



NATIONAL OPEN UNIVERSITY OF NIGERIA

SCHOOL OF MANAGEMENT SCIENCES

COURSE CODE: MKT 859

COURSE TITLE: INDUSTRIAL MARKETING

NATIONAL OPEN UNIVERSITY OF NIGERIA

Course Code

MKT 859

Course Title

Industrial Marketing

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NATIONAL OPEN UNIVERSITY OF NIGERIA

MKT 859

INDUSTRIAL MARKETING

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UNIT 1: OVERVIEW OF INDUSTRIAL MARKETING

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Product Classification and Categorization of Marketing

3.2 The Difference between Industrial and Consumer Marketing

3.3 Why Study Industrial Marketing

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References/Further Reading

1. INTRODUCTION

There are clear differences between industrial and consumer products leading to distinction between consumer and industrial marketing. 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.

2. OBJECTIVES

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

1. Discuss product classification and categorization of marketing;
2. Explain the difference between consumer and industrial marketing; and
3. Discuss why industrial marketing should be treated as a distinct course of study.

3. MAIN CONTENT

3.1 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.

3.2 The Difference between Industrial and Consumer Marketing

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. The difference is that of emphasis. The specific differences between consumer and industrial marketing are highlighted below:

1. 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.
2. 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.
3. 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.
4. 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.
5. 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.

6. 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.
7. 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.

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. Hutt and Speh (2001) note that "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."Dwyer and Tanner (2006) say 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.

4. CONCLUSION

This introductory unit has made a case for the treatment of Industrial Marketing as a distinct area of marketing study. The rationale came from differences in the products being sold in the two marketing areas and the customer groups being served in them. The major reasons for studying Industrial Marketing were also adduced.

5. 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.

6. TUTOR MARKED ASSIGNMENT

- I. Discuss product classification and categorization of marketing
- II. Explain the difference between consumer and industrial marketing
- III. Discuss why industrial marketing should be treated as a distinct course of study.

7. REFERENCES/FURTHER READING

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

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UNIT 2: PERSPECTIVES AND STAGES OF ORGANIZATIONAL BUYING PROCESS

CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Perspectives in Industrial Marketing

3.2 The Customer Activity Cycle

3.3 Stages of Organizational Buying Process

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References/Further Reading

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.

2. OBJECTIVES

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

1. Discuss the perspectives in Industrial Marketing;
2. Explain the customer activity cycle; and
3. Describe the stages of organizational buying process.

3. MAIN CONTENT

3.1 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? (Biemans, 2010).

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? (Biemans, 2010). 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 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 (Biemans, 2010).. Customer activity cycle captures the processes leading to the following three stages:

3.2.1 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

3.2.2 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

3.2.3 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 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 according to Biemans, (2010) 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

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

4. CONCLUSION

This study unit addressed three issues germane to the perspectives and stages of organizational buying process. The specific issues included perspectives in industrial marketing, the customer activity cycle and stages of organizational buying process. A good understanding of these issues will enable the industrial marketer to be able to intervene discretely and influence the customer's choice of vendor.

5. 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 and evaluation
- Evaluation and feedback

6. TUTOR MARKED ASSIGNMENT

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

7. REFERENCES/FURTHER READING

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

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UNIT 3: INDUSTRIAL BUYING ISSUES

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content

- 3.1 Organizational Decision Making
- 3.2 Criteria Being Used in Buying Behavior
- 3.3 Buying Situations
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment
- 7.0 References/Further Reading

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.

2. OBJECTIVES

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

1. Describe organizational decision making;
2. List and discuss the criteria being used in buying behavior; and
3. Explain organizational buying situations.

3. MAIN CONTENT

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.

3.1.1 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.

3.1.2 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.

3.1.3 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 (Biemans, 2010).

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

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 according to Robinson et al., (1967) 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.

4. CONCLUSION

In industrial buying, some issues are germane to successful marketing by industrial marketers. These important issues which have been discussed in this study unit included the following: organizational decision making involving the identification of individuals involved in the buying decision making and the role they play, including

the influence they exert in the decision to buy. The unit also discussed the buying motives in organizations and how they play out in the buying decision. The criteria normally used by the buying decision making unit in evaluating bids and selecting supplier(s) were also discussed. The unit concluded by discussing the buying situations organizations face and how they determine the effort made in reaching a decision on choosing a supplier.

