Business-to-Business Marketing

A Step-by-Step Guide

Ray Wright

FT Prentice Hall
FINANCIAL TIMES

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Pearson Education Limited

Edinburgh Gate
Harlow
Essex CM20 2JE
England

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First edition 2004

ISBN 0 273 64647 8

British Library Cataloguing-in-Publication Data
A catalogue record for this book is available from the British Library

Library of Congress Cataloging-in-Publication Data
Wright, Ray, 1942–
Business-to-business marketing / Ray Wright. – 1st ed.
p. cm.
Includes bibliographical references and index.
ISBN 0-273-64647-8
1. Industrial marketing. I. Title: B2B marketing. II. Title.
HF5415.1263.W75 2004
658.8′04–dc21
2003048260

10 9 8 7 6 5 4 3 2 1
08 07 06 05 04

Typeset in 9.25/12pt Stone Serif by 35
Printed and bound by Bell & Bain Ltd, Glasgow

The publisher's policy is to use paper manufactured from sustainable forests.

I would like to dedicate this book to my wife Barbara for showing, despite little understanding, intermittent tolerance and patience for the many hours I spent working alone on the word processor. Anything else would have been de-stabilising.

Contents

Preface

Business-to-business marketing involves one business marketing products and services to another for its own use. Abbreviated to B2B marketing, this newly emerging market and discipline has not received as much attention as business marketing to end consumers, known as B2C marketing. The appeal of everyday consumer goods such as cars, perfumes, chocolate, and fashion clothes plays a more integral role in our everyday lives; whereas we, as consumers, don't tend to think about products such as chemicals, component parts, aggregates and capital equipment in quite the same way.

Business marketing, however, has enormous hidden depths covering many more industrial and commercial transactions along the supply chain than many students and practitioners might imagine. If all interactions were considered – from raw material suppliers, agents, distributors, manufacturers, wholesalers and business buyers – then we would see that B2B markets are substantially larger and often more valuable than B2C markets and, surprisingly enough, they can be just as interesting. Since a large percentage of business and marketing students will land careers in the industrial and commercial sector, this book was written with them in mind.

A book with a global approach

While books on B2B marketing have started to emerge, most texts provide a US-centric approach. This book is structured so that it appeals to the global audience, with special emphasis on the UK and Europe. The book is presented in a straightforward, step-by-step manner that is suited to the needs of both marketing students and business and marketing practitioners. The book gives examples that constantly compare B2B and B2C marketing.

Structure of the book

The book is divided into 10 chapters. Each chapter opens with Aims and Objectives and then launches into core content. Within each chapter the reader will find real-world examples, definitions and B2B and B2C comparisons. Each time the reader encounters the icon shown on the left, go to http://booksites.net/wright for further discussion and valuable supplementary resources.

Supplement download site

As an added bonus available to both lecturers and students, access http://booksites.net/wright to find rich and diverse case studies, questions on the case studies, Internet exercises and a full hyperlinked list of the Internet sites listed in each chapter. In addition, five key points of the text will refer the reader to the website to explore in detail key aspects of B2B marketing.

Chapter 11 (Understanding Organisational Behaviour – the theory) can be downloaded from this site. This is a comprehensive and invaluable theoretical discussion of this complex and challenging area.

In addition, the supplement download site offers an Instructor's Manual, written by the author, to help facilitate learning. The guide offers teaching tips and suggestions.

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Chapter

The business marketing environment in the modern world

If you ask managers what they do, they will most likely tell you that they plan, organize, coordinate and control. Then watch what they do. Don't be surprised if you can't relate what you see to those four words.

(Henry Mintzberg)

Aims and objectives

By the end of this chapter the student should be able to:

1. Identify the meaning of business-to-business marketing and demonstrate the part it plays in both national and global markets.
2. Outline the factors that have contributed to the growth and development of these markets.
3. Identify the different types of markets and the different types of organisations that have played a part in the process.

Part 1 What is the business market?

Introduction

Marketing theory and concepts were originally developed in the USA before World War II and did not enter into business thinking as a compact and consistent approach in the UK and the rest of the modern world until much later. This marketing approach, however, was in the context of individuals and groups within end consumer markets and, though highly successful and widespread, did not apply to one company buying and selling to another. With the study of organisations and organisational behaviour in the 1950s and 1960s came the realisation that companies operate in significantly different ways when buying products and services than do end consumers and thus demand different marketing strategies. Of course many sales people, being at company buying level, had seen that organisational purchase and supply methods demanded a different approach and the more successful had quickly adapted, knowing that the right approach to customer satisfaction would lead to more sales and more commission. However, a consistent and integrated approach based on sound marketing principles did not surface until much later. Even now, in the new millennium decade, despite its size and importance, business-to-business marketing could still be described as the poor neighbour of consumer marketing, although this is now changing.

