requires a different marketing strategy, sometimes the difference can be extreme. Generally, the characteristics of Industrial Marketing are, classified as: 1) Market characteristics, 2) Characteristics of the organizational buyer, 3) the characteristics of supply and marketing, and, 4) The relations of cooperation of buyers and sellers. All these factors characterizing Industrial Marketing will be

discussed in details in the subsequent units of this book.

2.1 Learning Outcomes

After reading this unit, you should be able to:



2.3 Challenges and Priorities Unique To Industrial Marketing

2.3.1 Priorities

1. Customer Focus

Customers are the lifeblood of every business. Industrial marketers know this. To stay focused on customers, industrial marketers are investing in digital programs such as email marketing, e-newsletters, webinars, and catalog programs to get closer to customers and potential customers. They also are focusing on working with media partners who best understand the customer and can offer programmes that produce significant levels of awareness and engagement.

The major considerations in customer focus are:

Customer acquisition is the primary marketing goal;

Customer retention is an important focus element and can be a measure of marketing success.

2. Brand Awareness.

Having a brand that is positively recognized in your market puts your company in a position to shorten the sales cycle and win more business. Marketing programs that deliver a consistent and persistent presence – such as your website, online catalogs, and banner ads – can increase the visibility of your brand. Webinars and content marketing initiatives can help personalize and strengthen your brand.

3. Creating and Distributing Content

Engineers and other industrial professionals are constantly looking for relevant, educational content to help them do their jobs better, such as webinars, articles, how-tos, white papers, spec sheets, and more. Industrial marketers are having to increase spending on content creation. Marketing teams should develop a content marketing plan and schedule, which will help them produce needed content and get it into the hands of customers and prospects using the digital channels they prefer.

SELF-ASSESSMENT EXERCISE 1

What are the priorities of Industrial Marketing?
--

2.3.2 Challenges

1. Increased Competition

Increased competition is perhaps the primary challenge facing industrial marketers. The existence of many suppliers and multiplicity of substitute products are amplifiers of the problem of competition. The digital era and its multitude of channels has largely leveled the playing field for competitors. Engineers and technical professionals now have more resources than ever at their disposal to discover information and research purchases, making it harder for marketers to be highly visible and to differentiate their company, products, and services.

2. Generating Qualified Leads for Sales

Demand generation is the second most important marketing goal for industrial marketers and a precursor to the top priority — customer acquisition. The key to overcoming this challenge is to invest in marketing that generates valuable engagement opportunities for you. You can often measure the worth of a contact or inquiry in its timeliness. Engagement opportunities coming to you in real time, as they are generated, are more likely to convert to a sale than those weeks or even just days old.

3. Measuring Return on Investment (ROI)

The top measurements for marketing successes are sales attributed to marketing campaigns and customer acquisition. Because the industrial buy cycle can be long, complex, and involve multiple decision makers, you will likely engage with customers along a number of marketing touch points before they make a buying decision.

It's important to track all of these interactions along the buying journey in order to measure the effectiveness of individual marketing tactics and your program as a whole. This will also prevent the mistake of attributing a sale to the last touch-point with a customer, because rarely is any one interaction, or even the most recent one, the sole contributor to marketing success.

4. Talent Development & Retention

In the face of mounting unemployment, organizations, especially industrial marketers are paradoxically facing the challenge of attracting, developing and retaining talent. The available talents are upwardly mobile and deliberate measures and strategies are needed to keep them. Industrial marketers, are challenged to devote more resources to talent acquisition campaigns, as well as working with HR to run internal campaigns that keep your current workforce happy. Here are just a few ways industrial marketers can improve their talent development and retention campaigns:

- Promote online job postings via social media and other campaigns
- Update the interview process to be more than just Question & Answer

- Create a recruiting video that showcases company culture and workplace environment
- Offer more progressive employee benefits (i.e., employee rewards, career development & advanced learning opportunities, etc.)

5. Leveraging Analytics

With almost everything moving online these days and having a “smart” connection, industrials have access to a wealth of new technology and services that can help them closely monitor and improve their processes and equipment. Whether it’s a system that alerts them when their machines need maintenance, or a sensor that helps improve their machines’ accuracy and consistency, there are plenty of new ways industrials can leverage technology and data to increase their output and efficiency. Knowing how to take advantage of that data is often the biggest challenge for any company just diving into new technology. By taking the time to learn how to integrate the data and bundle certain services that are assisted by the connectivity and data, you can improve customer retention and financial return on your projects.

6. Innovative Pricing

Price remains a sticking point in buyer seller interface. It is often the one factor on which the vital decision of deal or no deal rests on. The procurement Act in Nigeria vests on price the basis of declaring a bid responsive or otherwise. Indeed it is crucially the most responsive bid that wins the contract. Industrial marketers are challenged to use innovative pricing tools on their websites to help answer their prospects’ questions, articulate value, remove the complexity, and help provide accurate estimates without hassle. It doesn’t have to be uncomfortable, and today’s industrial prospects don’t expect it to be.

7. Creating a Brand Identity

Once a potential client has discovered you online, it is necessary to provide them with a unique experience that can help in brand retention, brand recall, and credibility. Creating an identity that can help set the business apart is what most organizations struggle with. They get lost in the sea of similar businesses, which limits their growth opportunities. So the question to ask and find an answer for is, ‘Why would anyone want to choose me when hundreds of others offer the same

product?’ The answer is creating a brand identity for you that can be easily retained by clients and help build your credibility as an experienced organization.

8. The other challenges facing industrial marketers will include (1) increased marketing involvement in providing direction to R&D and acquisitions, (2) more formal marketing planning, (3) emphasis on systems, (4) better direction of line marketing activities, and (5) new directions in marketing research.

Self-Assessment Exercise 2 List the Challenges of Industrial Marketing

2.4 Summary

3 This unit presented and discussed the priorities that should focus the attention of industrial marketers. It also discussed the challenges facing industrial marketers and articulated the measures to be adopted by them in overcoming them.

2.5 References/Further Reading/Web Resources

Anderson, J.C., and Narus, J.A. (2004). *Business Market Management: Understanding, Creating, and Delivering Value*, 2nd Edition, Pearson Education, Inc.

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2.6 Possible Answers to Self-Assessment Exercise

1. The priorities of industrial marketing are:

- a. Customer Focus
- b. Brand Awareness
- c. Creating and Distributing Content

2. The challenges of industrial marketing are:

1. Increased Competition.
2. Generating Qualified Leads for Sales
3. Measuring Return on Investment (ROI)
4. Talent Development & Retention
5. Leveraging Analytics
6. Innovative Pricing
7. Creating a Brand Identity
8. The other challenges facing industrial marketers will include (1) increased marketing involvement in providing direction to R&D and acquisitions, (2) more formal marketing planning, (3) emphasis on systems, (4) better direction of line marketing activities, and (5) new directions in marketing research.

UNIT 3: PERSPECTIVES AND STAGES OF ORGANIZATIONAL BUYING PROCESS

Unit Structure

3.1 Introduction

3.2 Learning Outcomes

3.3 Perspectives and Stages of Organizational Buying Process

3.3.1 Perspectives in Industrial Marketing

3.3.2 The Customer Activity Cycle

3.3.3 Stages of Organizational Buying Process

3.4 Summary

3.5 References/Further Reading/Web Resources

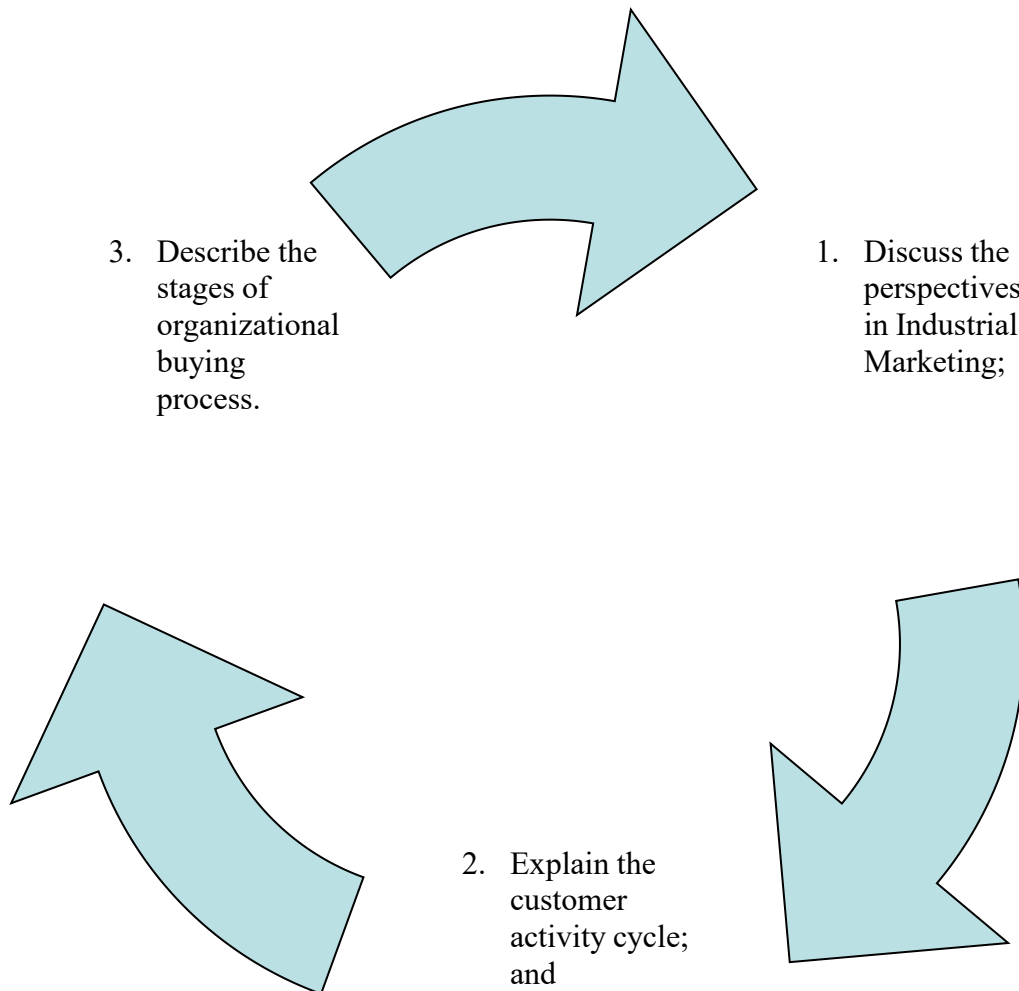
3.6 Possible Answers to Self-Assessment Exercise

3.1 Introduction

The efforts of the industrial marketer will be better focused and successful if he fully understands the perspectives of customers need satisfaction in Industrial Marketing can explain the customer activity cycle and is able to describe the three stages through which organizational buying process pass. These three important issues are presented in this study unit.

3.2 Learning Outcomes

At the end of this unit, you should be able to:



3.3 Perspectives and Stages of Organization Buying Process

3.2.1 Perspectives in industrial marketing

Marketers generally agree that customer need satisfaction is the economic and social justification for the existence of any organization. The centrality of customer needs to the success of the marketer has been variously canvassed and defended and is taken as a matter of course. The marketer that wants to make profit in the long run and achieve growth must align his value creation and offering to customer needs.

In Industrial Marketing, there are two broad perspectives to customer needs, namely, traditional product perspective and new value perspective (Biemans, 2010). These perspectives are discussed below:

Product oriented perspective

In this perspective the industrial marketer simply offers the products their manufacturing firm customer will need to manufacture the products their own customers will demand. The central question the industrial marketer asks in this perspective is: which product does our customer require to offer their products to downstream customers?

New value perspective

Within this perspective, the industrial marketer asks the question: how can we help our customer to create superior value for downstream customers? The emphasis is on the industrial marketer helping customers to create and offer superior value to their customers. This will help them to remain in business and sustain their patronage of the industrial marketer.

3.2.2 The Customer Activity Cycle

Successful and sustained relationship between the industrial marketer and manufacturing firm customers entails helping the customers through their customers' value –creation processes. The focus goes beyond selling to the customer to using what is being offered to the customer as a solution to the problems they encounter in customers' value-creation processes. Customer activity cycle captures the processes leading to the following three stages:

1. Customer decides what to do

In deciding what to do, the customer of industrial marketer accepts and defines the problem to be solved and makes a decision as to whether to make or buy the needed product part, from existing or new suppliers. This process covers two activities as listed below:

- Problem recognition
- Orientation and evaluation

SELF-ASSESSMENT EXERCISE 1

What are the two broad perspectives to consumer needs in industrial marketing?
--

2. Customer does it

Within the process of the customer does it, the needed product is bought, delivered/installed, used and maintained and/or repaired as maybe appropriate.

- Purchase
- Delivery and installation

- Use
- Maintenance and repair

3. Customer keeps it going

Within the last process of customer keeps it going, expansion and/or upgrading of the product bought and being used and ultimately disposal as ,maybe determined by management for some strategic reasons will bring the customer activity cycle for this product to a conclusive end.

- Expansion and upgrading
- Disposal

3.3.3 Stages of Organizational Buying Process

The buying process for industrial products are often complex, extensive and involve several individuals, functions and procedures depending on if the customer is government, manufacturing firm ,reseller or an institution. The buying process consists of a series of activities that can be grouped into three stages as discussed below:

Stage 1: Product Specifications and Requests for Proposals

Within stage 1, the need to buy the product is recognized often when there is requisition by the user unit in the organization. Working with the user unit, the purchasing/procurement unit will agree and define the product specifications. The specifications will help in searching for and identifying potential vendors, who will be required to express interests and submit proposals (technical and financial). The proposals of those who met qualifying criteria will be evaluated and recommendations made as appropriate. The astute industrial marketer particularly those who are extant suppliers of the organization can subtly exert a measure of influence on the activities within the buying process that will keep it in contention and advantaged.

The specific activities within stage 1 of the organizational buying process are listed below:

- 1) Need recognition
- 2) Formulating specifications
- 3) Identifying potential vendors
- 4) Request for proposals
- 5) Evaluation of proposals

SELF-ASSESSMENT EXERCISE 2

List the three stages of customer activity cycle in Industrial Marketing

Stage 2: Negotiations and Selection

Within stage 2, the processes are negotiations with vendors, selection of vendor(s) and drawing up the contract. The buying organization will engage the shortlisted or prequalified suppliers in discussions on important issues of the transaction (terms of payment, credit, installation, servicing, spare parts, maintenance, locations, etc), and based on the discussions and necessary trade-offs as appropriate, take a decision on use of one vendor, dual or multiple vendors and finally draw up a legal contract that will govern the transaction. The specific processes within this stage are listed below:

- i. Negotiations with Vendors
- ii. Selection of Vendor(S)
- iii. Drawing up the Contract

Stage 3: Order Fulfillment and Evaluation

Within stage 3, the product is supplied by the selected vendor(s), made available to the user unit of the organization and its performance evaluated. The issues to be addressed here include if the product supplied met all the specifications agreed and if the supplier fulfilled all the terms of the supply contract. Product performance evaluation will be an ongoing exercise and the outcome will be duly communicated to the vendor(s) for remedial measures as maybe appropriate. The specific processes under this stage are listed below:

- I. Order fulfillment and evaluation
- II. Evaluation and feedback

SELF-ASSESSMENT EXERCISES

- I. Discuss the perspectives in Industrial Marketing
- II. Explain the customer activity cycle
- III. Describe the stages of organizational buying process

3.4 Summary

In this study unit, the topics covered included the following:

- a. Perspectives in Industrial Marketing
 - Product oriented perspective
 - New value perspective

- b. The Customer Activity Cycle
 - Customer decides what to do
 - Problem recognition
 - Orientation and evaluation
 - Customer does it
 - Purchase
 - Delivery and installation
 - Use
 - Maintenance and repair
 - Customer keeps it going
 - Expansion and upgrading
 - Disposal

- c. Stages of Organizational Buying Process
 - Stage 1 : product specifications and requests for proposals
 - Need recognition
 - Formulating specifications
 - Identifying potential vendors
 - Request for proposals
 - Evaluation of proposals

 - Stage 2: negotiations and selection
 - Negotiations with vendors
 - Selection of vendor(s)
 - Drawing up the contract

 - Stage 3: order fulfillment and evaluation
 - Order fulfillment.

7.0 References/Further Reading/Web Resources

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3.6 Possible Answers to Self-Assessment Exercise

1. The two broad perspectives to consumer needs in industrial marketing are:
 - a. Traditional product perspective; and

b. New value perspective

2. Customer activity cycle captures the processes leading to the following three stages:

- a. Customer decides what to do
- b. Customer does it
- c. Customer keeps it going

UNIT 4: SIMILARITIES AND DIFFERENCES BETWEEN CONSUMER AND INDUSTRIAL MARKETING

Unit Structure

4.1 Introduction

4.2 Learning Outcomes

4.3 Similarities and Differences between Consumer and Industrial

4.3.1 Same Basic Concepts and Tools

4.3.2 Derived Demand

4.3.3 Role of Individuals.

4.3.4 Dual Marketing

4.4 Summary

4.5 References/Further Reading/web resources

4.6 Possible Answers to Self-Assessment Exercise

4.1 Introduction

This unit recognizes that marketing can be broadly divided into consumer marketing and Industrial Marketing and makes conscious effort to demonstrate that there are similarities between consumer and Industrial Marketing. The bases of the similarities between consumer and Industrial Marketing as discussed in this study unit are the application of same basic concepts and tools in the two, the connection on account of derived demand, and role of individuals and existence of dual marketing.

4.2 Learning Outcomes

At the end of this unit, you should be able to:

1. Discuss the basic concepts and tools similar in consumer and Industrial Marketing;
2. Explain the differences between consumer and Industrial Marketing;
3. Explain derived demand;
4. List and describe the role of individuals in Industrial Marketing; and
5. Discuss dual marketing.

4.3 Similarities and Differences between Consumer and Industrial

4.3.1 Same Basic Concepts and Tools

Both consumer and Industrial Marketing face the same marketing challenges of attracting, satisfying and maintaining customers. Ultimately both are geared towards returning reasonable and fair profit to their organizations in the long run.

To meet the challenges of marketing in a keenly competitive product market, marketers both in consumer or Industrial Marketing apply the same concepts and tools. The basic concepts will include marketing decision variables, marketing mix, and 4P's of product, price, promotion and place. The other concepts of consumer orientation, long run profit orientation, marketing concept, market segmentation, target marketing, product positioning and market penetration all apply in equal measure to both consumer and Industrial Marketing.

4.3.2 Derived Demand

The demand for industrial products is dependent on the demand for consumer products. Demand for consumer products drives the demand for industrial products. Hence it is said that the demand for industrial product is derived demand. This link in the demand for consumer and industrial products has implications for marketing of products in particular and the aggregate demand in the economy. To enhance aggregate demand in the economy, there is need to ensure that consumer demand is strong enough to be able to drive up the demand for industrial products.

4.3.3 Role of Individuals

Buying decisions in both consumer and Industrial Marketing are made by human beings. These human beings in consumer marketing make decisions based on their personality, attitudes and socio-economic circumstances while. In Industrial Marketing, the same human beings make buying decisions for and on behalf of their organizations. Individuals play the same roles of initiator, influencer, decider, buyer, gatekeeper and user in both consumer and Industrial Marketing.

SELF-ASSESSMENT EXERCISE 1

Explain the statement: Demand for industrial product is derived demand.

1) Dual Marketing

Dual marketing implies Selling to Consumers and Industrial Customers. There are organizations who sell to both consumers and industrial customers. Distributors of Toyota and Honda cars in Nigeria sell to both individuals, organizations, churches, schools, hospitals and Ministries, Departments and Agencies of Local, State and

Federal Government.

2) The Difference between Industrial and Consumer Marketing

Some marketers believe that “marketing is marketing “no matter what the product is and where products and services are bought and sold. This argument has strong basis, but is fundamentally flawed. Both the product being sold, who is selling and who is buying, are vitally important. To the extent of differences in the products being sold and who is selling and buying and how they buy and their motivation and procedure for buying, the classification of marketing into consumer and industrial is valid and unassailable. In practical terms it can be said that the difference between industrial and consumer marketing is clearly in terms of the markets they serve. It cannot be in terms of the products they market because most often they deal on the same or similar products. In both consumer and Industrial Marketing, the same marketing principles in terms of marketing mix are applied. However, while it is true that the basic principles of marketing can be applied in both the consumer and the Industrial Marketing, industrial markets have certain characteristics that contrast sharply with consumer markets. The difference is that of emphasis.