5. 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

- 4) Straight re-buy
- 5) Modified re-buy
- 6) New task

6. TUTOR MARKED ASSIGNMENT

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

7. REFERENCES/FURTHER READING

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

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UNIT 4: SIMILARITIES BETWEEN INDUSTRIAL AND CONSUMER MARKETING

CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Same Basic Concepts and Tools

3.2 Derived Demand

3.3 Role of Individuals.

3.4 Dual Marketing

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References/Further Reading

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.

2. OBJECTIVES

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 derived demand;
3. List and describe the role of individuals in industrial marketing; and
4. Discuss dual marketing.

3. MAIN CONTENT

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.

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.

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.

3.4 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.

4. CONCLUSION

In this study unit we have been able to demonstrate that although consumer and industrial marketing can be studied and researched differently that areas of commonality exist between the two. The major similarities in the study of consumer and industrial marketing discussed in this unit included application of same concepts and tools in the management of consumer and industrial marketing, derived demand, role of individuals and dual marketing.

5. SUMMARY

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

Same Basic Concepts and Tools

Derived Demand

Role of Individuals

Dual Marketing- Selling to Consumers and Industrial Customers

6. TUTOR MARKED ASSIGNMENT

Discuss the basic concepts and tools similar in Consumer and Industrial Marketing

Explain derived demand

List and describe the role of individuals in industrial marketing

Discuss dual marketing

7. REFERENCES/FURTHER READING

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UNIT 5: TYPE OF INDUSTRIAL CUSTOMERS

CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Commercial Enterprises

3.2 Government Agencies

3.3 Institutions

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References/Further Reading

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. OBJECTIVES

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

1. List and discuss various forms of commercial enterprises;
2. List and explain government agencies; and
3. List and describe the organizations under institutions.

3. MAIN CONTENT

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).

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).

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

4. CONCLUSION

The three broad categories of industrial customers discussed in this study unit were wide enough to capture all customers that an industrial marketer can conceivably serve. Each has its own peculiar characteristics that have implications for their buying behavior and how they are to be best served. It is the responsibility of industrial marketers to segment and properly target the industrial market to be served and then develop appropriate marketing mix for each.

5. 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

6. TUTOR MARKED ASSIGNMENT

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

7. REFERENCES/FURTHER READING

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UNIT 6: SALES FORCE MANAGEMENT IN INDUSTRIAL MARKETING

CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Personal Selling

3.2 Sales Tasks

3.3 Sales Approaches

3.4 Ethical Dilemmas

3.5 Sales Management

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References/Further Reading

1. INTRODUCTION

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. OBJECTIVES

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.

3. MAIN CONTENT

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.

3.2 Sales Tasks

The sales tasks especially for industrial marketing are multifaceted and include the following:

3.2.1 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.

3.2.2 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.

3.2.3 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 of customers
- Unmet customer needs.

3.3 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.

According to Dwyer and Tanner (2006) a variety of sales approaches such as script-based selling, adaptive selling, consultative selling and strategic partner selling can be used by salesmen.

3.3.1 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.

3.3.2 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.

3.3.3 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.

3.3.4 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).

3.4 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.

3.4.1 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.

3.4.2 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.

3.4.3 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 bad light 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.

3.5 Sales Management

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

3.5.1 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.

3.5.2 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.

3.5.3 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.

3.5.4 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.

3.5.5 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.

4. CONCLUSION

This study unit discussed issues bordering on making sales management effective. Such issues particularly for industrial salesmen covered personal selling, sales organization, training of salesmen, and motivation of salesmen, ethical issues confronting salesmen and performance evaluation and control measures for effective personal selling.

5. 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

6. TUTOR MARKED ASSIGNMENT

- I. Explain personal selling and relate it to industrial marketing
- II. List and discuss the sales tasks of industrial salesmen
- III. Discuss the various sales approaches
- IV. Describe the ethical dilemmas industrial salesmen face
- V. Discuss sales management
- VI. Describe the seven types of salespeople.