☐ What is the business-to-business market?

Business-to-business (B2B) markets operate at both a national and a global level. They can best be described as markets where one business markets and sells products and services for an organisation's own use or to sell on to other businesses for their own use. They exist in the commercial, not-for-profit (NFP) and government sectors. They are different from consumer markets in that the end customer is either the owner or the employee of some type of organisation buying products and services for their company rather than for individual or private use. Depending on how the market is measured, it can account for over 40 per cent of all national, international and global transactions. In terms of the amount of revenue collected, the end consumer price will be higher than intervening prices between B2B companies but if value added is taken into account then it could be three or four times larger in consumer markets. This is because for every business-to-consumer (B2C) purchase there could be many more transactions between raw material suppliers, producers, manufacturers, agents and wholesalers back 'upstream' along the supply chain (Figure 1.1).

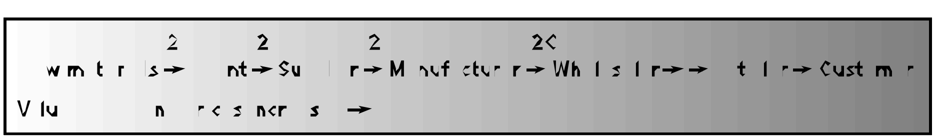
Business-to-business compared with business-to-consumer

There are slightly different definitions of B2B or industrial marketing (as it has sometimes been known) depending on the approach taken. To save confusion we intend to compare B2B marketing with business-to-consumer marketing and use this as our definition.

Business-to-consumer

Business-to-consumer marketing can be defined as a market where organisations market and sell already finished consumer products to the end consumer. This might be direct, through a wholesaler, or as is much more likely through the retail sector. It might involve products and services sold direct to the end consumer through direct mail, door-to-door or through the internet or goods and services sold through the huge retail sector. Building services such as double glazing, clothing, financial services, farm produce and so on are all examples of products

Figure 1.1 Transactions along the supply chain



and services that are purchased direct. Much more likely, however, is for the end consumers to purchase goods and services from an intermediary. The choice is monumental. It might be from a department store, a supermarket, a chain store, a convenience store or one of the many tens of thousands of independent stores. It can be purchased from the high street, a shopping arcade, a retail park, a factory village or a regional shopping centre.

So we can take as an obvious and simple example branded and packaged fast-moving consumer goods (FMCG) sold by the big supermarkets such as Tesco, Sainsbury's and Wal-Mart. These will be manufactured by a company such as Sara Lee or P&G and sold to the intermediary who will then merchandise, display and sell to the end consumer. The big brand manufacturers will in a sense thus have two target markets, the retail buyer and the end consumer. Both will be the target of an integrated marketing and promotional campaign often known as a 'push' and 'pull' approach, for the retailer, to stock and merchandise the product, and for the end consumer to purchase and repurchase the product. The important point to remember is that the marketing approaches used will be different for the two markets, a business approach to the retailer and an individual approach to the end consumer, but both will be seen in the context of a B2C market. This is because the end objective for both organisations is the sale of the product for consumer use.

Example 1.1 Marketing in B2C markets

Sara Lee Corporation is a global manufacturer and marketer of high-quality, brand-name products for consumers throughout the world. With headquarters in Chicago, Sara Lee has operations in 55 countries and markets products in nearly 200 nations. The corporation employs 154,900 people worldwide.

Business-to-consumer marketing, B2C definition

Business-to-consumer marketing is where one business markets products and services either to another business, i.e. a wholesaler or a retailer to sell on to the end consumer, or to the end consumer direct.

Business-to-business market defined

Business-to-business products and services can be seen as quite different. These are goods and services marketed and sold by one organisation to another organisation for its own use in some way or to be sold on to another organisation for its own use. A component part, for example a stainless steel washing drum, may go into a consumer product but it will be bought by the domestic appliance manufacturer, perhaps Whirlpool, for its own use. Similarly P&G will want to buy such things as packaging, food flavouring, vegetables, tea and coffee for its own use to go into its branded FMCG product. All can be identified as B2B products and services. In some markets suppliers sell these B2B products to other intermediaries such as agents or wholesalers before they are bought by companies such as P&G and Whirlpool. In these cases they are still seen as B2B products.