The specific differences between consumer and Industrial Marketing are highlighted below:

- a) The number and size of customers in consumer marketing are many and small respectively. It is common in fast moving consumer product marketing for a marketer to have millions of customers who each buy in small quantities and often daily. For Industrial Marketing on the other hand, the marketer may be relating with one or at most less than 100 customers who each will be buying in large quantities and certainly not on daily basis. Industrial marketers can survive with serving just one customer.
- b) In consumer marketing, customers are geographically dispersed while in Industrial Marketing, customers are often geographically concentrated. Some states and towns have industrial estates where manufacturers are located. For consumer marketing, customers live in diverse parts of the town or state. The dispersion and concentration of customers have implications for promotion and distribution decisions of marketers.
- c) The large number and geographical dispersion associated with customers in consumer marketing recommend the use of mass media and convenience/extensive distribution strategy as strategies for promoting and distributing consumer products. Conversely the fewness and geographical concentration of customers in Industrial Marketing recommend the use of personal selling and direct marketing/distributors in the promotion and distribution of industrial products respectively.
- d) Given that individuals mostly buy for themselves/families in consumer marketing, they do not follow a rigidly formalized buying process unlike purchasing/procurement in government, institutions, manufacturing firms and reselling institutions. Industrial Marketing recognizes the special purchasing/procurement systems used by customers in this marketing area and make special efforts in meeting their buying needs, requirements and associated demands.

- e) While demand in consumer marketing largely varies directly with price on account of income and substitution effects, the situation in Industrial Marketing is significantly different-the derived demand nature of industrial products means that often, customers demand more as price increases in anticipation of further future increase in price.
- f) Industrial products by their nature are mostly complex and consequently require technical knowledge to sell. Many of the products are custom made, produced to specification. Consumer products on the other hand are not so complex and are mostly standardized and mass produced.
- g) Consumers buy mostly from company listed prices and through haggling. Industrial products are priced differently. In Purchasing and procurement best practices, expression of interests and technical and financial bids are requested from all interested suppliers. Based on the analysis of the bids, supplier or suppliers will be selected on the basis of not just the lowest bid but the most responsive bid.

SELF-ASSESSMENT EXERCISE 2

List the specific differences between consumer and Industrial Marketing

SELF-ASSESSMENT EXERCISES

1. Discuss the basic concepts and tools similar in Consumer and Industrial Marketing
2. Explain derived demand
- 3 List and describe the role of individuals in Industrial Marketing
4. Discuss dual marketing

4.4 Summary

In this study unit, the topics covered included the following:

Same Basic Concepts and Tools

Derived Demand

Role of

Individuals

4.5 References/Further Reading/Web Resources

- Anderson, J.C. & Narus, J.A. (2004). *Business Market Management: Understanding, Creating, and Delivering Value*, 2nd Edition, Pearson Education, Inc.
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4.6 Possible Answers to Self-Assessment Exercise

1. The demand for industrial products is dependent on the demand for consumer products. Demand for consumer products drives the demand for industrial products.
2. The specific differences between consumer and Industrial Marketing are highlighted below:
 - a) The number and size of customers in consumer marketing are many and small respectively. For Industrial Marketing on the other hand, the marketer may be relating with one or at most less than 100 customers who each will be buying in large quantities and certainly not on daily basis.
 - b) In consumer marketing, customers are geographically dispersed while in Industrial Marketing, customers are often geographically concentrated.
 - c) The large number and geographical dispersion associated with customers in consumer marketing recommend the use of mass media and convenience/extensive distribution strategy as strategies for promoting and distributing consumer products. Conversely the fewness and geographical concentration of customers in Industrial Marketing recommend the use of personal selling and direct marketing/distributors in the promotion and distribution of industrial products respectively.
 - d) Given that individuals mostly buy for themselves/families in consumer marketing, they do not follow a rigidly formalized buying process unlike purchasing/procurement in government, institutions, manufacturing firms and reselling institutions.
 - e) While demand in consumer marketing largely varies directly with price on account of income and substitution effects, the situation in Industrial Marketing is significantly different-the derived demand nature of industrial products means that often, customers demand more as price increases in anticipation of further future increase in price.
 - f) Industrial products by their nature are mostly complex and consequently require technical knowledge to sell. Consumer products on the other hand are not so complex and are mostly standardized and mass produced.
 - g) Consumers buy mostly from company listed prices and through haggling. Industrial products are priced differently.

MODULE 2 INDUSTRIAL BUYERS, CUSTOMERS AND PRODUCTS

Unit 1	Industrial Buying Issues
Unit 2	Types of Industrial Customers
Unit 3:	Characteristics of Industrial Markets
Unit 4:	Industrial Products

UNIT 1: INDUSTRIAL BUYING ISSUES

Unit Structure

1.1 Introduction

1.2 Learning Outcomes

1.3 Industrial Buying Issues

1.3.1 Organizational Decision Making

1.3.2 Criteria Being Used in Buying Behavior

1.3.3 Buying Situations

1.4 Summary

1.5 References/further Reading/Web Resources

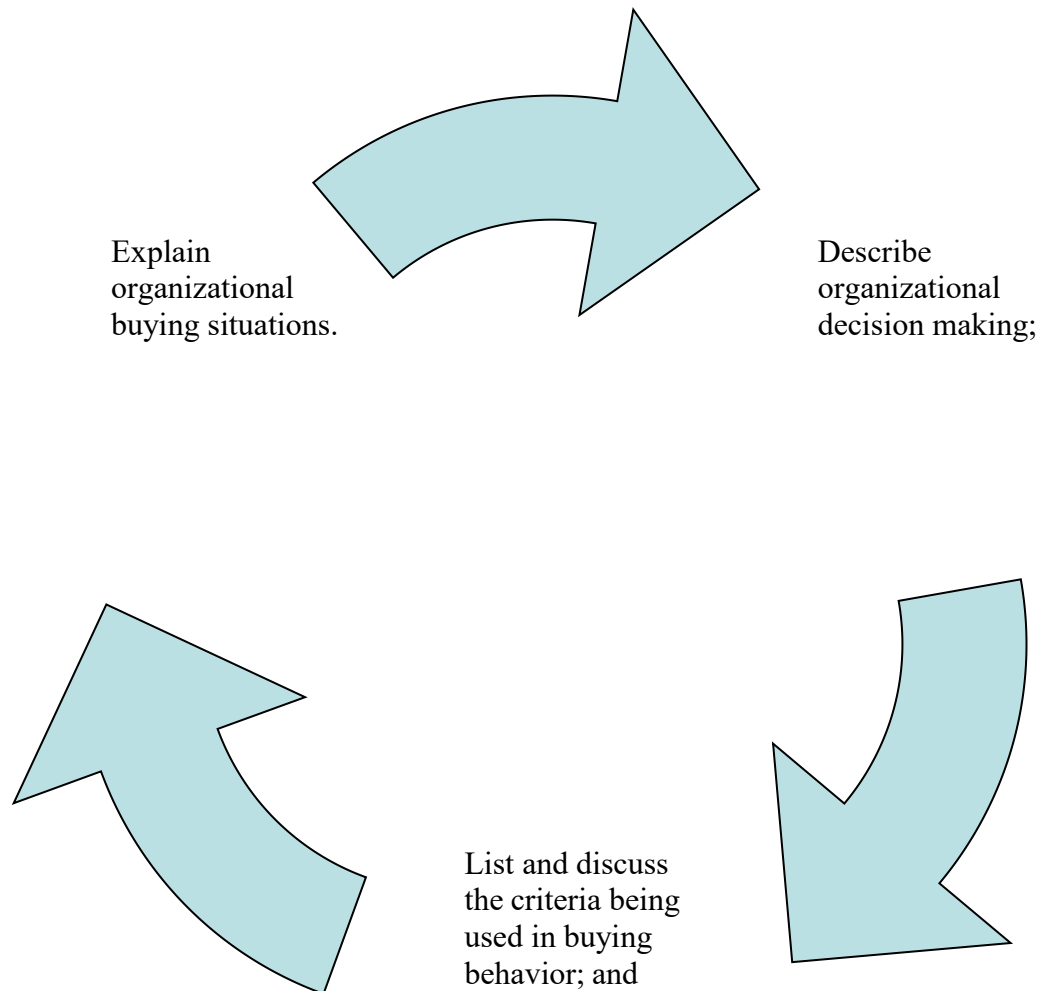
1.6 Possible Answers to Self-Assessment Exercise

1.1 Introduction

In Industrial Marketing, some issues are important in understanding industrial buying. These issues include: organizational decision making, criteria being used in buying decisions in organizations and the buying situations organizations majorly face. These important issues are addressed in this study unit.

1.2 Learning Outcomes

At the end of this unit, you should be able to:



1.3 Industrial Buying Issues

1.3.1 Organizational Decision Making

Industrial marketers need to be informed as to complex processes, individuals and organizational functions involved in making organizational buying decisions. In the sections that follow, we present the key individuals that are most likely to be involved in the buying decision, outline their roles and the influences they exert. We also present the organizational buying motives and the criteria mostly being used in organizational buying behavior.

I. Buying Centre composition: who is involved?

In many organizations the buying decision involves a number of individuals. All individuals involved in the buying decision of an organization will constitute the decision making unit. Membership of this unit is not permanent: it varies from time to time and mostly depends on the product being bought. In most cases however,

members will come from the user unit, procurement/purchasing officers, audit/accounts staff. Membership of this unit will often involve officers who are not employees of the buying organization- consultants can often be hired to assist organizations in making the decision to buy very complex industrial products.

II. Roles and influences: how are they involved?

Members of buying decision unit will play different roles and exert varying amounts of influence on the buying decision. Industrial marketers need to understand the role each member is playing and the extent of his influence on the ultimate decision to buy. This is important as it will enable them to know who to reach out to in the bid to secure the order.

In general terms, members of the buying decision unit play the following roles (Webster and Wind, 1972):

- **Initiator**

Will likely be the first to recognize the buying need, hence setting the buying process in motion? This person may come from the user unit in the organization or conceivably can come from any organizational unit.

- **Buyer**

Is largely responsible for selecting suppliers and agreeing on the procurement/purchase contract. The responsibilities of the buyer will include: evaluating bids, requesting proposals, conducting negotiations, drawing up the contract and placing the order. They are usually purchasing/ procurement officers.

- **User**

Usually from the unit of the organization that will use the product. The user is always involved in drawing up the specifications for the product to be bought.

- **Influencer**

May not be the decider or user of the product but plays active roles in providing specifications or evaluation criteria. Examples of influencers will include external experts/consultants, quality control engineers and product developers.

- **Decider**

This person makes the actual buying decision by approving the buying decision in terms of whether to buy, what to buy, how to buy and where to buy.

- **Gatekeeper**

This person controls the flow of information regarding products and vendors to members of the decision making unit. Purchasing officers mostly play this role.

It is important to note that one person can play many of the above roles while many people may also be required to play one role.

SELF-ASSESSMENT EXERCISE 1

List the members of organizational buying decision unit

III. Buying motives: how do they decide?

Buying motives are partly related to the buying task at hand and partly caused by each individual member of the decision making unit background and personality. This implies that the buying motives are not always rational. Hence emotional motives may influence the decision of an organization to buy a product for clearly rational economic purposes.

IV. Industrial Buying Journey

Before industrial buyers engage in the bidding process, they go through a long and distinct buying journey. A 2018 study conducted by Thomasnet.com and the research firm Strategy revealed that the industrial buying process involves 15 distinct steps:

- Establish the business need for acquiring a specific product or service.
- Define the requirements the product or service must meet.
- Determine what products or services to consider.
- Determine if a new product or service is necessary to address the business need.
- Determine if buying a new product or service is financially justifiable and affordable.
- Define the criteria to use to evaluate the products or services under consideration.
- Prioritize the criteria to use to evaluate the products or services under consideration.
- Evaluate alternative products or services against the prioritized criteria.
- Select the product or service to acquire.
- Define the criteria to use to evaluate the suppliers that offer the needed product or service.
- Prioritize the criteria used to evaluate suppliers offering the needed product

or service.

- Determine what suppliers to consider.
- Evaluate alternative suppliers against the prioritized criteria.
- Select the supplier from which to acquire the product or service.
- Initiate the product or service purchase.
- By aligning their marketing activities to the buying cycle, industrial manufacturers and suppliers can be more successful. This is very similar to the inbound process of inbound marketing.
- Nonetheless, not all Industrial Marketing transactions are anchored on a tendering process.

There are cases of Non-tender purchasing. Tender processes are time consuming and expensive, particularly when executed with the aim of ensuring probity. Government agencies are particularly likely to utilize elaborate competitive tendering processes due to the expectation that they should be seen at all times to be responsibly and accountably spending public money. Private companies are able to avoid the complexity of a fully transparent tender process but are still able to run the procurement process with some rigour.

1.3.2 Criteria Being Used in Buying Behavior

The decision making unit will while evaluating both technical and financial bids, agree on objective criteria that will be used in assessing all the bids and arriving at a decision on the most responsive bid. The general criteria mostly used in the evaluation process are:

- Quality
- Conformance to specifications
- After sales support
- Reliability
- Just in time delivery
- Price

1.3.3 Buying Situations

How simple or difficult the organizational buying process or buying decision making will be is wholly dependent on the buying situation faced. Some buying situations call for an elaborate buying decision making while others will not

demand such. Three broad buying situations are discernible. These are:

1) Straight re-buy

This is the commonest buying situation in organizations. The product has been bought before, the requirements are the same, and there is no need to evaluate alternative offerings. This involves standard products that are purchased frequently. In situations like this current and pre-approved vendors have a clear advantage. They are simply requested to supply the quantity required at the point in time.

2) Modified re-buy

In situations where there is dissatisfaction with current suppliers, or an alternative supplier presents an attractive offer, new suppliers have entered the market or product requirements have changed, the buying organization may consider it beneficial to re-evaluate alternatives. In situations like this, information on alternative suppliers maybe collected and used to compare extant supplier to determine the most attractive option open to the buying organization.

In modified re-buy, there is a justification to engage in extensive buying process to establish if the buying organization can make some gains. It behooves the extant supplier to prove that it remains the most profitable business partner to the buying organization otherwise a new supplier may supplant it.

3) New task

In new task situations, the most extensive buying process is involved. Here the product is new, has not been bought and used by the organization and suppliers are not known. The organization will have to go the whole hog in determining what is needed, articulating the specifications, calling for expression of interests, inviting technical and financial bids, pre-qualifying suppliers and evaluating the bids submitted and selecting the supplier and drawing the contract for the supply of the product and after use, evaluating the supplier for possible future transactions.

SELF-ASSESSMENT EXERCISE 2

List the 15 distinct steps of industrial buying process.

SELF-ASSESSMENT EXERCISES 3

- Describe organizational decision making
- List and discuss the criteria being used in buying behavior
 - Explain organizational buying situations.

1.4 Summary

In this study unit, the topics covered included the following:

Organizational Decision Making

- Buying centre composition: who is involved?
- Roles and influences: how are they involved?
- Initiator
- Buyer
- User
- Influencer
- Decider
- Gatekeeper

Buying motives: how do they decide?

- Purchasing
- Design and development
- Manufacturing
- Quality control
- Maintenance
- Sales/marketing
- Finance/accounting
- General management

Criteria Being Used in Buying Behavior

- Quality
- Conformance to specifications
- After sales support
- Reliability
- Just in time delivery
- Price Buying Situations

- Straight re-buy
 - Modified re-buy
 - New Task

1.5 References/Further Reading/Web Resources

- Anderson, J.C., and Narus, J.A. (2004). *Business Market Management: Understanding, Creating, and Delivering Value*, 2nd Edition, Pearson Education, Inc.
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1.6 Possible Answers to Self-Assessment Exercise

1. The members of organizational buying decision unit are:

- Initiator
- Buyer
- User
- Influencer
- Decider
- Gatekeeper

2. The industrial buying process involves 15 distinct steps. These are:

- Establish the business need for acquiring a specific product or service.
- Define the requirements the product or service must meet.
- Determine what products or services to consider.
- Determine if a new product or service is necessary to address the business need.
- Determine if buying a new product or service is financially justifiable and affordable.
- Define the criteria to use to evaluate the products or services under consideration.
- Prioritize the criteria to use to evaluate the products or services under consideration.
- Evaluate alternative products or services against the prioritized criteria.
- Select the product or service to acquire.
- Define the criteria to use to evaluate the suppliers that offer the needed product or service.
- Prioritize the criteria used to evaluate suppliers offering the needed product or service.
- Determine what suppliers to consider.
- Evaluate alternative suppliers against the prioritized criteria.
- Select the supplier from which to acquire the product or service.
- Initiate the product or service purchase.

UNIT 2: TYPE OF INDUSTRIAL CUSTOMERS

Unit Structure

2.1 Introduction

2.2 Learning Outcomes

2.3 Type of Industrial Customers

2.3.1 Commercial Enterprises

2.3.2 Government Agencies

2.3.3 Institutions

2.4 Summary

2.5 References/Further Reading/Webs Resources

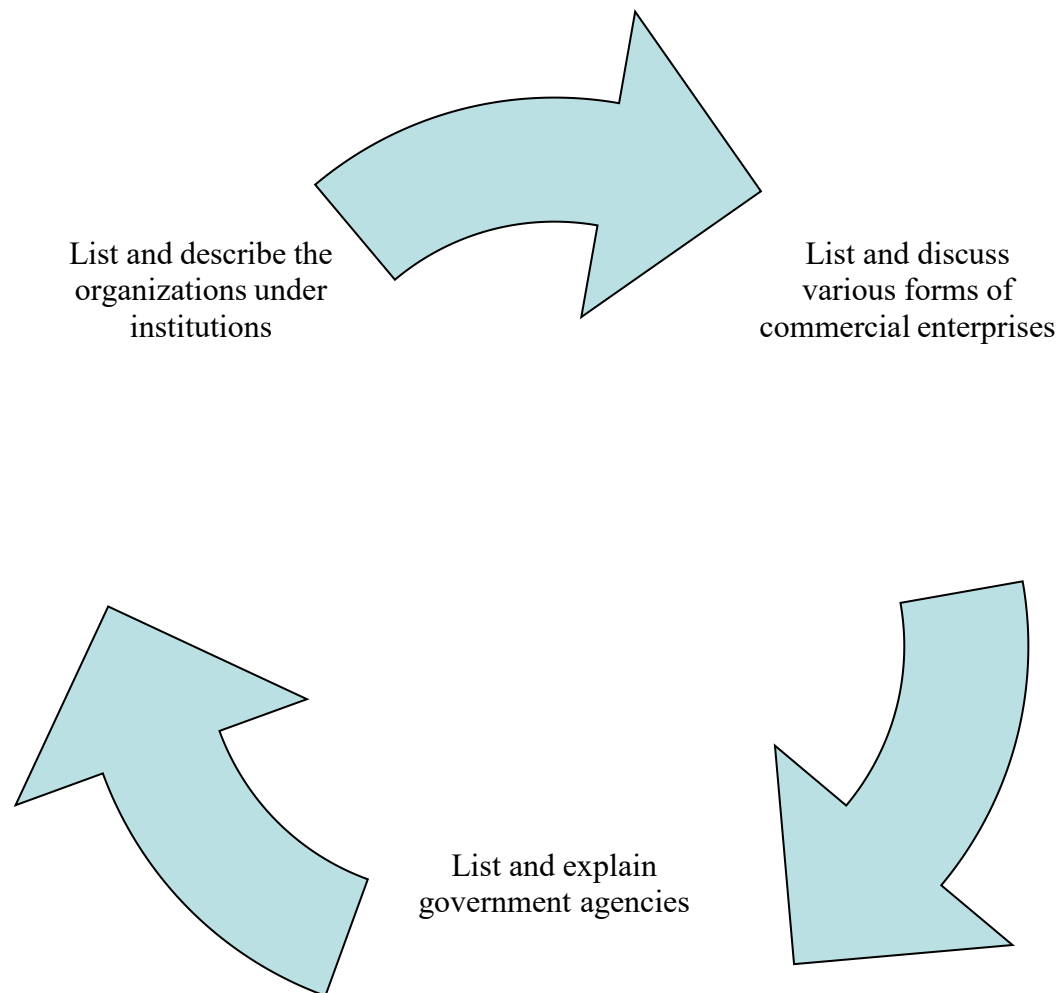
2.6 Possible Answers to self-Assessment exercise

2.1 Introduction

Customers are central to marketing management. It becomes important therefore to have a deep knowledge of customers as a basis for satisfying them. To satisfy customers we also need to know who they are, why they buy, how they buy and where they buy from. This unit is focused on discussing the various types of industrial customers.

2.2 Intended Learning Outcomes

At the end of this unit, you should be able to:



2.3 Types of Industrial Customers

2.3.1 Commercial Enterprises

Industrial customers are broadly categorized into three groups. These are commercial enterprises, government and institutions. The groups are presented hereunder starting with commercial enterprises.

There are three types of commercial enterprises, namely users, original equipment manufacturers and resellers.

Users

These are businesses that purchase products to be used in producing the products they will sell either to individuals, government, resellers and institutions. Users buy products to support their manufacturing processes. A company like May & Baker Plc. will purchase computers, photocopying machines and office supplies to facilitate the manufacture of drugs for its various customers.

Original Equipment Manufacturers (OEM)

These enterprises will buy industrial products that will be incorporated into their outputs which will be sold to consumers/households and/or industrial customers. May and Baker plc will have to buy bottles, packaging materials which will become part of the drugs to be produced and sold to customers.