7. REFERENCES/FURTHER READING

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

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UNIT 7: CHARACTERISTICS OF INDUSTRIAL MARKETS

CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Derived Demand

3.2 Joint Demand

3.3 Few Geographically Concentrated Customers

3.4 Complex Organizational Buying Behaviour

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References/Further Reading

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.

2. OBJECTIVES

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

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

3. MAIN CONTENT

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.

3.2 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 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.

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.

4. CONCLUSION

Success in marketing and selling of industrial products requires good knowledge, right skill level and attitude on the part of operators. The areas where knowledge, skill and attitude are important have been demonstrated to include four characteristics of industrial markets, namely derived demand, joint demand, number and geographical concentration of customers and complex organizational buying behavior. Mastery of these characteristics and their attendant implications for marketing decisions will stand the industrial marketer in a good stead in effectively and successfully selling industrial products.

5. SUMMARY

This study unit covered the following topics:

Derived Demand

Joint Demand

Few and Geographically Concentrated Customers

Complex Organizational Buying Behaviour

6. TUTOR MARKED ASSIGNMENT

Discuss derived demand

Explain joint demand

Explain how industrial customers are few and geographically concentrated

Describe the complex organizational buying behavior.

7. REFERENCES/FURTHER READING

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

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UNIT 8: INDUSTRIAL PRODUCTS

CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Raw and Processed Materials

3.2 Component Parts

3.3 MRO Supplies

3.4 Capital Goods

3.5 Tools and Accessories

3.6 Services

3.7 Systems

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References/Further Reading

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.

2. OBJECTIVES

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.

3. MAIN CONTENT

3.1 Raw and Processed Materials

The categories of industrial products, their buying approaches and marketing implications according to Biemans (2010) are presented below starting with raw and processed materials.

These are materials that are used in manufacturing. 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.

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.

3.3 MRO Supplies

These are supplies for maintenance, repair and day to day operations (lubricants, office supplies and spare parts). 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 support services provided. MRO are typically sold through channel partners and increasingly through the internet, but very large volumes can be sold directly.

3.4 Capital Goods

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.

3.5 Tools and Accessories

These will include light equipment and tools that are less expensive than capital goods and are typically bought in large quantities. 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.

3.6 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.

3.7 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.

4. CONCLUSION

Industrial marketers need to understand the categories of products they offer, know their features, buying approaches and marketing implications for effective marketing, sales and relationship building. This study unit has discussed the categories of industrial products, their examples, buying approach and marketing implications.

5. SUMMARY

This study unit covered the following topics:

Raw and Processed Materials

Component Parts

MRO Supplies

Capital Goods

Tools and Accessories

Services

Systems

6. TUTOR MARKED ASSIGNMENT

- 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
- 7) Explain Systems.

7.0 REFERENCES/FURTHER READING

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

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UNIT 9: MANAGING INDUSTRIAL PRODUCTS AND SERVICES

CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Three Types of Product

3.2 Steps in Improving Product Service

3.3 Characteristics of Services

3.4 Marketing of Services

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References/Further Reading

1.0 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.

2.0 OBJECTIVES

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; and
4. Discuss the Characteristics of Services; and
5. Discuss the Marketing of Services.

3.0 MAIN CONTENT

3.1 Products and Product Service

Industrial marketers deal on three types of product. These are catalogue products, modular products and custom-built products (Beimans, 2010).

- A. **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.

- B. **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.
- C. **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.

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 determining and lists 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 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.

3.3 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 (Beimans, 2010).

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.

3.4 Marketing of Services

It involves three parties, namely, organization, employees and customers. This gives rise to three types of marketing (Beimans, 2010):

- 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.

4.0 CONCLUSION

In this study unit, you have been exposed to the three types of product and their associated marketing implications and approach that industrial marketer's offer to their customers. The unit also discussed the services that support these product types and classified them into pre-sales, transaction and after sales services. The steps towards improving product services were outlined. The characteristics of service and their attendant problems and marketing approach were articulated and the three types of marketing covering the three parties involved in service marketing were also explained.