Business-to-business marketing, B2B definition

Business-to-business marketing is where one business markets products or services to another business for use in that business or to sell on to other businesses for their own use.

Throughout the book we will be comparing B2B marketing with B2C marketing. In this way we feel that the student will be better able to understand many of the differences inherent in producing goods and services and marketing to a business customer rather than the end consumer.

Example 1.2

Marketing in B2B

Suppliers closely connected to the Jeep markets factory will not make a vehicle's parts until it starts to move down the assembly line. Eight suppliers, including seven with plants newly built or leased for this purpose near Toledo, are delivering parts and subassemblies not only just in time but also exactly in production line sequence, with each item bearing the vehicle identification number (VIN) of the Jeep for which it was built. Half of those suppliers don't start building parts until they get electronic notification that the painted body of the Jeep for which they're intended is heading into the first assembly line workstation.

Business-to-business and business-to-consumer markets

The differences between B2B and B2C marketing will be highlighted throughout the book but it is important at this stage to clearly identify the basic differences for the sake of a clear B2B definition. As we saw earlier, our definition of B2B marketing was one organisation selling to another organisation products and/or services for own use or to sell on to other organisations for own use. So this definition will exclude selling products into retailers for onward sales to the end consumer but it will include selling products or services into the retailer for the running of that business. So selling soups into Tesco for onward sale to the end consumer is B2C but selling shelving is B2B. Selling cars into the showroom for the end consumer is B2C and selling fleet cars is B2B.

Example 1.3

B2B and B2C in retail markets

B2B marketing	B2C marketing
Electronic tills to Curry's	Refrigerators to Curry's
Shelving to Tesco	Confectionery to Tesco
Computer systems for own use to PC World	Computers to PC World to sell on to consumers
Display racks to Next	Fashion clothes to Next

Marketing to retail

Although a business selling finished products into the retailer to sell on to the end consumer is not classified as B2B under our definition, it should be recognised that in B2C marketing benefits wanted by the retail buyer will not necessarily be those wanted by the end consumer. For example, the retailer wants bottles of orange juice to stack onto pallets, sell well and make a decent profit, whereas the end consumer wants a bottle of orange juice to taste like oranges, be energising and contribute to a healthy lifestyle. The retailer will want to know that if a seller's products are to be stocked they will sell out within a reasonable time to the end customer. Similarly the retail buyer will want to know that products will be delivered promptly when wanted, stock taken back if found to be faulty in some way, and after-sales service undertaken efficiently if this is part of the agreement. Other factors will be different and will more readily mirror B2B than B2C. Marketing mix concerns covering price and promotion will be more like marketing mix concerns in B2B.

□ Why business-to-business marketing?

B2B markets are clearly identified because it is important for students and practitioners to understand that the markets and customers are very different from those of B2C markets in very many ways and marketing strategies and tactics to be used will have to be different. If this fact is not realised the wrong methods might be taken and so customers and markets lost. For example, B2B markets could be said to be more complex, the buying process more intricate, the products and services offered often of a strategic nature and the sales value of each order much larger than in consumer markets. This means that an alternative approach will more often than not be needed.

Having said this there are still basic concepts that remain the same in both B2B and B2C markets. Concern for ultimate customer satisfaction, knowing the market, understanding the customer needs, realising that customers will want differing benefits, and monitoring and controlling buyer concerns will not be altered. The imperative to have a knowledge of the market and the marketing tools and techniques employed will still be used but in ways that reflect the special needs of B2B markets.

So B2B marketers will still use both primary and secondary marketing research, still need an understanding of customer behaviour and still need to develop innovative product and services, to price in an attractive manner, to match customer wants, and so on. They will still need to identify channels of distribution and to communicate and promote using realistic techniques that reach identified audiences. Similarly planning and control processes must be discussed, strategic choices made, resources garnered and programmes implemented. The whole strategic approach taken and the programmes selected and managed, however, will be different in that they must match the clearly identified needs, wants and demands of buyers and buying organisations in B2B industries.

As with B2C markets, but at a much higher level, the more demanding the customer becomes, the more sophisticated must be the marketing response if sustainable competitive advantage is to be maintained. Markets in B2B are now