Resellers

Resellers purchase industrial products from manufacturers and sell them to industrial customers. Resellers will not necessarily change the physical product but will add value by offering technical/support services (installation, maintenance, training and repairs).

2.3.2 Government Agencies

Government in Nigeria remains the biggest buyer. All the capital votes of governments at the three tiers of government in Nigeria are spent in procuring industrial products. The three tiers of government are federal, state and local. Government operates through institutions generally classified as Ministries, Departments and Agencies (MDAs). The buying behavior of government is captured within the framework of the procurement law. It is expected that all government procurements follow the laid out principles and processes as contained in the extant law or follow due process. Due process aims at ensuring that government gets value for its capital outlay by insisting on buying at the least most responsive price at all times. The principles captured in the due process are competitiveness, openness, transparency and accountability in government buying.

Ministries

The major civil service functions of government are executed at the level of ministries. The core ministries will include ministry of education, health, agriculture, justice, housing, works and housing, transportation, commerce, trade and industry etc. Ministries are majorly headed by Ministers at the federal level, Commissioners at the state level etc.

Departments

These will include departments like immigration, custom and excise, prisons etc. these are functional and often constitutional bodies that carry out government business as per their defined role in the society.

Agencies

Governments agencies are institutions set up for special duties or to assist government in advancing the good of the society. Most public enterprises will fit into this category. Examples will include intervention agencies like Nigeria Ports Authority (NPA), Federal Airport Authority of Nigeria (FAAN), Centre for Management Development (CMD) and Industrial Training Fund (ITF).

SELF-ASSESSMENT EXERCISE 1

Identify the three types of commercial enterprises.

2.3.3 Institutions

We note that institutions can be public or private. The organizations that will come under institutions will include the following:

Hospitals

Nursing Homes

Schools Universities

Political Parties

Labour Unions

Churches

Red Cross

Donor Agencies/Development Partners

Museums

SELF-ASSESSMENT EXERCISE 2

What are the three groups into which industrial customers are broadly categorized?

SELF-ASSESSMENT EXERCISES 3

- I. List and discuss various forms of commercial enterprises
- II. List and explain government agencies
- III. List and describe the organizations under institutions.

2.4 Summary

In this study unit, the topics covered included the following:

Commercial Enterprises

- Users
- Original equipment manufacturers (OEM)
- Resellers

Government Agencies

- Ministries

- Departments
- Agencies

Institutions

- Hospitals
- Nursing homes
- Schools
- Universities
- Political parties
- Labour unions
- Churches
- Red Cross donor agencies/development partners

Museums

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2.6 Possible Answers to Self-Assessment Exercise

1. There are three types of commercial enterprises, namely users, original equipment manufacturers and resellers.
2. Industrial customers are broadly categorized into three groups. These are commercial enterprises, government and institutions.

UNIT 3: CHARACTERISTICS OF INDUSTRIAL MARKETS

CONTENTS

3.1 Introduction

3.2 Intended Learning Outcomes

3.3 Characteristics of Industrial Markets

3.3.1 Derived Demand

3.3.2 Joint Demand

3.3.3 Few Geographically Concentrated Customers

3.3.4 Complex Organizational Buying Behaviour

3.4 Summary

3.5 References/Further Reading/web resources

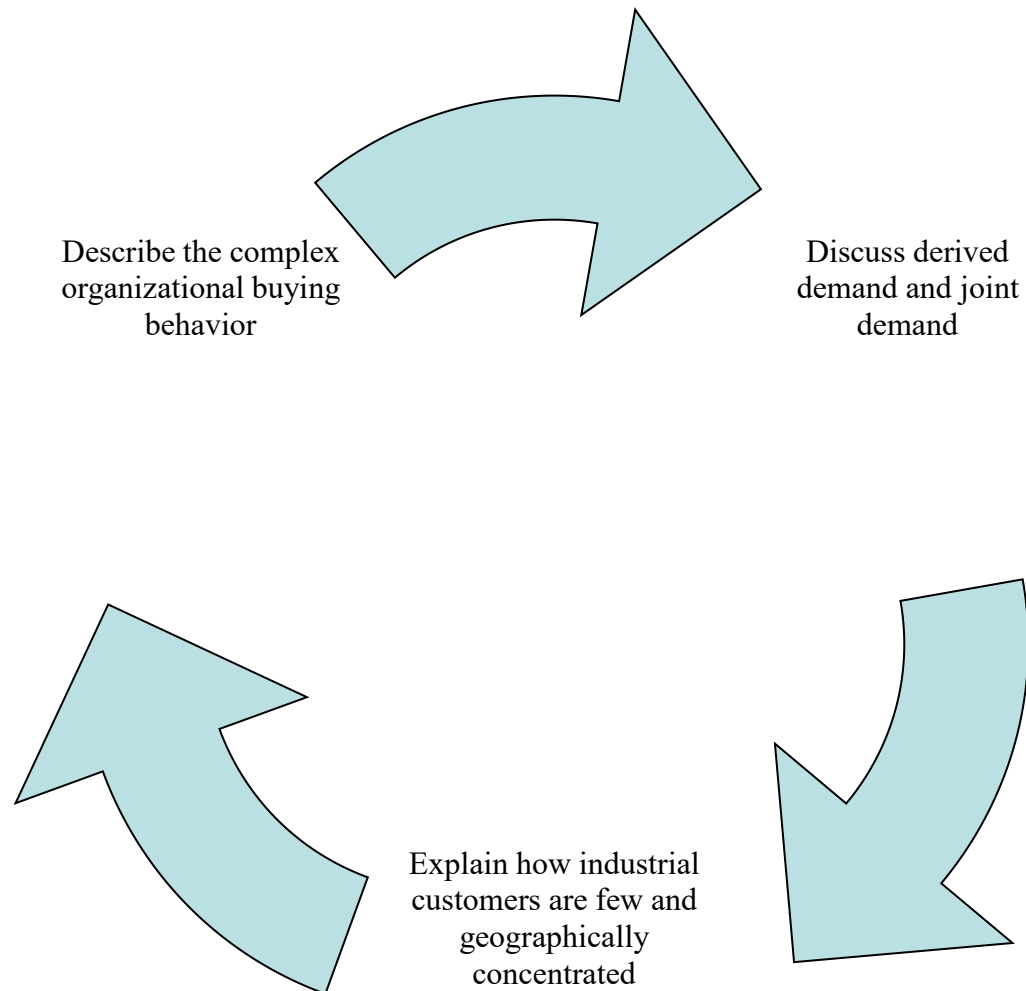
3.6 Possible Answers to Self-Assessment Exercise

3.1 Introduction

In Industrial Marketing, industrial products are sold to industrial customers. To successfully operate in industrial markets, the marketers need to understand the characteristics of the market. This study unit sets out to identify and explain the characteristics of industrial markets to enable the operators in the system to better function. The topics to be covered in this unit include derived demand, joint demand, few geographically concentrated customers and the complex organizational buying behavior, characteristics that define industrial markets.

3.2 Intended Learning Outcomes

At the end of this unit, you should be able to:



3.3 CHARACTERISTICS OF INDUSTRIAL MARKETS

3.3.1 Derived Demand

This is the major feature characterizing industrial markets. It states that the nature of demand for industrial products is derived from the demand for the products they help to produce. This means that the demand for industrial products is linked to and dependent on the demand for the products they are used in producing. The demand for materials that May and Baker Plc will use in producing its drugs is dependent on the demand for the drugs of the company by individuals, households, government, hospitals and other customers. The more the drugs of May and Baker Plc are demanded, the more the company will need to buy more raw materials, bottles and other packaging materials needed, and vice versa.

The implication of derived demand for industrial products is that industrial marketers are concerned not just with pushing their own products but also making

effort to see that the products produced using their outputs achieve increased and sustained patronage. They need to develop strategic relationship with their customers that will conduce to support and technical services that will boost market acceptance and sustained patronage of their outputs.

3.3.2 Joint Demand

The demand for industrial products almost always depends on the demand for other industrial products. To produce drugs, May and Baker Plc will demand raw materials as well as bottles, labels and packaging materials. These demands will always go hand in hand. The two or three industrial products needed to produce drugs by the company will be demanded jointly. If one is unavailable, the drug cannot be produced and effectively will kill the demand for the other two that may be available. The implication is that industrial marketers need to produce all the jointly needed products were possible or make efforts to see that the one they are unable to produce directly is available and accessible.

3.3.3 Few and Geographically Concentrated Customers

An important characteristic of industrial markets is the existence of few customers, who are mostly concentrated in a geographical location. In many towns and cities, there are defined locations-industrial estates, like Agbara and Otta in Ogun State, where most manufacturers within Lagos business area are found. For government agencies like ministries, they are mostly located within state and federal secretariats. Given the geographical concentration of the customers, industrial marketers are guided in their distribution and promotion strategies. Being few in number and concentrated in known areas recommend direct marketing and use of salesmen in the distribution and promotion of the industrial products.

SELF-ASSESSMENT EXERCISE 1 What is joint demand?

3.3.4 Complex Organizational Buying Behavior

Most industrial customers involve defined processes, systems, functions and individuals in making their buying decisions. The varying individuals involved in the buying decisions play different roles and exert degrees of influence in the many decision types and levels of organizational buying behavior. In the extreme case of government in Nigeria, there is a specific law governing procurement. There are also other laws exerting influence in government buying like Independent Corrupt Practices Commission (ICPC) law that has outlawed variation. Industrial marketers/salesmen need to be familiar with the buying behavior of each organization they sell to. In the case of government, they must be familiar with the Procurement Act. It is only when you know how an organization buys that you can expect to be successful in selling to it. You can also only influence the buying decision in any organization if you know the key individuals involved in the buying process.

SELF-ASSESSMENT EXERCISE 2 What is derived demand?

SELF-ASSESSMENT EXERCISES

1. Explain joint demand
2. Explain how industrial customers are few and geographically concentrated
3. Describe the complex organizational buying behavior.

3.4 Summary

This study unit covered the

following topics:Derived

Demand

Joint Demand

Few and Geographically Concentrated

Customers

Complex Organizational Buying Behaviour

3.5 References/Further Reading/Web Resources

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3.6 Possible Answers to Self-Assessment Exercise

1. The demand for industrial products almost always depends on the demand for other industrial products. To produce drugs, May and Baker Plc will demand raw materials as well as bottles, labels and packaging materials. These demands will always go hand in hand.
2. Derived demand states that the nature of demand for industrial products is derived from the demand for the products they help to produce. This means that the demand for industrial products is linked to and dependent on the demand for the products they are used in producing.

UNIT 4: INDUSTRIAL PRODUCTS

CONTENTS

4.1 Introduction

4.2 Industrial Learning Outcomes

4.3 Industrial Products

4.3.1 Raw and Processed Materials

4.3.2 Component Parts

4.3.3 MRO Supplies

4.4 Summary

4.5 References/Further Reading/Web Resources

4.6 Possible Answers to Self-Assessment Exercises

4.1 Introduction

The many types of industrial customers demand varying types of industrial products. The products are generally categorized into broad types. Each category has its own characteristics and implied marketing implications. In this study unit, the various broad categories of industrial products are presented.

4.2 INTENDED LEARNING OUTCOMES

At the end of this unit, you should be able to:

1. Describe Raw and Processed Materials;
2. Discuss Component Parts;
3. Explain MRO Supplies;
4. List and explain Capital Goods;
5. List and explain Tools and Accessories;
6. Discuss Services; and
7. Explain Systems.

4.3 Industrial Products

4.3.1 Raw and Processed Materials

The categories of industrial products, their buying approaches and marketing implications are presented below starting with raw and processed materials.

These are materials that are used in manufacturing. These are products destined to

become part of another product, subject to further processing. Raw materials are not altered by the vendor while processed materials have undergone some conversion. The buying decision unit for these materials focuses on securing a dependable source of supply. The marketing implications for this category of industrial product are that large- volume and customized items are sold directly while lower-volume and standardized items are sold through channel partners.

4.3.2 Component Parts

These are fabricated products that are bought by customers and become part of their end product (tyres and batteries become part of a car). People in engineering are the primary decision makers in selecting vendors, because the parts have to conform to performance specifications. The marketing implications are that components are marketed like materials: either sold directly or through channels partners, depending on the nature of the component and the quantity bought.

4.3.3 MRO Supplies

These are supplies for maintenance, repair and day to day operations (lubricants, office supplies and spare parts). Materials used in producing goods & services. (Are similar to convenience goods in that they are consumable). For the standardized, low-importance items (office supplies), purchasing is the key decision maker and price the primary buying motive. For more specialized items, users are most important, focusing on quality and supportservices provided. MRO are typically sold through channel partners and increasingly through the internet, but very large volumes can be sold directly.

SELF-ASSESSMENT EXERCISE 1 What are component parts?

I. Capital Goods

Major equipment with long lives such as buildings and major equipment. These are facilities and fixed equipment used by customers in their manufacturing process or generally to run their business. Top management is the primary decision maker for this category of products because of the high expenditure required. Users of the product will emphasize the performance level of the equipment. The products are essentially sold direct because of the large capital outlay. Extended decision making is also involved in the purchase of this category of products.

II. Tools and Accessories

These will include light equipment and tools that are less expensive than capital goods and are typically bought in large quantities. Such equipment is used to aid and implement production and includes office machines as well as machine tools. Purchasing and

users are the key decision makers focusing on price, quality and support services. The standardized and ones bought in small quantities are sold through channel partners while major customers are sold to directly.

III. Services

These are activities performed by third parties (catering, consultancy, security and transportation). The intended users of the services are the primary decision makers and they consider the service providers capability to provide the service in the decision. Services being intangible, the provider must communicate the benefits. Premium prices can be charged because the benefit will depend on the provider.

IV. Systems

These are services combined with products to offer a solution to customers (computer system). The intended users of the system will emphasize the required performance of the system. Systems are sold through extended marketing and negotiation processes. The sellers will be required to focus on integration, offer a broad range of services and use flexible pricing schemes.

SELF-ASSESSMENT EXERCISE 2 What are industrial services?

SELF-ASSESSMENT EXERCISES

- 1) Describe Raw and Processed Materials
- 2) Discuss Component Parts
- 3) Explain MRO Supplies
- 4) List and explain Capital Goods
- 5) List and explain Tools and Accessories
- 6) Discuss Services

4.4 Summary

This study unit covered the following

topics: Derived Demand

Joint Demand

Few and Geographically Concentrated

Customers

Complex Organizational Buying Behaviour

4.5 References/Further Reading/Web Resources

- Anderson, J.C., and Narus, J.A. (2004). *Business Market Management: Understanding, Creating, and Delivering Value*, 2nd Edition, Pearson Education, Inc.
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4.6 Possible Answers to Self-Assessment Exercise

1. Component parts are fabricated products that are bought by customers and become part of their end product (tyres and batteries become part of a car).
2. Industrial services are activities performed by third parties (catering, consultancy, security and transportation).

MODULE 3 MANAGING INDUSTRIAL PRODUCTS AND SALES FORCE

Unit 1	Managing Industrial Products and Services
Unit 2	Sales Force Management in Industrial Marketing
Unit 3	Customers and Sales Territories
Unit 4	Sales Territories Planning, Design and Redistricting

UNIT 1: MANAGING INDUSTRIAL PRODUCTS AND SERVICES

CONTENTS

1.1 Introduction

1.2 Intended Learning Outcomes

1.3 Managing Industrial Products and Services

1.3.1 Three Types of Product

1.3.2 Steps in Improving Product Service

1.3.3 Characteristics of Services

1.3.4 Marketing of Services

1.4 Summary

1.5 References/Further Readings/Web Resources

1.6 Possible Answers to Self-Assessment Exercise

1.1 Introduction

Managing industrial products and services relates to understanding the three types of products there are, the steps in improving product service, characteristics of services marketing of services. This study unit will address all these important issues and position industrial marketers to better manage industrial products.

1.2 Intended Learning Outcomes

At the end of this unit, you should be able to:

1. Discuss industrial products and product service;
2. List and explain the three types of product;
3. List and discuss the steps in improving product service;
4. Discuss the characteristics of services; and
5. Discuss the marketing of services.

1.3 Managing Industrial Products and Services

1.3.1 Products and Product Service

Industrial marketers deal on three types of product. These are catalogue products, modular products and custom-built products.

1. **Catalogue products**-these are products which are

manufactured and inventoried in anticipation of future orders. They are standardized products and are produced in large quantities according to predetermined specifications. Determining optimum inventory levels, reorder points, buffer stocks etc. are essential in managing these products. Examples will include machine tools, pipes, valves etc.

2. **Modular products**-these are offered as basic products, together with a range of accessories and options. Modular products are used by vendors of computer systems and machine tools. Modular products allow for decisions like determining the characteristics of the basic product and designing the proper mix of options and accessories.
3. **Custom-built products**-these are products created to meet the needs of one or a few customers. Examples will include power plants, dams etc. These are special products built for a special purpose/application.

The different types of products require different marketing approaches.

1.3.2 Steps in Improving Product Service

Industrial marketers use a broad range of services like advice, installation, maintenance, repair, upgrades, and refurbishments of equipment and training of operators to support their products. These services can be classified into pre-sales services, (advice on product configuration, product demonstration, etc.), transaction-related services (delivery, order fulfillment, product installation, response to questions etc.) and after-sales services (replacement parts, problem solving, maintenance, repair, product returns, product upgrades, product dismantling and disposal).

In the next paragraphs, the steps in improving product service are discussed.

- 1) **Identify the products to cover**-the starting point is to determine and list the products to be supported. Customers should be fully briefed as to the products to be supported and the extent of the support that is available.
- 2) **Select the services to offer**- for each product to be supported, the services to be used in supporting it should be specified and communicated. Vendors may request for all the range of services or specific ones. This entails flexibility on the part of the industrial marketer.
- 3) **Design the service pricing structure**- the pricing structure as much as possible should reflect the quantity of service desired and used. Customers should pay on a per use basis.
- 4) **Design the product service organization**- there should be an organization

structure for providing product services. Some organizations may opt to use one salesperson for both product and service or have a salesperson for the product and another one for product services.

- 5) **Manage the product services supply chain**-there should be a coordinated way of managing products and services. The locations of the products and services should be coordinated to ensure timely delivery of both product and needed services.

SELF-ASSESSMENT EXERCISE 1 List the three types of product that industrial marketers deal on.

1.3.4 Characteristics of Services

Services are characterized by features that distinguish them from products with their attendant marketing implications. These characteristics include the following:

1. **Intangibility**-in marketing, tangibility is often used as a basis for classification of products. Using this criterion at one end of the continuum we have mostly tangible (goods) and at the other end mostly intangible (services). In between the extreme points we have varying combinations of goods and services.

Intangibility which classically distinguishes goods from services means that service cannot be touched-they are invisible. They therefore offer no protection by patents cannot be inventoried and makes pricing difficult to determine. Marketing of services therefore emphasizes intangible elements, seeks to translate characteristics into customer benefits, depend on word-of-mouth promotion and use of reference projects.

2. **Simultaneous production and consumption**-in service marketing there is no time and geographical gaps between production and consumption. The two occur at the same time and place. The challenges of this characteristic are that customers are involved in production of the service and mass production is impossible. The success of marketing of services bearing these challenges in mind will require thoughtful selection of employees, training of the providers and use of mentors.
3. **Heterogeneity**-the above characteristics of services imply that service quality and performance will depend on the employee providing the service and there maybe service variation. Efforts should be made to achieve standardization of the service. While standardization is difficult, quality control is problematic. The marketing implication and approach should hinge on standardization of service process, development of systems that minimize human mistakes, automating of service delivery where possible and delivery of customized services.

4. **Perishability**-this implies that inventories cannot be kept and unused capacity is lost forever. The marketing implication and approach will demand high quality demand forecasting capacity planning based on demand, use of price and communication to synchronize demand and overlapping of shifts for personnel.

SELF-ASSESSMENT EXERCISE 2 List the three parties involved in marketing of services and the three types of marketing arising therefrom.

1.3.5 Marketing of Services

It involves three parties, namely, organization, employees and customers. This gives rise to three types of marketing.

- 1) **External marketing:** making promises-communicating to customers the nature of the service and the performance level they can expect. In addition, tangible elements can be used to offer clues about the service provider, such as offices, parking lot, landscaping, signage, personnel, letterheads, websites etc. the visible clues will contribute to customers perception of the service provider. Also service level agreements which specify the agreed service level in a contract can be used.
- 2) **Interactive marketing:** keeping promises-having created customer expectations through promises made, the next challenge is keeping the promises. It is not enough to keep promises; marketing literature is suggesting that vendors should exceed their promises by delighting customers. A golden rule remains never to over promise and to always keep all promises made.
- 3) **Internal marketing:** enabling promises-to keep promises and delight customers, industrial marketers should empower and enable their service providers-to be achieved through training, information systems, procedures, blueprints and incentives. An important enabling factor is an effective interface between front office and back office staff.