5.0 SUMMARY

In this study unit, the following topics were covered:

Products and Product Service

Three types of product

D. Catalogue products

E. Modular products

F. Custom-built products

Steps in Improving Product Service

- 6) Identify the products to cover
- 7) Select the services to offer
- 8) Design the service pricing structure
- 9) Design the product service organization
- 10) Manage the product services supply chain

Characteristics of Services

5. Intangibility
6. Simultaneous production and consumption
7. Heterogeneity
8. Perishability
9. Customization
10. Performance at customer site

Marketing of Services

- 4) External marketing: making promises
- 5) Interactive marketing: keeping promises
- 6) Internal marketing: enabling promises

6.0 TUTOR MARKED ASSIGNMENT

- 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.

7.0 REFERENCES/FURTHER READING

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UNIT 10: PRICING IN INDUSTRIAL MARKETING

CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Important Factors in Industrial Marketing Pricing Strategy

3.2 Three Ways to Set Prices in Industrial Marketing

3.3 The Pricing Process in Industrial Marketing

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References/Further Reading

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

2.0 OBJECTIVES

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

1. Discuss the important factors in industrial marketing pricing strategy;
2. List and discuss the three ways to set prices in industrial marketing; and
3. Explain the pricing process in industrial marketing.

3.0 MAIN CONTENT

3.1 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 maybe 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.

3.2 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.

3.3 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

5. CONCLUSION

This study unit has discussed strategic issues in pricing of industrial products. It highlighted the role of pricing in strategic marketing of industrial products, explained pricing objectives, described pricing procedures and articulated the factors to be taken into consideration in making the pricing process effective.

6. SUMMARY

This study unit covered the following topics:

Important Factors in Industrial Marketing Pricing Strategy

Costs

Value of the product

Competition

Customer bargaining power

Government intervention

Fairness

Pricing objectives

Three Ways to Set Prices in Industrial Marketing

Cost-based pricing

Competitive bidding

Published list pricing

The Pricing Process in Industrial Marketing

- 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

7. TUTOR MARKED ASSIGNMENT

- I. Discuss the important factors in industrial marketing pricing strategy
- II. List and discuss the three ways to set prices in industrial marketing
- III. Explain the pricing process in industrial marketing

8. REFERENCES/FURTHER READING

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UNIT 11: COMMUNICATION/PROMOTION IN INDUSTRIAL MARKETING

CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Communication Strategy and Objectives

3.2 Communication Media

3.3 Steps in Communication Planning

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References/Further Reading

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. OBJECTIVES

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

1. Discuss communication strategy and objectives in industrial marketing;
2. Describe communication media; and
3. List and explain the steps in communication planning.

3. MAIN CONTENT

3.1 Communication Strategy and Objectives

According to Biemans (2010) 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

3.2 Communication Media

The tools commonly used in promoting industrial products according to Biemans (2010) are:

Publicity

Advertising

Fax

Email

Direct Mail

Catalogues

Internet

Trade Shows

Promotions

Telemarketing

Face to Face

3.3 Steps in Communication Planning

According to Biemans (2010) 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 needs 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.

4. CONCLUSION

Communication of the values being created and offered by the industrial marketer is at the heart of strategic marketing planning. It needs to be well thought out, resourced, evaluated and sustained.

5. SUMMARY

This study unit covered the following topics:

5.1 Communication Strategy and Objectives

Awareness

Knowledge

Liking

Preference

Conviction

Purchase

5.2 Communication Media

Publicity

Advertising

Fax

Email

Direct Mail

Catalogues

Internet

Trade Shows

Promotions

Telemarketing

Face to Face

5.3 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

6. TUTOR MARKED ASSIGNMENT

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

7. REFERENCES/FURTHER READING

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

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UNIT 12: COMMUNICATION MANAGEMENT-FORMS AND INTEGRATED COMMUNICATION

CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 One to One Communication-Direct Marketing

3.2 Mass Communication

3.3 Integrated Communication

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References/Further Reading

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.