SELF-ASSESSMENT EXERCISE 3 Identify the characteristics of Industrial Services

SELF-ASSESSMENT EXERCISES

- I. Discuss industrial Products and Product Service;
- II. List and explain the three types of product;
- III. List and discuss the Steps in Improving Product Service; and
- IV. Discuss the Characteristics of Services; and

V. Discuss the Marketing of Services.

1.4 Summary

In this study unit, the following topics were

covered: Products and Product Service

Three types of product

- Catalogue products
- Modular products
- Custom-built products

Steps in Improving Product Service

- ✓ Identify the products to cover
- ✓ Select the services to offer
- ✓ Design the service pricing structure
- ✓ Design the product service organization
- ✓ Manage the product services supply chain

Characteristics of Services

1. Intangibility
2. Simultaneous production and consumption
3. Heterogeneity
4. Perishability
5. Customization
6. Performance at customer site

Marketing of Services

- 1) External marketing: making promises
- 2) Interactive marketing: keeping promises
- 3) Internal marketing: enabling promises

1.5 References/Further Reading/Web Resources

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1.6 Possible Answers to Self-Assessment Exercise

1. Industrial marketers deal on three types of product. These are catalogue products, modular products and custom-built products.
2. The marketing of services involves three parties, namely, organization, employees and customers.
3. Services are characterized by features that distinguish them from products with their attendant market implications. These characteristics include the

following:

- a. Intangibility
- b. Simultaneous production and consumption
- c. Heterogeneity
- d. Perishability

UNIT 2: SALES FORCE MANAGEMENT IN INDUSTRIAL MARKETING

CONTENTS

2.1 Introduction

2.2 Intended Learning Outcomes

2.3 Sales Force Management in Industrial Marketing

2.3.1 Personal Selling

2.3.2 Sales Tasks

2.3.3 Sales Approaches

2.3.4 Ethical Dilemmas

2.3.5 Sales Management

2.4 Summary

2.5 References/Further Readings/web Resources

2.6 Possible Answers to Self-Assessment Exercise

2.1 Introduction

Sales force management has a critical function in industrial selling, where it assumes a greater role than other parts of the marketing mix. Typical industrial organizations depend on the ability of their sales people to build relationships with customers. During periods of high demand (economic boom), sales forces often become mere order takers and struggle to respond to customer requests for quotations and information. However, when economic downturn hits it becomes critical to direct the sales force outward to sell.

The management of sales force is critical in the achievement of the sales objectives of a marketing organization. Sales objectives often described in terms of revenue and profit or number of customers is the single most important basis for the achievement of corporate objectives.

In sales force management, the important issues which this study unit will be discussing are personal selling, sales tasks, approaches, the ethical dilemmas associated with the function, management of the sales function and the seven types of salespeople.

2.2 Intended Learning Outcomes

At the end of this unit, you should be able to:

1. Explain personal selling and relate it to Industrial Marketing;
2. List and discuss the sales tasks of industrial salesmen;
3. Discuss the various sales approaches;
4. Describe the ethical dilemmas industrial salesmen face; and
5. Discuss sales management.

2.3 Sales Force Management in Industrial Marketing

2.3.1 Personal Selling

Promotion or marketing communication is about outward flow of information from producers to customers/consumers. It is aimed at educating, informing, persuading and reminding customers to accept the value that has been created and offered. These objectives of educating, informing, persuading and reminding can be achieved collectively and individually using any of the four tools of promotion, namely, advertising, personal selling, sales promotion and publicity and public relations.

We see therefore that personal selling is a tool of promotion and particularly in Industrial Marketing where customers are few in number and geographically concentrated, it is the recommended tool for promoting the sales of industrial products. Its advantages include the personal touch and opportunity the sales person has to personalize his presentation and attune it to the peculiar needs and circumstances of customers. The industrial salesperson represents his organization and relates with prospects/customers, converts prospects to customers and manages the relationship with customers so that they are satisfied and maintained. The key functions of industrial salesmen are selling function and information gathering function.

2.3.1 Sales Tasks

The sales tasks especially for Industrial Marketing are multifaceted and include the following:

1. Provide information and sell

This involves passing relevant purchasing information about the product and the organization to customers. Such information will include benefits, characteristics, features, terms of sale, after sales service, usage, warranty etc. and the technical support that can be given. Information on areas of superior offering in comparison with competitors will also be given. The essence of the information is to secure an order from the customer and sustain his patronage.

2. Manage Relationships

Sustaining relationship with customers has emerged as an important marketing cum sales task. Developing and maintaining relationships with customers is a necessary and sufficient condition for keeping a long term buying relationship. This will guarantee that the supplier is contacted anytime the customer wants to buy whether a new or an old product. Ultimately customers should become ambassadors/apostles of their suppliers, helping to win new customers to them.

3. Collect and Disseminate Market Information

Information gathering function is a very important function of industrial salesmen. While selling function deals with current sales, information gathering function lays the foundation for future sales. Being the eyes and ears of organizations, salesmen are expected to report to management all that they hear and see in the market place concerning their customers, competitors and circumstances of the market. Such specific information will include the following:

- Customer complaints
- Suggestions for product improvements
- Development of new product by competitors
- Socio-economic circumstances

SELF-ASSESSMENT EXERCISE 1 What is promotion or marketing communication?

2.3.2 Sales Approaches

The interaction between salesmen and prospects/customers can take many approaches depending on the training and orientation of the salesman. The most effective approach is the one that is most apposite to the selling situation, requirements of the prospect and results in the achievement of the call objective.

A variety of sales approaches such as script- based selling, adaptive selling, consultative selling and strategic partner selling can be used by salesmen.

i. Script-Based Selling

This is a standardized presentation template that guides the interaction between salesmen and the prospects/customers they relate with. It will instruct salesmen on what to say and how to say it starting from opening statement to trial closing and closing statement. It highlights the strong selling point of the product, the benefits and characteristics and indicates the sales aids to facilitate sales presentation. It is recommended when all customers and prospects have similar needs and the product is relatively simple.

ii. Adaptive Selling

When customers/prospects have varying needs and the product is not a standard and simple one, an alternative selling approach known as adaptive selling is most apposite. Using this approach the salesman considers the selling situation, type of product and customer/prospects needs in selecting the appropriate sales presentation approach. This approach will give the necessary flexibility critical in adjusting the sales presentation to the needs of the occasion.

iii. Consultative Selling

In consultative selling, salesmen initiate contact with customers/prospects and learn about their special needs before deciding on the appropriate presentation approach to adopt during sales calls. This approach is particularly recommended when the product is complex and expensive and is being used by the customer for the first time.

iv. Strategic Partner Selling

When an industrial salesman wants to develop customized solutions and mutually beneficial relationship with the customer/prospect, the strategic partner selling approach is recommended. This is characterized by the use of cross-functional teams, adaptations by partners, significant commitment and open communication (Biemans,2010).

SELF-ASSESSMENT EXERCISE 2 Identify and list the sales tasks for industrial marketing

2.4.1 Ethical Dilemmas

Salesmen face ethical dilemmas in the course of their duty and as they deal with customers/prospects, buying organizations and competitors. Even in their relationships with their organizations, ethical issues emerge.

A. Relationship with Customers

If making available truthful purchasing information to the customer will make him unwilling to buy, what should the salesman do? Is withholding of potentially damaging relevant information from the customer ethical? Should customers/prospects be given gifts to induce them to favor the proposition of salesmen? Giving of business lunch can also pose ethical issues.

B. Relationship with Vendor Organization

Salesmen face ethical issues in claims about expenses, hours worked, activities performed etc. Taking up employment offers from competing firms and handling of confidential information can pose serious ethical challenges.

C. Relationship with Competitors

Should salesmen when compelled to make comparison statements about competitors' products be fully factual? Should salesmen be negative about competitors' products? Should inaccurate claims that put the weaknesses of the competitors' products in badlight be encouraged?

Professional salesmen will as much as possible avoid talking about competitors and their products and when compelled to talk about them be accurate and objective. To assist salesmen to manage ethical dilemmas, organizations should produce a code of ethics that spells out what is ethical and acceptable and the unethical conducts that will not be accepted.

SELF-ASSESSMENT EXERCISE 3 List the four essential approaches to personal selling
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2.5.1 Sales Management

For effective sales management, the following issues should be addressed:

a) Sales organization

This will articulate reporting relationships, communication channels and products and sales areas a salesman should cover in the normal course of his duty.

b) Hiring

Having the right salesmen in positions is important in effectively managing salesmen. The right hiring policy is needed in getting the right people on the job. Right hiring will yield right salespeople.

c) Training

Salesmen need to have the right knowledge, skills and attitude to be successful in selling. Training is crucial in developing the right knowledge level, skills and attitude needed to be successful salesmen.

d) Motivation and Rewards

Salesmen are at their best when there is adequate reward for their efforts and they are sufficiently motivated to sustain high performance level. Motivation is particularly important in selling because of its many peculiarities-long working hours, commission-based pay, working out of office etc.

e) Evaluation and Control

It is important that the performance of salesmen be monitored, evaluated and effectively controlled. Two things normally measured in sales performance are results rather than sales activities. The results can be units sold, new customers

obtained, contribution to profit, revenue realized etc. number of calls made, kilometers covered, number of sales presentations are a few of the measures of sales activities.

SELF-ASSESSMENT EXERCISES

- 1 Explain personal selling and relate it to Industrial Marketing
- 2 List and discuss the sales tasks of industrial salesmen
- 3 Discuss the various sales approaches
- 4 Describe the ethical dilemmas industrial salesmen face
- 5 Discuss sales management
- 6 Describe the seven types of salespeople.

2.4 Summary

In this study unit, the topics covered included the

following: Personal Selling

Sales Tasks

Provide Information and Sell/Manage Relationships

Collect and Disseminate Market Information

Coordinate the Sales Team

Sales Approaches

Script-Based Selling Adaptive Selling Consultative Selling Strategic Partner Selling

Ethical Dilemmas

Relationship with Customers Relationship

with Vendor Organization Relationship with

Competitors

Sales Management

Sales Organization Hiring

Training

Motivation and Rewards

Evaluation and Control

2.5 References/Further Reading/Web Resources

- Anderson, J.C., and Narus, J.A. (2004). *Business Market Management: Understanding, Creating, and Delivering Value*, 2nd Edition, Pearson Education, Inc.
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2.6 Possible Answers to Self-Assessment Exercise

1. Promotion or marketing communication is about outward flow of information

from producers to customers/consumers. It is aimed at educating, informing, persuading and reminding customers to accept the value that has been created and offered.

2. The sales tasks especially for Industrial Marketing are multifaceted and include the following:

- a. Provide information and sell
- b. Manage Relationships
- c. Collect and Disseminate Market Information

3. A variety of sales approaches such as script- based selling, adaptive selling, consultative selling and strategic partner selling can be used by salesmen.

UNIT 3 CUSTOMERS AND SALES TERRITORIES

CONTENTS

3.1 Introduction

3.2 Intended Learning Outcomes

3.3 Customers and Sales Territories

3.3.1 Meaning and Significance of Sales Territory

3.3.2 Characteristics of Sales Territories

3.3.3 Objectives of Sales Territories

3.4 Summary

3.5 Reference/further Readings/web Resources

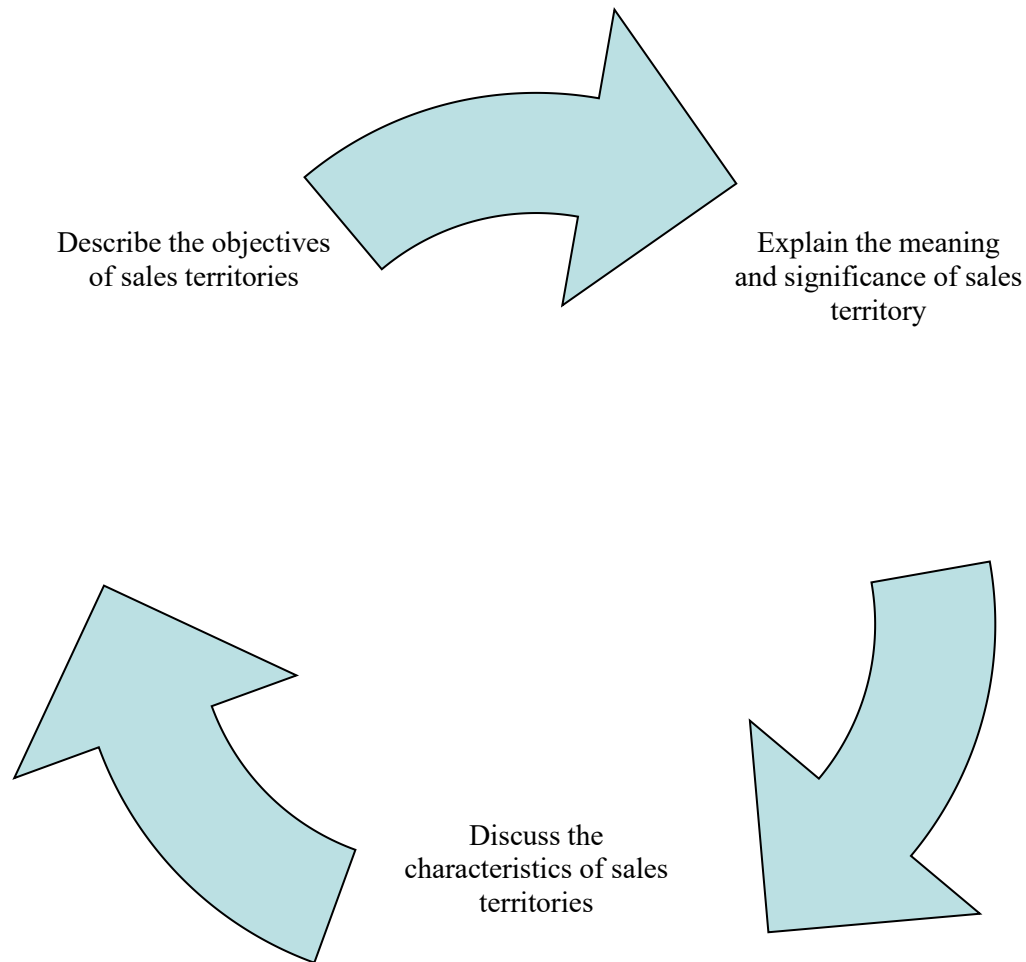
3.6 Possible Answers to Self-Assessment Exercise

3.1 Introduction

A sales territory is defined as a group of present and potential customers assigned to an individual salesperson, a group of salesperson, a branch, a dealer, a distributor, or a marketing organization at a given period of time. Territories are defined on the basis of geographical boundaries in many organizations. Though the geographic market may have a heterogeneous mix of both existing and potential customers, a decision on the basis of geographic coverage has distinctive advantages.

3.2 Intended Learning Outcomes

After studying this unit, you will be able to:



3.3 Customers and Sales Territories

3.3.1 Meaning and Significance of Sales Territory

The idea behind the creation of sales territories is to match the sales opportunities with the selling effort. A salesman is given a group of similar customers and prospects for servicing. This assignment by itself facilitates the planning and control of the sales operations. Each territory has its own strong and weak points and management can use these strategically. Sales planning is with respect to the territories created. In a heterogeneous market, a territory is comparatively more homogenous. A territorial division also brings out an element of effectiveness in the sales operations. It also helps the appraisal of the sales effort. Sales territory is defined as a group of present and potential customers assigned to an individual salesperson, a group of salesperson,

a branch, a dealer, a distributor, or a marketing organization at a given period of time. For a firm, a profitable sales territory is one which has a number of potential customers that are willing to buy the category of products sold under the firm's brand name.

Conceptually, a territory may represent:

- (a) A particular geographical area mostly
- (b) A group of customer accounts or prospects
- (c) A market
- (d) An industry

Considered operationally, a territory represents a customer grouping. Though most of the companies emphasize geographical territories, some companies with technical style of selling ignore this basis and assign salespersons to a particular customer grouping. There are some situations where companies decide to build sales territories on the basis of the urgency and frequency of customer requirements rather than geographic coverage.

These include situations where products are highly technical and complex in design, when organizations prefer either a technical sales force or a system-selling approach, and where a set of people with varied knowledge levels are grouped together to provide solutions to customers' problems and queries. The problem with such a method is that the same customer may get calls from multiple salespeople from the same organization.

An alternative method is to make a single salesperson accountable for one set of clients only and if required, call technical specialists for assistance. Also, in situations where personal relationships and acquaintances have a bearing on sales, organizations do not prefer territorial designs for salespeople.

In the case of knowledge and investment products, for example, a customer may prefer to deal with the salespeople he is comfortable with. To respond to this preference, an organization may need to call upon a salesperson serving in another territory.

Even in geographic territories, ultimately a salesman deals with a customer grouping. Geographical territories also do not matter much in insurance selling, property selling, selling in shares and securities and automobiles. In all situations when the salespersons are internal order takers, geographical territorial division does not

matter. Only when the salespersons are external order getters, there is scope of geographical territorial division.

Specialized salespersons also call for non-geographical territorial division. Small companies and companies with innovative products also avoid geographical division. Majority of companies, however, have adopted geographical territorial division. While assigning a territory, we have to consider the service requirements and cost of providing the service to the customers. Geography influences both of these. Even within a geographical division, there are groupings of customers and the division just for the sake of administrative convenience.

Companies deal directly from their headquarters with some important customers providing bulk of business. Such accounts are not assigned to any salesmen. These accounts are called house accounts.

SELF-ASSESSMENT EXERCISE 1 What is the idea behind the creation of sales territories?

3.3.2 Characteristics of Sales Territories

1. Sales territory is a geographical area containing a number of present and potential customers.
2. Different groups of customers are formed by a firm through allotment of territories.
3. It is a group of customers or geographical area assigned to a salesman and be effectively and economically served by a single salesperson, branch, dealer, or distributor.
4. It is the area that can be effectively and economically served by a single salesman.

SELF-ASSESSMENT EXERCISE 2 What are the characteristics of sales territories?

3.3.3 Objectives of Sales Territories

Sales territories are established to achieve the following objectives:

1. To facilitate effective sales planning.
2. To cover and manage the entire market.

3. To assign salesmen's responsibility for a particular territory.
4. Better evaluation of performance of the salesmen.
5. To reduce the selling costs.
6. To facilitate coordination in marketing functions.
7. To make the marketing research functions.
8. Development of fair competition among all sales persons.
9. To improve the customer relations.
10. To appoint salesmen matching with the territory and customers.
11. Independent work area for each salesman.
12. To compete effectively with competing institutions.

SELF-ASSESSMENT EXERCISE 3 Identify the objectives of sales territories

SELF-ASSESSMENT EXERCISES

- 1) Discuss the significance of sales territories in Industrial Marketing
- 2) Explain the characteristics of sales territories
- 3) Identify the objectives of sales territories

3.4 Summary

The key subjects discussed in this unit are:

- Meaning and significance of sales territories
- Characteristics of sales territories
- Objectives of sales territories

3.5 References/Further Reading/Web Resources

Anderson, J.C., and Narus, J.A. (2004). Business Market Management: Understanding, Creating, and Delivering Value, 2nd Edition, Pearson Education, Inc.

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3.6 Possible Answers to Self-Assessment Exercise

1. The idea behind the creation of sales territories is to match the sales opportunities with the selling effort. A salesman is given a group of similar customers and prospects for servicing. This assignment by itself facilitates the planning and control of the sales operations.
2. The objectives of sales territories are:
 1. Sales territory is a geographical area containing a number of present and potential customers.
 2. Different groups of customers are formed by a firm through allotment of territories.
 3. It is a group of customers or geographical area assigned to a salesman and be effectively and economically served by a single salesperson, branch, dealer, or distributor.
 4. It is the area that can be effectively and economically served by a single salesman.
3. Sales territories are established to achieve the following objectives:

- a. To facilitate effective sales planning.
- b. To cover and manage the entire market.
- c. To assign salesmen's responsibility for a particular territory.
- d. Better evaluation of performance of the salesmen.
- e. To reduce the selling costs.
- f. To facilitate coordination in marketing functions.
- g. To make the marketing research functions.
- h. Development of fair competition among all sales persons.
- i. To improve the customer relations.
- j. To appoint salesmen matching with the territory and customers.
- k. Independent work area for each salesman.

UNIT 4 SALES TERRITORIES PLANNING, DESIGN AND REDISTRICTING

CONTENTS

4.1 Introduction

4.2 Intended Learning Outcomes

4.3 Sales Territories Planning, Design and Redistricting

4.3.1 Sales Territory Planning and Management

4.3.2 Design of Sales Territories

4.3.3 Factors to Keep in Mind in Allocating Sales Territories

4.3.4 Size of Sales Territories

4.3.5 Territory Redistricting

4.4 Summary

4.5 References/further Readings/web resources

4.6 Possible Answers to Self-Assessment Exercise

4.1 Introduction

The achievement of the many objectives of sales territories is dependent on the extent to which sales territories meet the characteristics of a good sales territory. The key requirement in meeting this demand is adequate planning and management in the designing sales territories and in redistricting when it becomes necessary. In all of these, there are factors to keep in mind in allocating sales territories to salesmen.