2. OBJECTIVES

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

1. List and explain the various forms of direct marketing;
2. List and describe the various forms of mass communication; and
3. Discuss integrated communication in industrial marketing.

3. MAINCONTENT

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:

1. Direct mail-this involves the delivery of advertising materials to customers/prospects through postal mail. The most common formats of direct mail according to Beimans (2010) 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.

2. Email marketing-this is a cheaper and faster alternative to direct mail. It uses electronic mail to send messages to an audience.

3. Telemarketing-this is an old and still common form of direct marketing. Its contact is through phone.

4. Internet marketing-also called web marketing, online marketing or e-marketing.it involves the marketing of products over the internet.

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 tradeshow, are becoming common. Personal selling can easily be used in trade shows to achieve great mileage in sales.

Organizational decisions needed in tradeshow 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 a cross 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.

3.2 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.

4. CONCLUSION

Given the many promotion objectives, instruments, media and messages of industrial marketers, it is important that there be integration to ensure effectiveness and efficiency in the marketing strategy of the organization. The concept of IMC is therefore important and timely.

5. 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

6. TUTOR MARKED ASSIGNMENT

- 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

7. REFERENCES/ FURTHER READING

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

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UNIT 13: DISTRIBUTION DECISIONS IN INDUSTRIAL MARKETING- INSTITUTIONS MAKING UP THE DISTRIBUTION SYSTEM

CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Distribution Functions

3.2 Institutions Making Up Channels of Distribution

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References/Further Reading

1.0 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.

2.0 OBJECTIVES

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

- Discuss the distribution functions of institutions involved in channels of distribution for industrial products; and
- Describe the institutions involved in the channels of distribution for industrial products.

3.0 MAIN CONTENT

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

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

4.0 CONCLUSION

Distribution functions are crucial in the creation and offering of value by industrial marketers. The functions are divisible and also transferable. Different institutions including producers and middlemen can perform the different forms of the distribution functions. In situations where producers decide to do away with middlemen and engage in direct marketing, the distribution functions will not be wished away- they will have to be performed by the producers. Hence it is said that middlemen can be eliminated but their functions cannot be eliminated-must be performed by the producer.

5.0 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

6.0 TUTOR MARKED ASSIGNMENT

- I. Discuss the distribution functions of institutions involved in channels of distribution for industrial products
- II. Describe the institutions involved in the channels of distribution for industrial products.

7.0 REFERENCES/FURTHER READING

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**UNIT 14: DISTRIBUTION DECISIONS IN INDUSTRIAL MARKETING-DESIGN
OPTIONS IN FORMING CHANNELS OF DISTRIBUTION**

CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Design Options in Forming Channels of Distribution

3.2 Additional Dimensions of Channel Strategy

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References/Further Reading

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.

2. OBJECTIVES

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

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

3. MAIN CONTENT

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 demographics

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.

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

4. CONCLUSION

In making a decision on the distribution channel system to adopt, the organization will have to balance the need to keep touch with users of product and the specialized knowledge, skills and resources needed to perform the important distribution functions. Any system adopted today may have to be reviewed in future as the circumstances of the product market, industry, technology and the economy change. The ultimate consideration is keeping the system and all the institutions happy, cooperative and committed to the well-being of others and end-users.

5. SUMMARY

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

Design options in forming channels of distribution

Additional dimensions of channel strategy

6. TUTOR MARKED ASSIGNMENT

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

Explain the other decision areas in channel strategy for industrial marketers.

7. REFERENCES/FURTHER READING

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UNIT15: DISTRIBUTION DECISIONS IN INDUSTRIAL MARKETING-PRODUCER-RESELLER RELATIONSHIPS

CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Structuring Channels Relationships

3.2 Managing Channels Conflicts

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References/Further Reading

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 lasser 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.

2. OBJECTIVES

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

1. Discuss the structuring of channels relationships; and
2. Discuss managing channels conflicts.

3. MAIN CONTENT

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

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.

4. CONCLUSION

The choice of a channel of distribution system can be based on clearly objective criteria by the organization. This can be reviewed as when necessary. The serious challenge in managing channel of distribution is having a channel captain who is able to maximize the cooperating tendencies of the institutions involved while minimizing the conflicting tendencies. The effective channel of distribution system is one that delivers value to end users and is able to compete with other channels of distribution.

5. SUMMARY

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

Structuring channels relationships

Managing channels conflicts

6. TUTOR MARKED ASSIGNMENT

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

7. REFERENCES/FURTHER READING

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

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UNIT 16: ELEMENTS OF INDUSTRIAL MARKETING STRATEGY

CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Market selection

3.2 Product planning

3.3 Distribution system

3.4 Communications strategy

3.5 Pricing strategy

3.6 Technical assistance

3.7 Plant location

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References/Further Reading

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. OBJECTIVES

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

1. List and explain the elements of industrial marketing strategy;
2. Discuss market selection and product planning strategy in industrial marketing; and
3. Describe distribution, communication and pricing components of marketing strategy in industrial marketing.

3. MAIN CONTENT

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 respect 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).

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.

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.

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.

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.

3.6 Technical Assistance

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

4. CONCLUSION

To eliminate arbitrariness in the marketing of industrial products there is need to have in place a good and dynamic marketing strategy that will anticipate all customer related questions and problems and provide answers and solutions to them. This is more important in highly competitive product markets where customer satisfaction and retention are critical for success.

5. 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

6. TUTOR MARKED ASSIGNMENT

List and explain the elements of industrial marketing strategy

Discuss market selection and product planning strategy in industrial marketing

Describe distribution, communication and pricing components of marketing strategy in industrial marketing

7. REFERENCES/FURTHER READING

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

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UNIT 17: STEPS IN INDUSTRIAL STRATEGIC MARKETING PLANNING

CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 External Environment

3.2 Business Unit Environment

3.3 Corporate Goals

3.4 Business Unit Goals And Strategies

3.5 Product Market Opportunities

3.6 Market Analysis

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References/Further Reading

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.

2. OBJECTIVES

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; and

6. Explain Market Analysis.

3. MAIN CONTENT

3.1 External Environment

The elements of external environment to be examined are:

Economic

Technical

Demographic

Political

Legal

Regulatory

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

3.3 Corporate Goals

3.4 Business Unit Goals and Strategies

Goals, e.g,

- Rate of growth
- Profitability
- Market share

Strategic plans

- Marketing
- Manufacturing
- R & D
- Finance

3.5 Product Market Opportunities

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

4. CONCLUSION

The necessary steps in developing an industrial strategic marketing plan have been outlined in this study unit. This is a mere guide that must not necessarily be followed dogmatically. Every organization should domesticate the guide, selecting issues germane to its own operations and where data are readily available.

5. 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 Analysis

6. TUTOR MARKED ASSIGNMENT

- 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. Product Market Opportunities
- VI. Explain Market Analysis.

7. REFERENCES/FURTHER READING

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

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UNIT 18: STEPS IN INDUSTRIAL STRATEGIC MARKETING PLANNING (11)

CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Economic and Risk Analysis

3.2 Product Market Strategies

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References/Further Reading

1. INTRODUCTION

In this study, we continue discussion on industrial strategic marketing planning. The first part 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.

2. OBJECTIVES

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

Discuss economic and risk analysis needful in strategic marketing planning; and

Explain product market strategies apposite in industrial marketing.

3. MAIN CONTENT

3.1 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

3.2 Product Market Strategies

- Market segment selection
- Product planning
- Pricing
- Distribution
- Promotion
- Other
- Product service
- Technical support

- Sales financing
- Plant location

4. CONCLUSION

Economic and risk analysis and product market strategies are the last steps in designing an industrial strategic marketing plan. The potential gains and risks of the plan and their business related effects should be identified and accommodated in deciding on the product market strategies to be adopted by the organization.

5. SUMMARY

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

Economic and Risk Analysis

Product Market Strategies

6. TUTOR MARKED ASSIGNMENT

- 1) Discuss economic and risk analysis needful in strategic marketing planning
- 2) Explain product market strategies apposite in industrial marketing.

7. REFERENCES/FURTHER READING

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

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