This unit discussed all of these challenges.

4.2 Intended Learning Outcomes

After reading this unit, you will be able to:

1. Explain sales territory planning and management;
2. Describe the design of sales territories in allocating;
3. Identify the factors to keep in mind in allocating sales territories;
4. Discuss size of sales territories; and
5. Discuss territory redistricting.

4.3 Sales Territories Planning, Design and Redistricting

4.3.1 Sales Territory Planning and Management

There are many steps in proper and effective planning and management of sales territory. The more common 12 steps for sales territory planning and management are listed below.

1. Research the geographical area
2. Divide the area on the basis of population, accessibility, potential etc.
3. Study the consumer behaviour of the territory
4. Assess the revenue potential from the respective territories
5. Analyze the hurdles that may be present in the territories
6. Define the products suitable for the territory
7. Probe further to find out specific needs and wants of the people within the territory
8. Prepare a plan for each territory with quotas and tasks to be accomplished
9. Appoint sales people or sales team for each territory
10. Monitor and track the performance of each territory
11. Review sales people performance for each territory, and
12. Avoid overlapping territory because it causes conflict among the sales people.

4.3.2 Design of Sales Territories

A company has to establish a geographic control unit. For a multinational company, this could be a country. Then for a national company, it could be a region or zone consisting of one or several states. There can be further units in terms of cities or districts. Trading area representing a natural flow of trade can be chosen as a control unit.

After establishing control unit, we have to determine the sales potential of each control unit. The units are then combined into tentative sales territories. These can be further refined by making suitable adjustments.

It is now time to consider the number of territories assuming an average Salesforce. In other words, we have to consider the contribution of each salesman to the total sales potential. Experience is best guide here.

There are two basic approaches:

1. Market Build-up Approach

2. Workload Approach.

1. Market Build-up Approach:

In this approach, we shall estimate the present users and potential users of our product. We shall also estimate their consumption capacity. Aggregating we get the total market potential. We shall then decide how much share of this total market our company desires to have. That gives us the sales potential.

Sales potential of the whole market is then broken down territory wise. It is then given the necessary marketing back up.

Area wise total sales calls are calculated. Each representative completes a certain number of calls. Total calls required leads to the number of representatives required in that area. Sales territories are designed so as to equalize the sales potential and the workload for each territory.

Workload Approach:

Territories are created in terms of workload

The steps involved are:

- (i) Customers are grouped into categories.
- (ii) Optimum call frequency for each category is estimated.
- (iii) Present and potential customers are then located geographically and arranged category-wise.
- (iv) Number of customers in each category is multiplied by the desired call frequency to get a total number of calls.
- (v) Geographical control unit is then established. It gives adequate workload to each SR.

Territory Shape:

Territorial shape affects both its coverage and the selling expenses. It facilitates time management and stimulates Salesforce morale. There are three widely prevalent shapes, the wedge, the circle and the clover leaf.

Wedge-shaped territories are suitable for urban as well as non-urban areas. It starts from a thickly populated urban centre. Many sizes of the wedges are possible. Two neighboring wedges can help equalize the travel plan by balancing urban and non-urban types of calls.

Scattered customers call for a circle shaped territory. The salesman remains at the centre of the circle or near to it. It makes possible optimization in frequency of calls.

He is far more in the vicinity of customers than a salesman in a wedge-shaped territory.

Randomly located accounts call for clover-leaf type of arrangement. Each clover-leaf represents a week's work. A salesman is at home every weekend. Such arrangement is common in Industrial Marketing. It is also suitable for extensive marketing.

Territorial Adjustments

Different territories have different problems of coverage and so require different selling efforts and expenses. We cannot assume that all territories are uniform. Some territories are difficult to cover, almost bordering on hardship area. Some metros have greater sales potential than the entire region. In territory optimization, we tend to seek equalization of additional sales per rupee of sales expenses amongst all territories. Therefore, we consider both the coverage difficulty and sales potential.

Variations in coverage difficulty leads to variations in workloads. It is necessary to estimate the largest possible workload that does not cross the limit of the desirable workload. This is a constraint on territory's geographic limit. Workloads amongst salespeople differ keeping in mind their individual abilities. We have already discussed the workload method while discussing the size of the Salesforce. The same concept is used for territorial adjustments which is called redistricting.

SELF-ASSESSMENT EXERCISE 1 List the 12 common steps for sales territory planning and management.

SELF-ASSESSMENT EXERCISE 2 List the two basic approaches for design of sales territories

4.3.3 Factors to Keep in Mind in Allocating Sales Territories

The following factors may be kept in mind while allocating sales territories:

1. Even distribution coverage (uniform distribution) – While allocating the sales territories for each salesman, the Sales Manager should keep in mind that the size of territories to be allotted should be in optimum size, as far as possible. An optimum size will help the salesman to provide his services with pleasure and willingness.

2. Elimination of duplication of activities – While allocating sales territories, care should be given to avoid duplication of activities. A salesman may be given a specified territory for operation at a given time.
3. Equal opportunity – While allocating sales territories, care should be given to have equal distribution of responsibilities and opportunities for all the salesmen.
4. Flexibility in allocation – The allocation of territory may be made flexible so that whenever the sales manager feels it necessary to change the territory between salesmen, he may do so very easily. But, as far as possible, such changes should be avoided.
5. Controllable – The allocation of sales territories may be made in such a way so as to exercise control over the sales functions, at minimum costs.
6. Capable of comparative study – The allocation of sales territories may be made in such a way so that a comparative study of sales opportunities and achievement, and job performance of each salesman can be evaluated well.
7. Uniformity in income – The allotment of territories may be made in such way that all the salesman should get an average of equal income. Inequality in income may develop dissatisfaction among the salesmen.
8. Economical – The allocation of sales territories should be made in such a way that the traveling expenses of salesman, sales managers and other sales personnel may come at the minimum. Maximum services at minimum costs should be the policy to be followed.
9. Efficient performance – Allocation of sales territories should be made in such a way that every salesman may get the motivation to discharge his functions in most efficient manner.
10. Allocation to new salesmen – New salesman may not be given the entire responsibility of a sales territory. He should be associated with an experienced salesman so as to learn the sales techniques gradually.

The allocation of sales territories has certain advantages, directly and indirectly to the company, its salesmen and customers.

The company may have the advantages of effective distribution of responsibility to each salesman. The company will be able to evaluate the functions and responsibilities of the salesman so as to determine their remuneration structure, motivation system, etc. It is an effective step to face the competitors' activities in the territory can be studied. The salesmen have many advantages. They have enough

freedom in dealing with their respective territories. Their efforts are very much countable and hard work put by a salesman is suitably rewarded.

The customers also have various kinds of advantages such as; efficient and immediate after-sales services, quick disposal of complaints, individual satisfaction by visiting the salesmen regularly and their suggestions in respect of the purchasing decisions by the customers, etc.

4.3.4 Size of Sales Territories

There are various factors that influence the size of a sales territory. For a sales manager, an understanding of these factors will aid in deciding on the size of the sales territory. These factors include the nature and demand of the product, mode of physical distribution, the selling process, and transport and communication facilities in the overall market and territory. Other factors that influence the size of the territory are government regulations, density of population and government regulations, density of population and population spread within the territory, and market potential and growth rates. The level of competition, firms' sales policy, ability of the salesperson, and the overall economic conditions prevailing in the country are other factors influencing the size of sales territories.

The following specific factors determine the size of a Sales Territory:

- (i) Prospect density or the number of prospects in the specified area.
- (ii) The extent of ground to be serviced.
- (iii) Possible volume of sales,
- (iv) Frequency of visits necessary.
- (v) Intensity of selling effort required during each call.
- (vi) Ease with which one can travel within the territory and the mode of transport available.
- (vii) The inventory turnover at the retail level.
- (viii) Whether it is easy to sell the product or difficult. As a rule, the smaller the territory, the better it is for travelling, and the greater the depth of selling effort. Salespeople, however, would like to have as large a territory as possible. But smaller territories are serviced intensively.

4.3.5 Territory Redistricting

The seven-step process for redistricting are:

1. Estimation of how many customers there are, where they are located and what type of customers they are in each tentative territory.
2. Estimation of time duration of each call.
3. Estimation of travel time taken between calls.
4. Decide call frequencies.
5. Computing the number of calls possible in a given time period, adjust for different classes of customers –

$$\text{Number of calls/day} = \frac{\text{Average time per call} + \text{Average time between calls}}{\text{Number of working hours/day}}$$

Adjust for different classes of customers

6. Correction for the number of calls possible in a given time to accommodate the desired call frequencies for different classes of customers and prospects.
7. Correction on the basis of feedback given by salespeople who have serviced the territories.

SELF-ASSESSMENT EXERCISE 3 What are the seven steps process for sales territory redistricting?

SELF-ASSESSMENT EXERCISES

- 1) Discuss the requirements for effective Sales Territory Planning and Management
- 2) Explain the steps involved in the design of Sales Territories
- 3) List the factors to keep in mind in allocating sales territories
- 4) Discuss the factors influencing or determining the size of Sales Territories
- 5) Describe the imperative and methods for sales Territory Redistricting

4.4 Summary

The following topics were presented and discussed in this unit:

- Sales Territory Planning and Management
- Design of Sales Territories
- Factors to keep in mind in allocating sales territories
- Size of Sales Territories
- Territory Redistricting

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- Anderson, J.C., and Narus, J.A. (2004). *Business Market Management: Understanding, Creating, and Delivering Value*, 2nd Edition, Pearson Education, Inc.
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4.6 Possible Answers to Self-Assessment Exercise

1. The more common 12 steps for sales territory planning and management are:
 1. Research the geographical area

2. Divide the area on the basis of population, accessibility, potential etc.
 3. Study the consumer behaviour of the territory
 4. Assess the revenue potential from the respective territories
 5. Analyze the hurdles that may be present in the territories
 6. Define the products suitable for the territory
 7. Probe further to find out specific needs and wants of the people within the territory
 8. Prepare a plan for each territory with quotas and tasks to be accomplished
 9. Appoint sales people or sales team for each territory
 10. Monitor and track the performance of each territory
 11. Review sales people performance for each territory, and
 12. Avoid overlapping territory because it causes conflict among the sales people.
2. There are two basic approaches to design of territories:
- a. Market Build-up Approach
 - b. Workload Approach.
3. The seven-step process for sales territory redistricting are:
1. Estimation of how many customers there are, where they are located and what type of customers they are in each tentative territory.
 2. Estimation of time duration of each call.
 3. Estimation of travel time taken between calls.
 4. Decide call frequencies.
 5. Computing the number of calls possible in a given time period, adjust for different classes of customers
 6. Correction for the number of calls possible in a given time to accommodate the desired call frequencies for different classes of customers and prospects.
 7. Correction on the basis of feedback given by salespeople who have serviced the territories.

UNIT 1: PRICING IN INDUSTRIAL MARKETING

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1.3.2 Industrial Pricing objectives

1.3.3 Important Factors in Industrial Marketing Pricing Strategy

1.3.4 Most Commonly Pursued Price Determinants in Industrial Marketing

1.3.5 Three Ways to Set Prices in Industrial Marketing

1.3.6 The Pricing Process in Industrial Marketing

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1.6 Possible Answers to Self-Assessment Exercise

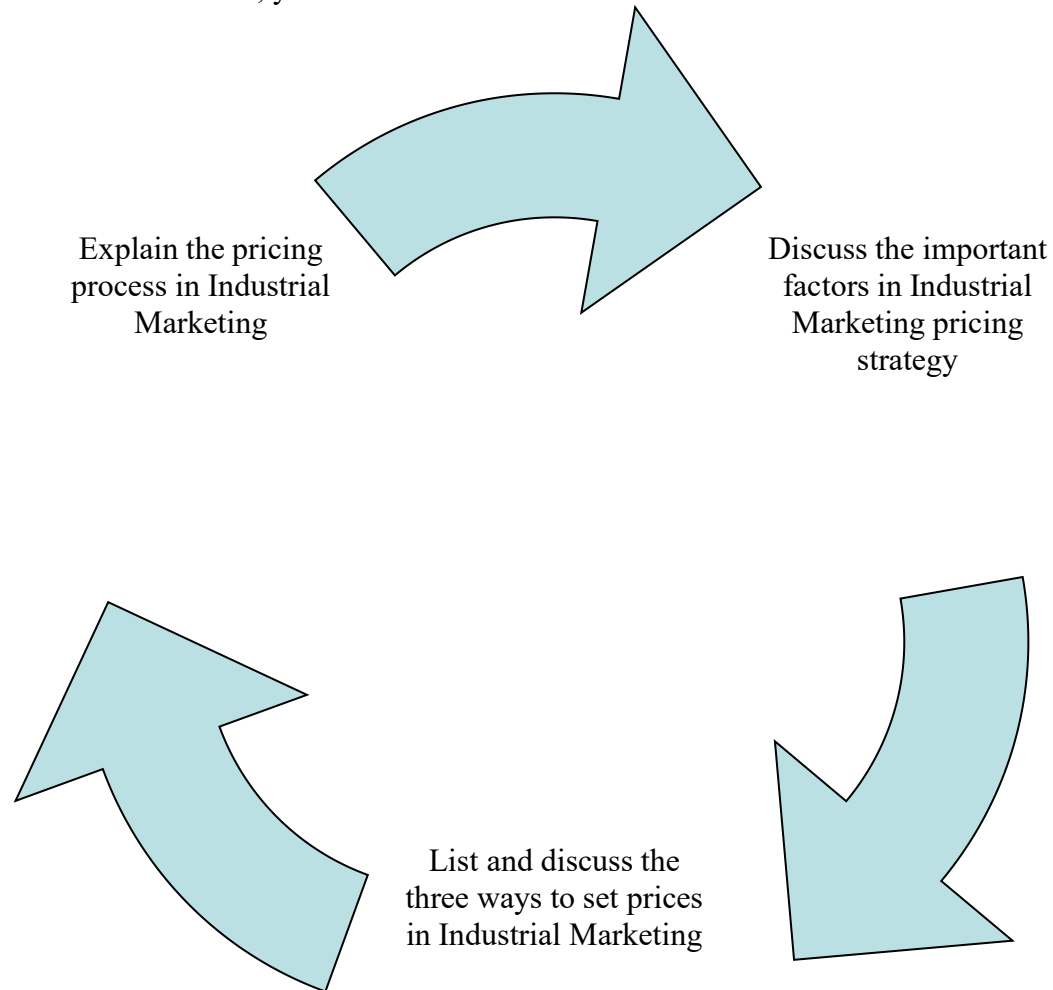
1.1 Introduction

Competition in Industrial Marketing is often on the basis of price and pricing decisions. Given the centrality of price in Industrial Marketing, competitors are conscious of the price of each other and use pricing in achieving competitive advantage. The seven factors that determine and shape pricing strategy in Industrial Marketing are:

- Costs
- Value of the product
- Competition
- Customer bargaining power
- Government intervention
- Fairness
- Pricing objectives

1.2 Intended Learning Outcomes

At the end of this unit, you should be able to:



1.3 Pricing in Industrial Marketing

1.3.1 Characteristics of Industrial Prices

- 1) Price is not an independent variable. It is intertwined with product promotion and distribution strategies. The real price an industrial customer pays is quite different from the list price; this is because of the factors like delivery and installation cost, training cost, discounts, financing cost, trade in allowances etc.
- 2) By changing the quantity of goods & services provided by the seller, changing the premiums and discounts that are offered, changing the time and place of payment and also in numerous other ways prices can be changed. Compare to product and distribution decisions, the decision regarding pricing is more flexible.

- 3) The complimentary and substitute product sold by the same company should be considered at the time of deciding price for industrial goods.
- 4) Prices can be resolved through negotiation in many a cases. In most of the cases the industrial prices are established by competitive bidding on a project by project basis.
- 5) Industrial buyers who are experienced and able to estimate the vendors approximate production costs expect the increasing price to be justifiable on the basis of either increasing cost or improvement in product. Hence, industrial pricing is often characterized by an emphasis on fairness.
- 6) Industrial prices are affected by several economic factors such as inflation, change in interest rates, fluctuation in exchange rates etc. This problem is particularly critical for the marketer locked into long term contract with no escalation clause.

SELF-ASSESSMENT EXERCISE 1 List the seven factors that determine and shape pricing strategy in industrial marketing

1.3.2 Industrial Pricing Objectives

The objectives of industrial pricing should be derived from the firm's marketing and corporate objectives. Some of the pricing objectives which industrial firms can pursue are discussed below.

1. **Survival:** Survival is one of the short term objectives for many industrial companies. Due to intense competition and other reasons the firm may be unable to sell its products. For the survival of the firm it reduces the prices to convert the inventory into sales. The survival is more important than prices. The prices are fixed in such a way that they cover variable cost and a part of fixed cost so that the company continues in business. Survival is only a short term pricing objective and in the long run the firm must increase its prices to cover total cost and end up with some profits.
2. **Maximum short term sales:** To maximize the sales revenue in the short run is the pricing objective for some firms. The belief behind such an objective is that by maximizing sales revenue in the short run the firms will have growth in terms of market share and also have profit maximization.

3. **Maximum short term profits:** Setting prices with the objective of maximization of profit in the short run may be pricing objective of some of the marketing firms. These firms estimate the market demand and costs at alternative prices and select the price that maximizes the present profits. Estimating demand and cost is very difficult. This objective emphasizes on short term profit maximization rather than long term performance and customer relationships. The competitors' reactions and legal implications are not considered by the companies adopting this objective.
4. **Market penetration:** Based on the assumption that the market is price sensitive and that the low prices will increase sales; the prices of products are fixed as low as possible by some firms with the objective of maximizing sales volume and market share of its products. The other assumptions underlying are low prices will discourage entry of potential competitors and highest volume will reduce the production and distribution cost and leads to higher profits in the long run.
5. **Maximum market skimming:** In the initial stages of the product life cycle high prices are fixed by some firms when they introduce new and innovative products. The new product is initially aimed at those market segments where demand is least sensitive to price. The firm skims maximum revenue and profits by adopting the skimming objective of pricing. The prices are lowered as the time passes and sales slowdown to attract new customers from price sensitive market segments. To maximize sales revenue and profits is the objective in market skimming. The assumption made in this strategy is that different prices can be charged to different segments of customers at different times. There is also a possibility that the competitors will be attracted because of high profits resulting from high prices in this strategy.
6. **Product-quality Leadership:** By producing superior quality products and charging little higher prices than the competitors price the Industrial Marketing firm may have an objective to be product quality leader in the market. This pricing objective results in higher profits.
7. **Other pricing objectives:** The other pricing objectives such as to meet or prevent the competition, to stabilize the market, to avoid government intervention etc. may be considered as objectives of pricing by many industrial marketers.

1.3.3 Important Factors in Industrial Marketing Pricing Strategy

The important factors in Industrial Marketing pricing strategy are discussed below:

Costs-the product must be priced to cover cost and return a fair profit to the organization. It is important that full costing is done to avoid underpricing. There is a direct relationship between product cost and price. The concepts of average cost, unit cost, marginal cost and total cost should be borne in mind

Value of the product-especially to customers is very important. Customers will accept a product if they consider its price a good value for their money. Value is relative and based on perception. Effort should not be spared in projecting the value of product to customers.

Competition-pricing strategy can be competition driven. In this case an organization can price to beat competition and price to meet competition. Keen competition can drive market prices down just as little or no competition will enable organizations to charge high prices. For industrial pricing strategy, competition makes suppliers to compete on the basis of financial bids submitted and based on which the contract will go to the supplier with the lowest most responsive bid.

Customer bargaining power-in price negotiation, the bargaining power of organizations is important in fixing prices. Big and financially strong organizations are able to negotiate prices down to the barest minimum while small and weak customers are made to buy at higher prices. To protect weak customers, government can establish price floor and price ceiling below and above which prices cannot go respectively.

Government intervention-this can come by way of preventing predatory pricing and collusion among big suppliers. Government intervention is with a view to protecting weak supply and buying organizations from stronger ones. It is also aimed at achieving and sustaining macroeconomic stability in the economy. Extremely low or high prices will undermine the macro economy in the long run and government has a responsibility to prevent this. Government intervention can also be to avoid antidumping and subsidy and protect home businesses.

Fairness-the concept of a fair price suggests that there is a price that is fair to all parties involved in exchange. Such a price will not be too high, to be perceived as unfair by buyers and should also not be too low to undermine the existence of suppliers. It is a price that covers total cost and returns a reasonable profit to suppliers.

Pricing objectives-the price charged must align with the objectives of the organization. It may be to maximize market share, unit profit, total profit, total revenue or return on investment. The pricing objective may also be to kill competition, discourage new entrants into the industry, minimize losses etc.



SELF-ASSESSMENT EXERCISE 2 Identify some of the pricing objectives which an industrial marketer can pursue.

1.3.3 Most Commonly Pursued Price Determinants in Industrial Market

Having seen the factors that affect the pricing strategies we now move on to some determinants of price in an industrial market.

Although the nature of these determinants and their implications for the eventual price charged can vary greatly, the most commonly pursued are described below:

1. Survival:

Survival is arguably the most fundamental pricing determinant and comes into play when the conditions facing the organization are proving to be extremely difficult. Thus prices are reduced often to levels far below cost simply to maintain a sufficient flow of cash for working capital.

Also if the factory production capacity is underutilized to a large extent or unsold finished products have piled up due to intense competition, a firm is unable to sell its products. To keep the factory going and to convert the inventory to sales, an industrial firm reduces prices.

2. Return on Investment:

Prices are set partly to satisfy the needs of the customers, but more importantly to achieve a predetermined level of return on the capital investment involved.

3. Market Stabilization:

Having identified the leader in each market, the firm determines its prices in such a way that the likelihood of the leader relating is minimized. In this way, the status quo is maintained and market stability ensured.

4. Maintenance and Improvement of Market Position:

Recognizing that price is often an effective way of improving market share. The firm uses price partly as a means of defending its current position and partly as a basis for gradually increasing its share in those parts of the market where gains are most likely to be made and least likely to result in competitive action.

5. Meeting or Following Competition:

Having entered a market in which competitors are finally entrenched, the firm may decide quite simply to take its lead in pricing from others until it has built up sufficient experience and established a firm's reputation on which it can subsequently build.

6. Pricing to Reflect Product Differentiation:

For a firm with a broad product range, differences between the products can often be made most apparent by means of price variations related to each market segment. The differences in price are not necessarily linked to the costs of the product, but are instead designed to create the different perceptions of their product's value and indirectly increase profits.

7. Preventing New Entry:

Because of the potentially powerful role that price can play, a low price may have the effect of preventing others from entering the market as they recognize the low returns available and the dangers of becoming involved in a price war.

In this way, the firm may be able to minimize the amount of competition, while recognizing that the returns may be relatively unattractive procurement costs are cut and so on. The result is that average cost tends to fall with accumulated production experience.

The decline in the average cost with accumulated production experience is called the experience curve or learning curve. The experience curve or the learning curve has a greater strategic significance.

8. Economic Factors

Industrial prices are affected by a host of economic factors such as inflation, interest rate changes, exchange rate fluctuations etc.

1.3.4 Three Ways to Set Prices in Industrial Marketing

The choice of pricing mode depends on a number of factors-nature of the product, buyer preferences, objectives of the organization, nature of the market etc. The three ways to set prices in Industrial Marketing are:

Cost-based pricing-the major pricing here will include mark-up, mark-down. The price will be determined to cover agreed costs and a margin for profit in case of mark-up or a margin for cost recovery in case of mark-down. The critical issue in this pricing mode is the determination of cost. What constitutes cost? What types of cost should be recognized?

Competitive bidding-this is the pricing mode the Procurement Act in Nigeria seeks to encourage. It requires all the organizations qualified to bid for the product to independently submit bids. These bids will be evaluated against established thresholds worked out by consultants (bill of quantity). The bid will be won by the supplier with the lowest most responsive bid. This predetermined price would have made provision for all relevant costs including cost of funds and a fair profit. It seeks to promote competitiveness, transparency, value for money, accountability

and ultimately reduce contract cost to government.

Published list pricing-this is the pricing practice that allows for prices that have been by the forces of demand and supply to be published. This allows for all customers to pay the same amount. This does not allow for price negotiation but conceivably, especially for large buyers there can be opportunity for discounting of the published prices either on the basis of quantity or cash payment.

SELF-ASSESSMENT EXERCISE 3 What are the important factors in industrial marketing pricing strategy?

1.3.5 The Pricing Process in Industrial Marketing

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

- Pricing decisions are based on extensive current market information
- Competitive and customer responses to price changes are carefully monitored
- Pricing decision making is centralized within a business and not delegated to field representatives
- Pricing moves respond to changes in market conditions, taking account of competitive behavior

SELF-ASSESSMENT EXERCISES

Discuss the important factors in Industrial Marketing pricing strategy

List and discuss the three ways to set prices in Industrial Marketing

Explain the pricing process in Industrial Marketing

1.4 Summary

This study unit covered the following topics:

- Characteristics of Industrial Prices
- Industrial Pricing objectives
- Important Factors in Industrial Marketing Pricing Strategy
- Most Commonly Pursued Price Determinants in Industrial Marketing
- Three Ways to Set Prices in Industrial Marketing
- The Pricing Process in Industrial Marketing

1.5 References/Further Reading/Web Resources

- Anderson, J.C., and Narus, J.A. (2004). *Business Market Management: Understanding, Creating, and Delivering Value*, 2nd Edition, Pearson Education, Inc.
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- Spiro, R., Gregory, R. & Stanton, W. (2007). *Management of a Sales Force* (12th ed.). McGraw-Hill Irwin.

1.6 Possible Answers to Self-Assessment Exercise

1. The seven factors that determine and shape pricing strategy in Industrial Marketing are:
 - a. Costs
 - b. Value of the product
 - c. Competition

- d. Customer bargaining power
- e. Government intervention
- f. Fairness
- g. Pricing objectives

2. Some of the pricing objectives which industrial firms can pursue are:

- a. Survival
- b. Maximum short term sales
- c. Maximum short term profits
- d. Market penetration
- e. Maximum market skimming
- f. Product-quality Leadership
- g. Other pricing objectives

3. The important factors in Industrial Marketing pricing strategy are:

- a. Costs
- b. Value of the product
- c. Competition
- d. Customer bargaining power
- e. Government intervention
- f. Fairness
- g. Pricing objectives

UNIT 2: COMMUNICATION/PROMOTION IN INDUSTRIAL

MARKETINGCONTENTS

2.1 Introduction

2.2 Intended Learning Outcomes

2.3 Communication/Promotion in Industrial Marketing

2.3.1 Communication Strategy and Objectives

2.3.2 Communication Media

2.3.4 Steps in Communication Planning

2.4 Summary

2.5 References/Further Reading/Web Resources

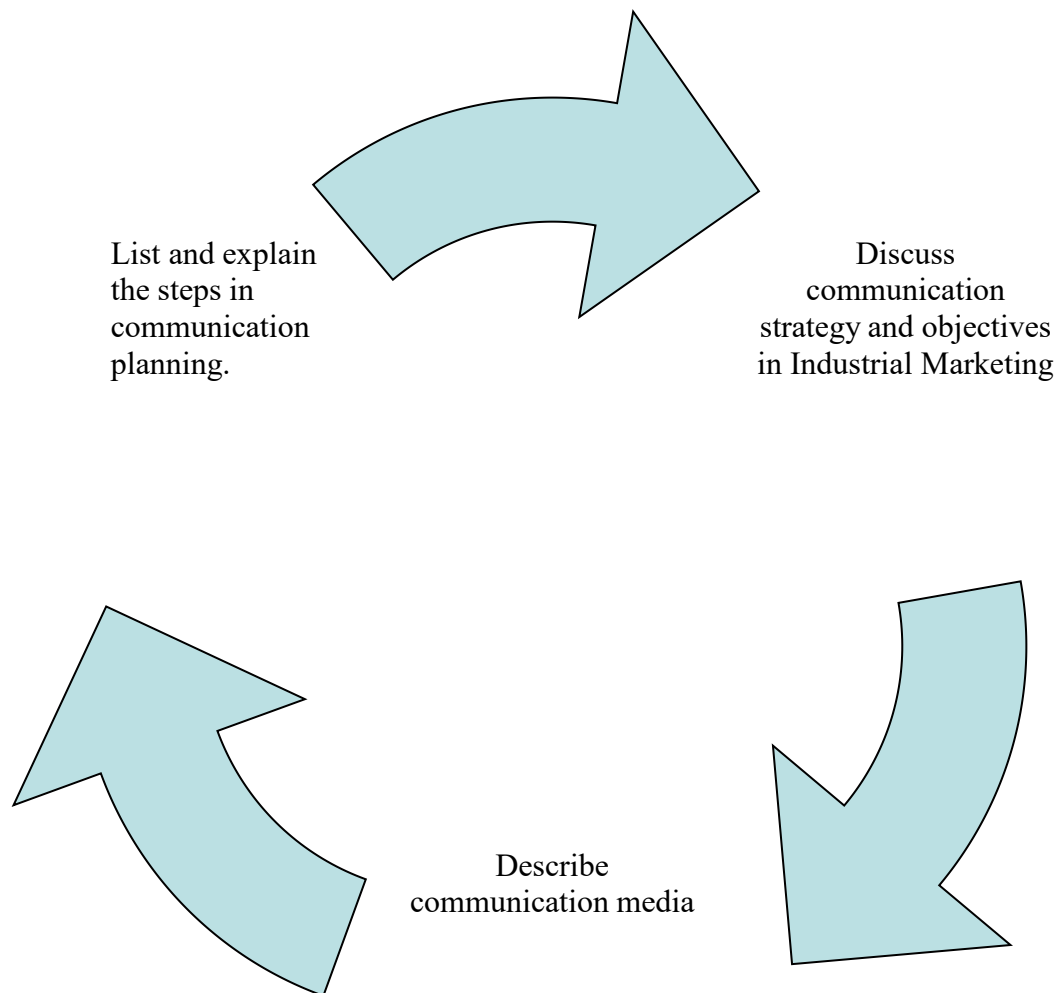
2.6 Possible Answers to Self-Assessment Exercise

2.1 Introduction

In Industrial Marketing there are two broad information flows. These are information flow from the market/customers to the organization and then information flow from the organization to the market/customers. While marketing information system defines the first information flow, marketing communication/promotion defines the second information flow. The first flow ensures that industrial marketers have at all times relevant and timely information with which to consistently make the right marketing decisions-this can be discussed at four levels, internal accounting record, marketing intelligence, marketing research and management science/operations research. Marketing communication/promotion ensures that the market/customers are educated, informed, persuaded and reminded to accept the value that has been created and offered. The means for achieving these objectives consist of the tools of promotion, otherwise called promo tools. These are advertising, personal selling, sales promotion, internet including YouTube, blogs and twitter, and publicity/public relations.

2.2 Intended Learning Outcomes

At the end of this unit, you should be able to:



2.3 Communication/Promotion in Industrial Marketing

2.3.1 Communication Strategy and Objectives

There is need to harmonize the promotional efforts of Industrial Marketers in ensuring that the following objectives are achieved:

- Awareness
- Knowledge
- Liking
- Preference
- Conviction
- Purchase

2.3.2 Communication Media

The tools commonly used in promoting industrial products are:

- Publicity
- Advertising
- Fax/ Email
- Direct Mail
- Catalogues
- Internet
- Trade Shows Promotions
- Telemarketing
- Face to Face

SELF-ASSESSMENT EXERCISE 1 List the objectives that when harmonized the promotional efforts of Industrial Marketers will ensure their achievement.

2.3.3 Steps in Communication Planning

The steps in planning the communication strategy in Industrial Marketing are:

1. **Formulate communication objectives**-this includes selecting target customers and formulating the central message to be communicated. The objective can be to attract new customers, nurture relationships with existing customers, create awareness for new products, or urge customers to place an order. Communication objective to be meaningful must be specific, useful and measurable.
2. **Select appropriate media**-each communication medium has strengths and weaknesses and situations where it is recommended. These should be taken into consideration in choosing the medium for achievement of each communication objective.
3. **Create messages**-the communication message to be created should support the communication objective, match the features of the target audience and be consistent with the medium/media chosen.
4. **Place the messages in the selected media**-created messages need to be placed in the selected media on a planned schedule. The scheduling will deal with the issues of number of placements and the time of broadcast and duration of each.
5. **Measure results**-communication campaigns need to be evaluated against the benchmarks enshrined in the articulated objectives that are specific, useful and measurable. The

challenge is the ideal time for the measurement. Is it as the campaign is going on or soon after or long after?

6. **Adapt messages and/or media**-the outcome of evaluation and measurement of communication campaign may dictate changes in communication messages and/or media or otherwise.

SELF-ASSESSMENT EXERCISE 2 Identify the tools commonly used in promoting industrial products

SELF-ASSESSMENT EXERCISE 3 List the steps in planning communication strategy in industrial marketing

SELF-ASSESSMENT EXERCISES

- I. Discuss communication strategy and objectives in Industrial Marketing
- II. Describe communication media
- III. List and explain the steps in communication planning

2.4 Summary

This study unit covered the following topics:

Communication Strategy and objectives

Awareness Knowledge

Liking Preference Conviction Purchase

Communication Media

Publicity

Advertising

Fax

Email

Direct Mail

Catalogues

Internet

Trade Shows

Promotions

Telemarketing

Face to Face

Steps in Communication Planning

Formulate communication objectives

Select appropriate media

- Create messages
- Place the messages in the selected media
- Measure results
- Adapt messages and/or media

2.5 References/Further Reading/Web Resources

- Anderson, J.C., and Narus, J.A. (2004). *Business Market Management: Understanding, Creating, and Delivering Value*, 2nd Edition, Pearson Education, Inc.
- Biemans, W.G. (2010). *Business to Business Marketing: A Value-Driven Approach*, McGraw-Hill Higher Education
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- Hunt, S.D., "A General Theory of Business Marketing: R-A theory, Alderson, the ISBM framework, and the IMP Theoretical Structure," *Industrial Marketing Management*, Vol. 42, 2013, pp 283-293
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Spiro, R., Gregory, R. & Stanton, W. (2007). *Management of a Sales Force* (12th Ed.). McGraw-Hill Irwin.

2.6 Possible Answers to Self-Assessment Exercise

1. There is need to harmonize the promotional efforts of Industrial Marketers in ensuring that the following objectives are achieved:
 1. Awareness
 2. Knowledge
 3. Liking
 4. Preference
 5. Conviction
 6. Purchase
2. The tools commonly used in promoting industrial products are:
 - a. Publicity
 - b. Advertising
 - c. Fax/ Email
 - d. Direct Mail
 - e. Catalogues
 - f. Internet
 - g. Trade Shows Promotions
 - h. Telemarketing
 - i. Face to Face
3. The steps in planning the communication strategy in Industrial Marketing are:
 - a. Formulate communication objectives
 - b. Select appropriate media
 - c. Create messages
 - d. Place the messages in the selected media
 - e. Measure results
 - f. Adapt messages and/or media

UNIT 3: COMMUNICATION MANAGEMENT FORMS AND INTEGRATED

COMMUNICATION

CONTENTS

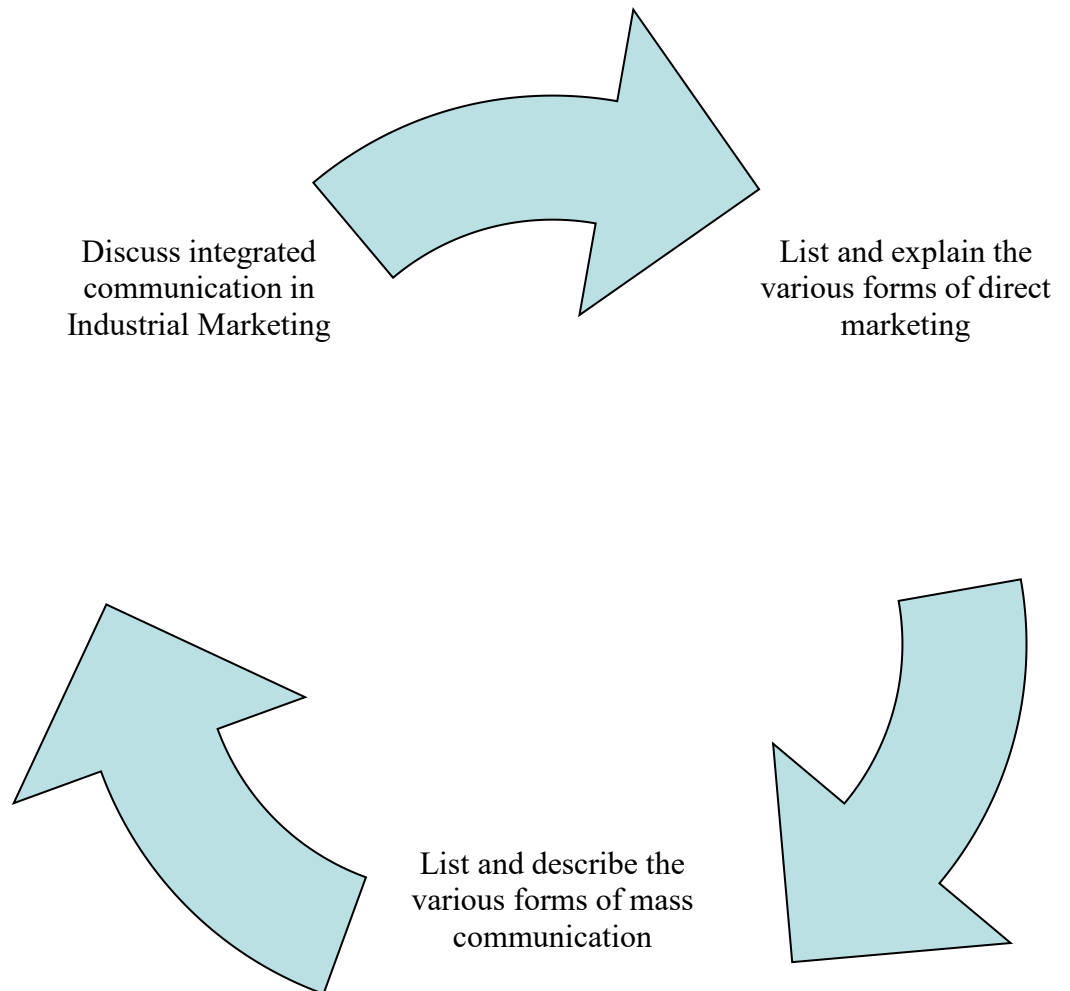
- 3.1 Introduction
 - 3.2 Intended Learning Outcomes
 - 3.3 Communication Management forms and Integrated Communication
 - 3.3.1 Forms of Communication
 - 3.3.2 Mass Communication
 - 3.3.3 Integrated Communication
 - 3.4 Summary
 - 3.5 References/Further Reading/web resources
- Possible Answers to Self-Assessment Exercise

3.1 Introduction

This study unit will conclude discussion on marketing communication with the two broad forms of marketing communication (direct marketing and mass communication). It will conclude with discussion of integrated communication.

3.2 INTENDED LEARNING OUTCOMES

At the end of this study unit, you should be able to:



3.3 COMMUNICATION MANAGEMENT FORMS AND INTEGRATED COMMUNICATION

3.3.1 Forms of Communication

There are two forms of communication that are of interest to industrial marketers. These are direct and mass communication and are presented below:

One to One Communication-Direct Marketing

Under one to one communication otherwise called direct marketing, the following are the various forms:

Direct mail-this involves the delivery of advertising materials to customers/prospects through postal mail. The most common formats of direct mail include:

Catalogues: multi-page, bound promotions, usually featuring a selection of products for sale.

Self-mailers: pieces usually created from a single sheet that has been printed and folded.

Postcards: simple, two-sided pieces, with a promotional message on one side and the recipients address on the other.

Envelope mailers: mailings in which the marketing material is placed inside an envelope, which permits the marketer to include more than one insert.

Clear bag packages: large, full-colour packages sealed in a clear, plastic outer wrap. The contents are visible through the clear bag for maximum initial impact.

Dimensional mailers: mailers that have some dimension to them like a small box.

- **Email marketing**-this is a cheaper and faster alternative to direct mail. It uses electronic mail to send messages to an audience.
- **Telemarketing**-this is an old and still common form of direct marketing. Its contact is through phone.
- **Internet marketing**-also called web marketing, online marketing or e- marketing.it involves the marketing of products over the internet.

SELF-ASSESSMENT EXERCISE 1 List the two forms of communication that are of interest to Industrial Marketers.

SELF-ASSESSMENT EXERCISE 2 What are the various forms of One to One Communication/Direct Marketing in Industrial Marketing?

3.3.2 Mass Communication

In mass communication the media are directed at groups of customers. Examples of the media include the following:

1. **Advertising**- after personal selling, advertising is the most frequently used communication medium in Industrial Marketing. Its low cost and wide reach allow organizations to cost-effectively communicate with large number of buying decision makers. The communications objectives that advertising can help to achieve are create awareness, create a positive attitude and stimulate sales. The advertising media commonly used are business publications, consumer magazines, newspapers, television and radio, internet and outdoor

advertising.

2. **Trade shows**-this is the second most important medium for mass communication in Industrial Marketing. It is about displaying products to the public. Online trade shows-virtual tradeshows, are becoming common. Personal selling can easily be used in trade shows to achieve great mileage in sales. Organizational decisions needed in tradeshows include formulating tradeshow objectives, selecting trade shows, designing the booth, undertaking pre-show marketing, participating in the trade show, carrying out follow-up and post-show evaluation.
3. **Showrooms**-according to Beimans (2010) showrooms can be created to display products to customers. It can specifically be used to demonstrate large products, support the corporate image, stimulate sales or provide training to customers. There is also a roadshow-a traveling exhibit that is across between a trade show and a show room
4. **Public relations**-this involves the management of mutually beneficial relationship between the organization and its key stakeholders, including customers, suppliers, employees, competitors, shareholders, investors, community, press etc.

3.3.3 Integrated Communication

According to Kitchen et al (2004) integrated marketing communication (IMC) attempts to combine, integrate and synergize elements of the communications mix, with the strengths of one offsetting the weaknesses of others. It embodies the central idea of one sight, one voice marketing communication and implies communication consistency and integration across media and messages, across communication instruments and across marketing instruments.

SELF-ASSESSMENT EXERCISES

- I. List and explain the various forms of direct marketing
- II. List and describe the various forms of mass communication
- III. Discuss integrated communication in Industrial Marketing

SELF-ASSESSMENT EXERCISE 3 Give examples of the media in Mass Communication

3.4 Summary

This study unit covered the following topics:

Forms of Communication

One to One Communication-Direct Marketing

Direct mail

Email marketing

Telemarketing

Internet marketing

Mass Communication

Advertising

Trade shows

Catalogues

Show rooms

Public relations

Integrated Communication

3.5 References/ Further Reading/Web Resources

Anderson, J.C., and Narus, J.A. (2004). *Business Market Management: Understanding, Creating, and Delivering Value*, 2nd Edition, Pearson Education, Inc.

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3.6 Possible Answers to Self-Assessment Exercise

1. There are two forms of communication that are of interest to industrial marketers. These are direct and mass communication.
2. Under one to one communication otherwise called direct marketing, the following are the various forms:
 - a. Direct mail
 - b. Catalogues
 - c. Self-mailers
 - d. Postcards
 - e. Envelope mailers
 - f. Clear bag packages
 - g. Dimensional mailers
3. Examples of the media include the following:
 - a. Advertising
 - b. Trade shows
 - c. Showrooms
 - d. Public relations

UNIT 4: INSTITUTIONS MAKING UP THE

DISTRIBUTION SYSTEM IN INDUSTRIAL MARKETING

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4.1 Introduction

4.2 Intended Learning Outcomes

4.3 Institutions Making Up the Distribution System in Industrial Marketing

4.3.1 Distribution Functions

4.3.2 Institutions Making Up Channels of Distribution

4.4 Summary

4.5 References/Further Reading/web resources

4.6 Possible Answers to Self-Assessment Exercise

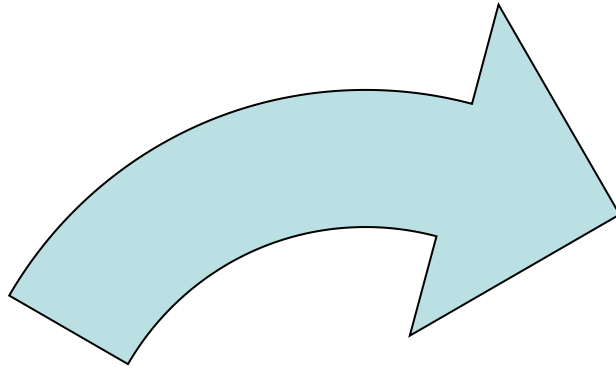
4.1 Introduction

Place decisions are majorly concerned with performing the strategic function of bridging the geographical gap that exists on account of difference in the place of production and the place of consumption or use of products. Two major flows are involved in bridging the geographical gap between producers and consumers. These are the institutions through which products move from the point of production to the point of use. The second flow has to do with the physical movement of products from the point where they are produced to the point where they will be used.

This unit discusses the institutions through which products flow from where they are produced to where they will be used.

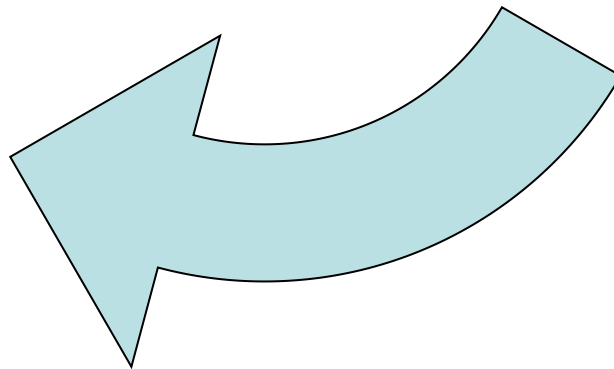
4.2 Intended Learning Outcomes

At the end of this unit, you will be able to:



Describe the institutions involved in the channels of distribution for industrial products

Discuss the distribution functions of institutions involved in channels of distribution for industrial products



4.3 Institutions Making Up the Distribution System in Industrial Marketing

4.3.1 Distribution Functions

The distribution functions often performed by channel members in Industrial Marketing include the following:

1) Selling

The specific functions under this will include:

- Demand generation
- Product advocacy

- Promotion
- Negotiation-prices and terms

2) Channels support

The specific functions here include the following:

- Recruiting franchisees
- Reseller stock replenishment
- Product and sales training
- Sales promotion
- Business management development
- Monitoring performance

3) Physical distribution

- Order entry, fulfillment
- Warehousing
- Delivery
- collections

4) Product modifications and after sales/maintenance services

- Packaging
- Product customization
- After sale service support

5) Risk assumption

- Inventory
- Credit
- Dedicated resources

SELF-ASSESSMENT EXERCISE 1 List the distribution functions often performed by channel members in Industrial Marketing

4.3.2 Institutions Making Up Channels of Distribution

The institutions making up the distribution system for industrial products/marketing include the following:

- Direct sales force
- Independent distributors
- Captive distributors
- Manufacturers' representatives or agents
- Brokers
- Repair shops

SELF-ASSESSMENT EXERCISE 2 List the institutions making up the distribution system for industrial products/marketing.

SELF-ASSESSMENT EXERCISES

1. Discuss the distribution functions of institutions involved in channels of distribution for industrial products
2. Describe the institutions involved in the channels of distribution for industrial products.

4.4 Summary

In this study unit, the following topics were covered:

Distribution Functions

Selling

Channels support

Physical distribution

Product modifications and after sales/maintenance services

Institutions Making up Channels of

Distribution

Direct sales force

Independent distributors

Captive distributors

Manufacturers' representatives or agents Brokers

Repair shops

4.5 References/Further Reading/Web Resources

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4.6 Possible Answers to Self-Assessment Exercises

1. The distribution functions often performed by channel members in Industrial Marketing include the following:

- a. Selling
 - b. Channels support
 - c. Physical distribution
 - d. Product modifications and after sales/maintenance services
 - e. Risk assumption
2. The institutions making up the distribution system for industrial products/marketing include the following:
- a. Direct sales force
 - b. Independent distributors
 - c. Captive distributors
 - d. Manufacturers' representatives or agents
 - e. Brokers
 - f. Repair shops

UNIT 5: DESIGN OPTIONS IN FORMING CHANNELS OF DISTRIBUTION IN INDUSTRIAL MARKETING

CONTENTS

5.1 Introduction

5.2 Intended Learning Outcomes

5.3 Institutions Making Up the Distribution System in Industrial Marketing

5.3.1 Design Options in Forming Channels of Distribution

5.3.2 Additional Dimensions of Channel Strategy

5.4 Summary

5.5 References/Further Reading/web resources

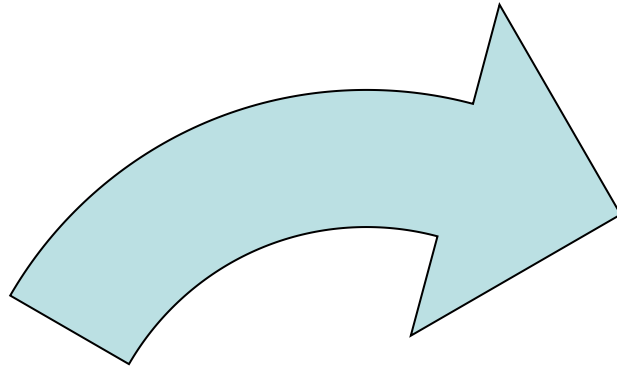
5.6 Possible Answers to Self-Assessment Exercise

5.1 Introduction

There are many options open to industrial marketers in forming the channels of distribution for their products. The choice of a channel of distribution system is important in determining the effectiveness and competitiveness of one product against another. The factors that an organization will consider in choosing a channel of distribution system include nature of the product, market demographics, and buyer behavior. The strategic channel of distribution options open are direct sales, indirect sales and mixed distribution system.

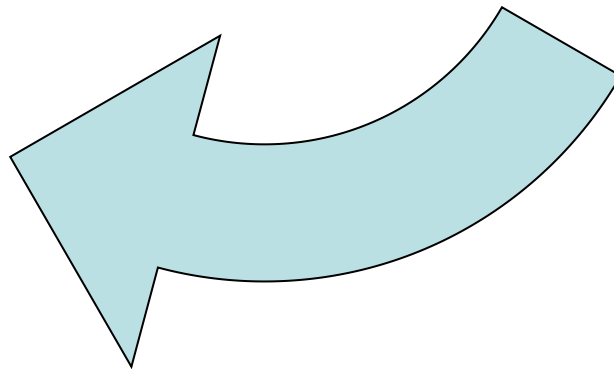
5.2 Intended Learning Outcomes

At the end of this unit, you should be able to:



Explain the other decision areas in channel strategy for industrial marketers

Discuss the options open to industrial marketers in forming their channels of distribution



5.3 Institutions Making Up The Distribution System In Industrial Marketing

5.3.1 Design Options in Forming Channels of Distribution

The major factors determining the distribution system for a particular organization will include the following:

The nature

of the

product

Market

demograp

hics Buyer

behavior

The strategic options open to organizations in forming channels of distribution are:

- 1) **Direct sales**- the organization relies on its own sales force in getting its products to customers and users. There is a total absence of middlemen. The organization performs all distribution functions.
- 2) **Indirect/Distributor sales**-the organization relies completely on middlemen in performing distribution functions and getting products to customers/users.
- 3) **Mixed distribution**-the organization uses its sales force and middlemen in performing distribution functions and getting products to customers/users. This combines the benefits of direct sales and indirect sales. If not properly managed, there will be friction as the organization can be seen to be competing with middlemen in attracting and keeping customers.

SELF-ASSESSMENT EXERCISE 1 List the strategic options open to organizations in forming channels of distribution.

5.3.2 Additional dimensions of channel strategy

- Distribution intensity-the number of intermediaries in a trading area
- Where different distribution functions will be performed in the distribution system

SELF-ASSESSMENT EXERCISE 2 What are the features of mixed distribution system?

SELF-ASSESSMENT EXERCISES

1. Discuss the options open to industrial marketers in forming their channels of distribution
2. Explain the other decision areas in channel strategy for industrial marketers.

5.4 Summary

In this study unit, the topics covered included the following:

Design options in forming channels of
distribution

Additional dimensions of channel strategy

5.5 References/Further Reading/Web Resources

Anderson, J.C., and Narus, J.A. (2004). *Business Market Management: Understanding, Creating, and Delivering Value*, 2nd Edition, Pearson Education, Inc.

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3.6 POSSIBLE ANSWERS TO SELF-ASSESSMENT EXERCISE

1. The strategic options open to organizations in forming channels of distribution are:
 - i. Direct sales
 - ii. Indirect/Distributor sales
 - iii. Mixed distribution
2. The features of mixed distribution system are:
 - a. The organization uses its sales force and middlemen in performing distribution functions and getting products to customers/users;
 - b. This combines the benefits of direct sales and indirect sales;
 - c. If not properly managed, there will be friction as the organization can be seen to be competing with middlemen in attracting and keeping customers.

UNIT 6: PRODUCER-RESELLER RELATIONSHIPS IN INDUSTRIAL MARKETING

CONTENTS

6.1 Introduction

6.2 Intended Learning Outcomes

6.3 Producer-Reseller Relationships in Industrial Marketing

6.3.1 Structuring Channels Relationships

6.3.2 Managing Channels Conflicts

6.4 Summary

6.5 References/Further Reading/web resources

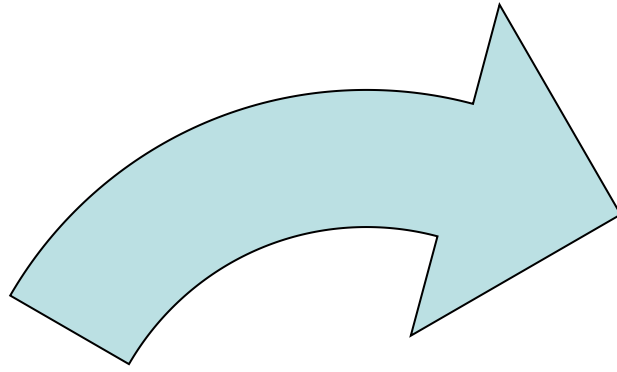
6.6 Possible Answers to Self-Assessment Exercise

6.1 Introduction

The relationship between producer and resellers is inherently conflictual. These are independent institutions existing to achieve largely varying private objectives but who need the support and cooperation of each to achieve a collective objective of keeping the distribution system competitive. The challenge of managing the channel system is to enhance the cooperating tendencies while reducing the conflicting ones. This is by no means easy. It falls on the channel captain who emerges and uses a particular leadership style to sustain the system- the leadership style open varies from autocratic, democratic and lesser faire. The starting point in reducing conflict in the channel system is clear understanding of the areas of conflict and working in consultation with all in a fair minded way to minimize conflicts as they arise. The channel captaincy is not the birth right of any particular institution; it depends on the relative strengths of each institution at any point in time.

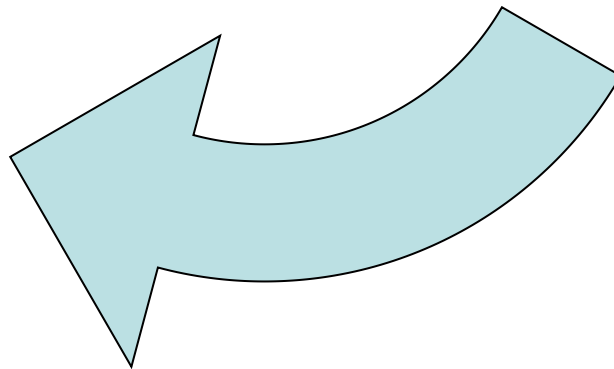
6.2 Intended Learning Outcomes

At the end of this unit, you should be able to:



Discuss managing channels
conflicts

Discuss the structuring of
channels relationships



6.3 Producer-Reseller Relationships in Industrial Marketing

6.3.1 Structuring Channels Relationships

Producers' main concerns in structuring channels relationships are:

- Maintaining and delineating product and market boundaries among channel members
 - Resolving day-to-day channel conflict issues
- 1) Direct sales and resale channels competition
 - 2) Independent distributors versus captive distributors
 - 3) Inter channel rivalry

SELF-ASSESSMENT EXERCISE 1 What are the main concerns of producers in structuring channels relationships?

6.3.2 Managing Channels Conflicts

It must be clear that conflict is inherent but patently avoidable. Defining and agreeing on broad areas of conflict and instituting a mechanism for their resolution are necessary bases for maintaining a harmonious relationship among the channel members. This calls for sustained consultation and negotiation at all times. Keeping the channel of communication open at all times is vital in uncovering grievances and addressing them. The spirit of we are in it together and a win-win attitude are to be socially shared and demonstrated by the institutions. Some have called for integration albeit consolidation of all the institutions in a particular channel system as an enduring basis for conflict reduction and ultimate elimination.

SELF-ASSESSMENT EXERCISE 2 What is the challenge of managing the channel system?

SELF-ASSESSMENT EXERCISES

- I. Discuss the structuring of channels relationships
- II. Discuss managing channels conflicts.

6.4 Summary

In this study unit, the topics covered included the following:

Structuring channels relationships

Managing channels conflicts

6.5 References/Further Reading/Web Resources

Anderson, J.C., and Narus, J.A. (2004). *Business Market Management: Understanding, Creating, and Delivering Value*, 2nd Edition, Pearson Education, Inc.

Biemans, W.G. (2010). *Business to Business Marketing: A Value-Driven Approach*, McGraw-Hill Higher Education

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3.6 Possible Answers to Self-Assessment Exercise

1. Producers' main concerns in structuring channels relationships are:

- a. Maintaining and delineating product and market boundaries among channel members
- b. Resolving day-to-day channel conflict issues
- c. Direct sales and resale channels competition
- d. Independent distributors versus captive distributors
- e. Inter channel rivalry

2. The challenge of managing the channel system is to enhance the cooperating tendencies while reducing the conflicting ones.

MODULE 5 STRATEGIC MARKETING MANAGEMENT

Unit 1	Industrial Marketing Research
Unit 2	Elements of Industrial Marketing Strategy
Unit 3	Steps in Industrial Strategic Marketing Planning

UNIT 1: INDUSTRIAL MARKETING RESEARCH

CONTENTS

1.1 Introduction

1.2 Intended Learning Outcomes

1.3 Industrial Marketing Research

1.3.1 Nature of Industrial Marketing Research

1.3.2 Industrial Marketing Research as a Principal Tool for Answering Questions

1.3.3 Importance of Industrial Marketing Research

1.3.4 Scope of Industrial Marketing Research

1.4 Summary

1.5 References/Further Reading/web resources

1.6 Possible Answers to Self-Assessment

1.1 Introduction

Industrial Marketing Research is defined as the objective and systematic process of obtaining, analyzing and reporting of data or information for decision making in Industrial Marketing. The Industrial Marketing researcher develops the research design, which basically indicates the procedure and the cost of conducting the research study. Industrial Marketing Research is conducted to recognize the industrial customer's opinion; it can be done pre-production, post-production or re-launch of the manufactured goods. Marketing research varies from small scale to large level depends upon the business willingness to gather in-depth information.

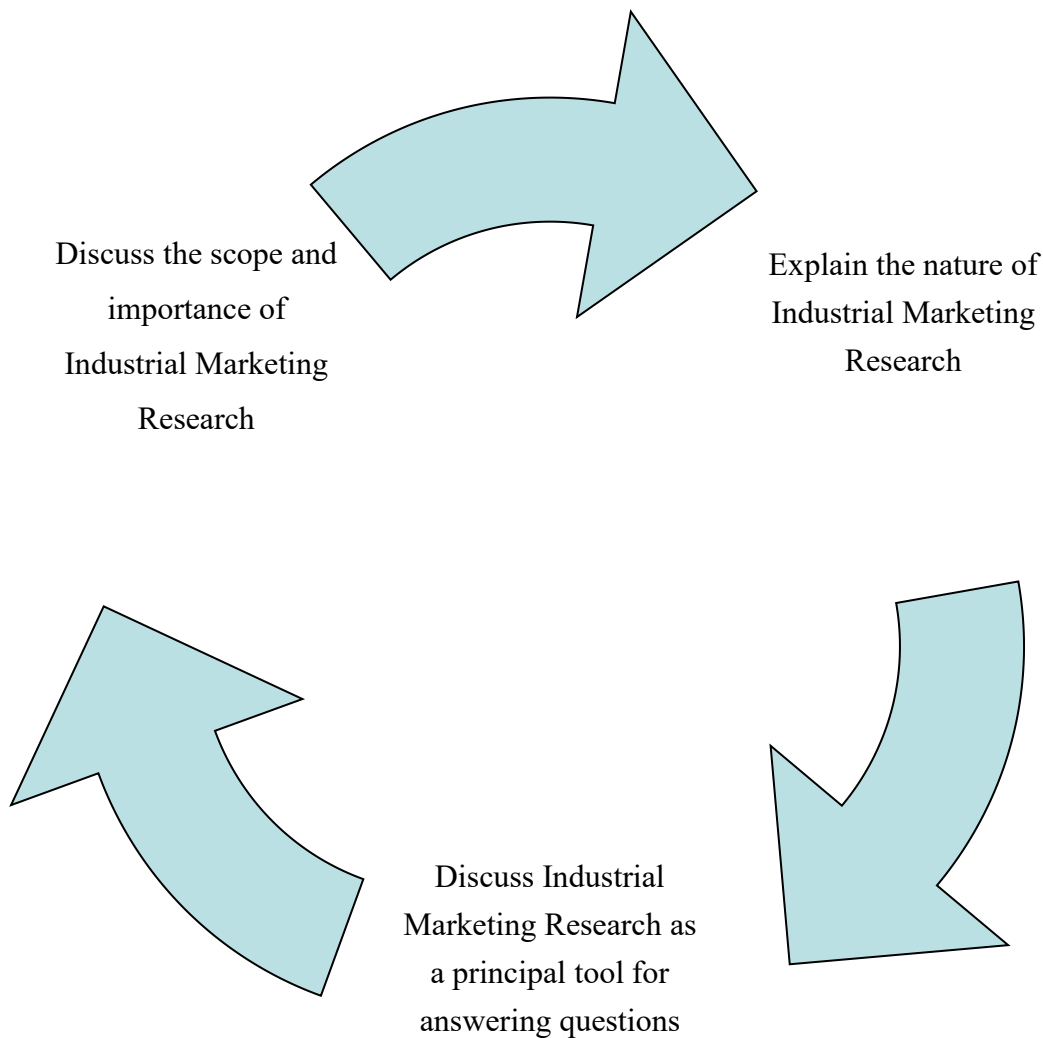
The term Industrial Marketing research is used extensively in modern marketing management. It acts as a tool for accurate decision making as regards marketing of goods and services. It is also useful for studying and solving different marketing problems in a systematic and rational manner. It is a special branch of marketing management. It is comparatively recent in origin. This acts as an investigative arm of a marketing manager.

It suggests possible solutions on marketing troubles for the thought and selection by a marketing manager. Marketing Research is a well-planned, systematic process which implies that it needs planning at all the stages. It uses scientific method. It is an objective process as it attempts to provide accurate authentic information. Marketing Research is sometimes defined as the application of scientific method in the solution of marketing problems.

Industrial Marketing Research plays a very significant role in identifying the needs of customers and meeting them in finest possible way. The main job is systematic gathering and analysis of information. Industrial Marketing Research is systematic trouble analysis, model building and fact finding for the purpose of important decision making and control in the marketing of goods and services.

1.2 Intended Learning Outcomes

After reading this unit, you should be able to:



1.3 Industrial Marketing Research

1.3.1 Nature of Industrial Marketing Research

Industrial Marketing Research is the objective and systematic process of obtaining, analyzing and reporting of data or information for decision making in Industrial Marketing. This plays a very important role in identifying the needs of customers and meeting them in best possible way.

The main task is systematic gathering and analysis of information. This is a set of formalized procedures for generating, analyzing, storing and distributing information to marketing decision makers on an ongoing basis. This is essential for strategic market planning and decision making.

It helps a firm in identifying what are the market opportunities and constraints, in developing and implementing market strategies, and in evaluating the effectiveness of marketing plans.

Industrial Marketing Research is a growing and widely used business movement as the sellers need to know more about their final consumers but are generally widely separated from those consumers. This is a necessary link between marketing decision makers and the markets in which they operate.

Marketing Research includes various important principles for generating information which is useful to managers. These principles relate to the timeliness and importance of data, the implication of defining objectives cautiously and clearly, and the need to avoid conducting research to support decisions already made.

SELF-ASSESSMENT EXERCISE 1 Define Industrial Marketing Research

1.3.2 Industrial Marketing Research as Principal Tool for Answering Questions

- (i) Links the consumer, customer and public to the market through information used to identify and define marketing.
- (ii) Generates, refines and evaluates marketing actions.
- (iii) Monitors marketing performance.
- (iv) Underlines the understanding of marketing as a procedure.

1.3.3 Importance of Industrial Marketing Research

Industrial Marketing Research is fast growing in its importance due to increasing competition, fast moving technological developments and changing industrial consumer needs, expectations and attitudes.

The importance of marketing research is universally accepted. The status of marketing research in business management is identical to the position of brain in a human body. The following points suggest the importance of Industrial Marketing research:

1. Planning and Execution of Marketing Plan:

A business unit can plan and execute all activities right from manufacturing to marketing with reasonable accuracy and confidence due to the guidelines available through marketing research.

2. Quick and Correct Decision-Making:

MR facilitates quick and correct decision making by marketing managers. It enables management to take quick and correct marketing decisions.

3. Effective Solutions on Marketing Problems:

MR provides effective solutions to marketing problems. MR is the radiology and pathology of marketing operations of business. It diagnoses the business ailments and suggests measures to remove them. Marketing researcher acts like business doctor and prescribes treatment for business elements.

4. Huge Spending on MR:

Expenditure by large companies is increasing by the day. The benefits of marketing research in spite of its weaknesses may be responsible for the willingness of organizations to spend heavily on marketing research. New techniques and methods are used in the conduct of research activities in an accurate manner. This suggests the growing importance of MR.

SELF-ASSESSMENT EXERCISE 2 State the points that suggest the importance of Industrial Marketing Research

1.3.4 Scope of Industrial Marketing Research

The scope of Industrial Marketing research can be summarized as follows:

1. Industrial Product Research:

Product means the goods and services which are sold to the consumers. It includes consumer products and industrial products. Product research studies the individual product. It studies the making and marketing of the product.

It studies the colour, size, shape, quality, packaging, brand name and price of the product. It also deals with product modification, product innovation, product life cycle, etc. The product is modified (changed) as per the needs and wants of the consumers. Therefore, the product will not fail in the market.

2. Consumer Research:

Consumer is the person who purchases the goods and services. The consumer is the king in the market. Consumer research studies consumer behaviour. It studies the consumer's needs, wants, likes, dislikes, attitude, age, sex, income, location, buying motives etc. This data is used to take decisions about the product, its price, place and promotion.

3. Packaging Research:

Packaging research is a part of product research. It studies the package of the product. It improves the quality of the package. It makes the package more attractive. It makes the package more convenient for the consumers. It reduces the cost of packaging. It selects a suitable method for packaging. It also selects suitable packaging material.

4. Pricing Research:

Pricing Research studies the pricing of the product. It selects a suitable method of pricing. It fixes the price for the product. It compares the company's price with the competitor's price. It also fixes the discount and commission which are given to middlemen. It studies the market price trends. It also studies the future price trends.

5. Advertising Research:

Advertising research studies the advertising of the product. It fixes the advertising objectives. It also fixes the advertising budget. It decides about the advertising message, layout, copy, slogan, headline etc. It selects a suitable media for advertising. It also evaluates the effectiveness of advertising and other sales promotion techniques.

6. Sales Research:

Sales research studies the selling activities of the company. It studies the sales outlets, sales territories, sales forecasting, sales trends, sales methods, effectiveness of the sales force etc.

7. Distribution Research:

Distribution research studies the channels of distribution. It selects a suitable channel for the product. It fixes the channel objectives. It identifies the channel functions like storage, grading, etc. It evaluates the competitor's channel.

8. Policy Research:

Policy research studies the company's policies. It evaluates the effectiveness of the marketing policies, sales policies, distribution policies, pricing policies, inventory policies etc. Necessary changes, if any, are made in these policies.

9. International Marketing Research:

International marketing research studies the foreign market. It collects data about consumers from foreign countries. It collects data about the economic and political situation of different countries. It also collects data about the foreign competitors. This data is very useful for the exporters.

10. Motivation Research:

Motivation research studies consumers' buying motives. It studies those factors that motivate consumers to buy a product. It mainly finds out, why the consumers buy the product? It also finds out the causes of consumer behaviour in the market.

11. Market Research:

Market research studies the markets, market competition, market trends etc. It also does sales forecasting. It estimates the demand for new products. It fixes the sales territories and sales quotas.

12. Media Research

Media research studies various advertising media. The different advertising media are television (TV), radio, newspapers, magazines, the internet etc. Media research studies the merits and demerits of each media.

It selects a suitable media for advertising. It does media planning. It also studies media cost. It helps in sales promotion and to avoid wastage in advertising.

SELF-ASSESSMENT EXERCISE 3 Highlight the scope of industrial marketing research

SELF-ASSESSMENT EXERCISES

- 1) Discuss the nature of Industrial Marketing Research
- 2) Explain Industrial Marketing Research as a principal tool for answering questions
- 3) Discuss the importance of Industrial Marketing Research
- 4) Describe the scope of Industrial Marketing Research

1.4 Summary This unit presented and discussed the following topics:

- Nature of Industrial Marketing Research
- Industrial Marketing Research as a Principal Tool for Answering Questions
- Importance of Industrial Marketing Research
- Scope of Industrial Marketing Research
-

1.5 References/Further Reading/Web Resources

Anderson, J.C., and Narus, J.A. (2004). Business Market Management: Understanding, Creating,

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- Spiro, R., Gregory, R. & Stanton, W. (2007). *Management of a Sales Force* (12th ed.). McGraw-Hill Irwin.

3.6 Possible Answers to Self-Assessment Exercise

1. Industrial Marketing Research is the objective and systematic process of obtaining, analyzing and reporting of data or information for decision making in Industrial Marketing.
2. The following points suggest the importance of Industrial Marketing research:
 1. Planning and Execution of Marketing Plan
 2. Quick and Correct Decision-Making
 3. Effective Solutions on Marketing Problems
 4. Huge Spending on MR
3. The scope of Industrial Marketing research can be summarized as follows:

1. Industrial Product Research
2. Consumer Research
3. Packaging Research
4. Pricing Research
5. Advertising Research
6. Sales Research
7. Distribution Research
8. Policy Research
9. International Marketing Research
10. Motivation Research
11. Market Research
12. Media Research

UNIT 2: ELEMENTS OF INDUSTRIAL MARKETING STRATEGY

CONTENTS

2.2 Introduction

2.2 Intended Learning Outcomes

2.3 Elements of Industrial Marketing Strategy

2.3.1 Market selection

2.3.1 Product planning

2.3.3 Distribution system

2.3.4 Communications strategy

2.3.5 Pricing strategy

2.3.6 Technical assistance

2.3.7 Plant location

2.4 Summary

2.5 References/Further Reading/web resources

2.6 Possible Answers to Self-Assessment Exercise

2.1 Introduction

Every organization has its strategy. Within this strategy for its survival and growth and development, there is a marketing strategy. The marketing strategy can be broken into many

interrelated elements. These elements will include:

Market selection

Product planning

Distribution system

Communications strategy

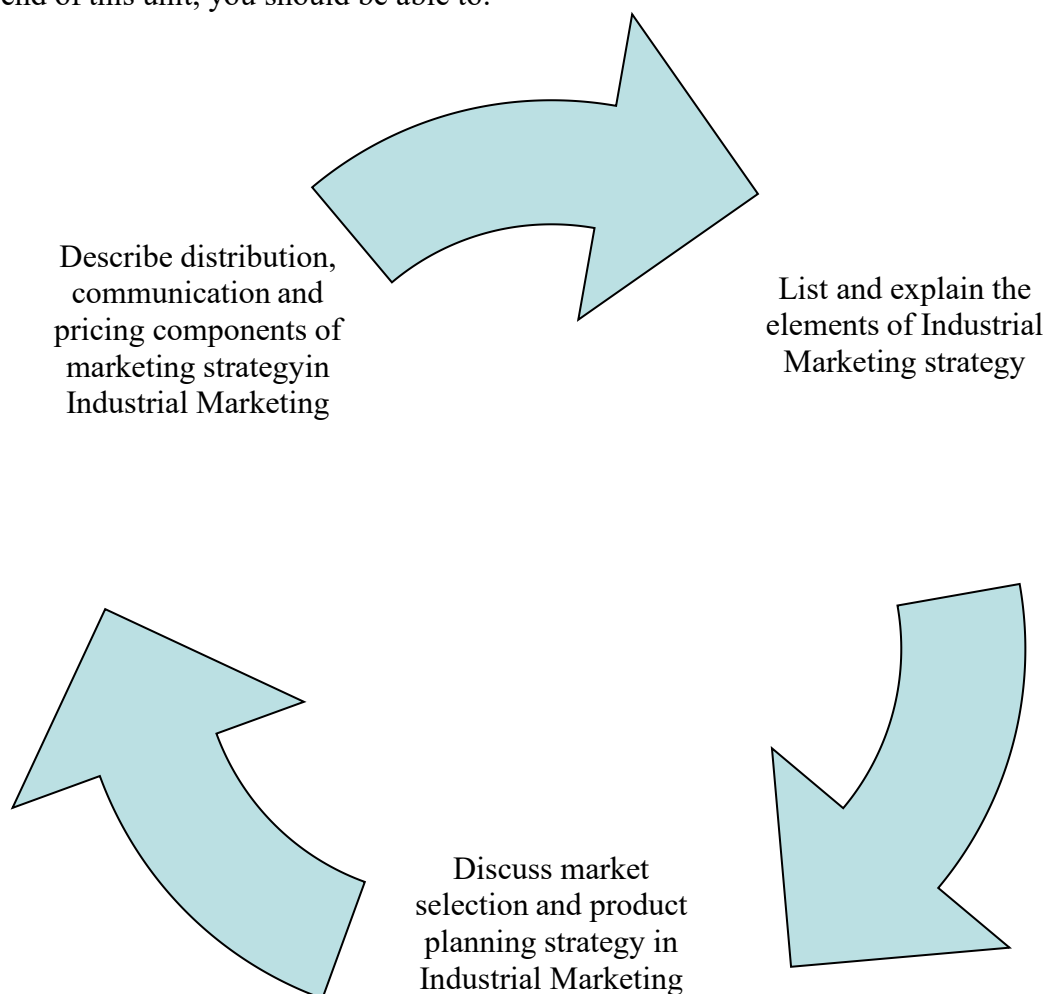
Pricing strategy

Technical assistance

Plant location

2.2 Intended Learning Outcomes

At the end of this unit, you should be able to:



2.3 Elements of Industrial Marketing Strategy

2.3.1 Market Selection

In the discussion of industrial customers, we identified three broad categories, namely, commercial enterprises, government and institutions. Within each broad category there are many elements. An organization may select a particular category, two categories or the three categories in its market selection decision. Within each category, say government, an organization may opt to select ministries, or departments or agencies or any combination of the three.

What is important is that in strategic marketing, an organization ought to split the block market into segments and select a target market(s) for which its core competencies and resources can best serve. The selected target market must be one that is profitable to serve. It should share the following characteristics- be substantial, measurable, accessible and homogenous and likely to respond positively to a given market mix. With the target market known, the organization will next decide on the product with which to serve the selected target market(s).

SELF-ASSESSMENT EXERCISE 1 List the many interrelated elements making up marketing strategy of organizations.

2.3.2 Product Planning

This will cover the issues of product and its associated services- pre-sales, transaction- related and after sales that deliver value to customers. Will it be a catalogue, modular or custom-built product? Related product issues of weight, materials, packaging and quality, product service issues of advice, installation, training and maintenance will be defined.

2.3.3 Distribution System

Adoption of direct marketing, indirect marketing or mixed distribution strategy. If direct marketing, issues of sales force, warehousing, depot, transportation, customer service, order processing, inventory management and control, distribution point, sales outlet and sales territories will be determined.

If indirect marketing, the following issues will be decided: number and type of distributors, functions to be performed by the distributors, types of distributors- general, specialized or hybrid distributors, channel system- a single channel system, a multiple channel system or a hybrid channel system?

Leadership style in managing the channel system to maximize cooperation tendencies and minimize conflicting tendencies and keep the channel competitive and customer focused.

2.3.4 Communications Strategy

Communication objective- awareness, knowledge, liking, preference, conviction, or

purchase, to help sell a vendors offering.

Communication instruments-personal selling, advertisements in trade journals, trade shows, direct mail, websites, billboards, TV and radio advertising, infomercials, catalogues, webcasts, product brochures, email, customer contact centres, publicity, public relations, product demonstrations, showrooms, blogs etc.

Communication media-publicity, advertising, fax, email, direct mail, catalogues, internet, trade shows, promotions, telemarketing, face to face.

2.3.5 Pricing Strategy

Factors influencing pricing decisions-costs, value and competition.

Drivers of price-cost-based pricing (cost-plus, target-rate of return, and geographical pricing).

Pricing a product line-complementary products and substitute products.

Pricing tactics- negotiations, competitive bidding and guaranteed prices.

SELF-ASSESSMENT EXERCISE 2 List the communication

instruments in Industrial Marketing

2.3.6 Technical Assistance

Training, installation, maintenance, expansion, upgrading and disposal.

SELF-ASSESSMENT EXERCISES

- 1) List and explain the elements of Industrial Marketing strategy
- 2) Discuss market selection and product planning strategy in Industrial Marketing
- 3) Describe distribution, communication and pricing components of marketing

strategy in Industrial Marketing

2.4 Summary

In this study unit, the topics covered included the following:

Market selection

Product planning

Distribution system

Communications strategy

Pricing strategy

Technical assistance

Plant location

2.5 References/Further Reading/Web Resources

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2.6 Possible Answers to Self-Assessment Exercise

1. The marketing strategy can be broken into many interrelated elements. These elements will include:
 - a. Market selection
 - b. Product planning
 - c. Distribution system
 - d. Communications strategy
 - e. Pricing strategy
 - f. Technical assistance
 - g. Plant location

2. Communication instruments-personal selling, advertisements in trade journals, trade shows, direct mail, websites, billboards, TV and radio advertising, infomercials, catalogues, webcasts, product brochures, email, customer contact centres, publicity, public relations, product demonstrations, showrooms, blogs etc.

UNIT 3: STEPS IN INDUSTRIAL STRATEGIC MARKETING PLANNING

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3.1 Introduction

3.2 Intended Learning Outcomes

3.3 Steps in Industrial Strategic Marketing Planning

3.3.1 External Environment

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3.3.4 Business Unit Goals and Strategies

3.3.5 Product Market Opportunities

3.3.6 Market Analysis

3.3.7 Economic and Risk Analysis

3.6.8 Product Market Strategies

3.4 Summary

3.5 References/Further Reading/Web resources

3.6 Possible Answers to Self-Assessment Exercise

3.1 Introduction

In this study unit, we note that strategic marketing planning is useful to industrial marketers but many may not be doing it because of human and institutional capacity challenges. This unit aims to provide a guide for industrial marketers who desire to produce a strategic marketing plan.

This unit discussed the following issues:

- External Environment
- Business Unit Environment
- Corporate Goals
- Business Unit Goals and Strategies
- Market Opportunities
- Market Analysis

In this unit, we complete discussion on Industrial Strategic Marketing Planning.

3.2 Intended Learning Outcomes

At the end of this unit, you should be able to:

1. List and explain the elements of External Environment;
2. Discuss Business Unit Environment;
3. List Corporate Goals;
4. State Business Unit Goals and Strategies;
5. Product Market Opportunities;
6. Explain Market Analysis;
7. Discuss economic and risk analysis needful in strategic marketing planning; and
8. Explain product market strategies apposite in Industrial Marketing.

3.3 STEPS IN INDUSTRIAL STRATEGIC MARKETING PLANNING

3.3.1 External Environment

The elements of external environment to be examined are:

Economic

Technical

Demographic

Political

Legal

Regulatory

3.3.2 Business Unit Environment

Under this, we discuss the following:

Product Lines

Customer Base

Market Share Positions

Manufacturing Systems

R& D Capabilities

Sourcing Systems

Distribution

Financial Resources

Management

Organization and Control Systems

SELF-ASSESSMENT EXERCISE 1

List the elements of external environment in industrial marketing.

3.3.3 Corporate Goals

3.3.4 Business Unit Goals and Strategies

Goals, e.g,

- Rate of growth
- Profitability
- Market share
- Strategic plans
- Marketing
- Manufacturing
- R & D
- Finance

3.3.5 Product Market Opportunities

- Product development
- Market development
- Market expansion
- Diversification

3.3.6 Market Analysis

- Market segmentation scheme
- Segment analysis
- Size
- Rate of growth
- Technology
- Competitors' positions

- Regulatory factors
- Buyer behavior
- Product needs
- Information needs
- Buying processes
- Other available options

3.3.7 Economic and Risk Analysis

Potential gains, e.g.

- Profit levels
- Market share

Potential risks

- Break-even analysis
- Contingency analysis

Business-related effects, e.g., impact on

- Existing product lines
- Current customer base
- Distribution systems
- Technical resources
- Manufacturing systems Potential follow-on opportunities

3.6.2 Product Market Strategies

- Market segment selection
- Product planning
- Pricing
- Distribution
- Promotion
- Other

- Product service
- Technical support
- Sales financing
- Plant location

SELF-ASSESSMENT EXERCISE 2 Identify the elements of product market strategies in Industrial Marketing.

SELF-ASSESSMENT EXERCISES

- I. List and explain the elements of External Environment
- II. Discuss Business Unit Environment
- III. List Corporate Goals
- IV. State Business Unit Goals and Strategies
- V. Identify Product Market Opportunities
- VI. Explain Market Analysis.
- VII. Discuss economic and risk analysis needful in strategic marketing planning
- VIII. Explain product market strategies apposite in Industrial Marketing.

3.4 Summary

. In this study unit, you were introduced to the following topics:

- External Environment
- Business Unit Environment
- Corporate Goals
- Business Unit Goals and Strategies
- Market Opportunities
- Market Analyst

3.5 References/Further Reading/Web Resources

Anderson, J.C., and Narus, J.A. (2004). Business Market Management: Understanding, Creating, and Delivering Value, 2nd Edition, Pearson Education, Inc.

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3.6 Possible Answers to Self-Assessment Exercise

1. The elements of external environment to are:
 - a. Economic
 - b. Technical
 - c. Demographic
 - d. Political
 - e. Legal
 - f. Regulatory
2. The elements of product market strategy in industrial marketing are:
 - Market segment selection
 - Product planning
 - Pricing
 - Distribution
 - Promotion
 - Others

- Product service, Technical Support, Sales Financing, Plant Location.