

Marketing essays - b2b marketing



**ASSIGN
BUSTER**

B2B Marketing

Introduction

Business to business marketing has been described as “ the marketing of goods and services to commercial enterprises, Governments and other non-profit institutions for use in the goods and services that they, in turn produce for resale to other industrial customers.”

Main Features

- Marketing is one-to-one in nature. It is relatively easy for the seller to identify a prospective customer and to build a face -to face relationship.
- High value considered purchases.
- Purchase decision is typically made by a group of people, not one person.
- Often the buying / selling process is complex, and induces many stages. For eg. Request for expression of interest, request for tender. Selection process, awarding of tender. Contract negotiations and signing of final contract.
- Selling activities involve lay processes of prospecting, qualifying, wooing, mating representations, preparing tender, developing strategies a contact negotiations.

Trading Blocs

The term trading bloc is usually reserved by economic theorists for arrangements which take the form either of a free trade area or of a customs union. A free trade area involves the elimination of tariffs on trade between the member states, but each member maintains its own national policy

towards trade with third countries. Customs inspectors monitor trade at the frontiers between the member states in order to tax trade that might otherwise circumvent high tariff barriers by entering the flea through the member state with the lowest external tariff. In contrast, member states of a custom union adopt a common external tariff. Commodities thus flow freely between member states, and there is no need for customs inspection at national borders.

Trading blocs have been dramatically exploding throughout the world economy. In 1992, the European Union (EU) completed the single market program and began a historic initiative for monetary Union. The United States, Canada and Mexico launched the North American free Trade Agreement (NAFTA) in 1994.

Euro Japan, for years the only industrial country that was not a member of any regional arrangement, completed a trade agreement with Singapore in 2001.

The Association of Southeast Asian Nations (ASEAN) is preparing to establish a free trade area. Many of these newer trading blocs are formed with the understanding idea not only of taking advantage of the economic benefits of being a member of a trading bloc, but of increasing the international political and economic leverage of those nations that are members of the trading bloc.

Advantages

- Transaction costs will be eliminated.

For instance, UK firms currently spend about 1.5 billion a year buying and selling foreign currencies to do business in the EU. With the EMU this is eliminated, so increasing profitability of EU firms.

- Price transparency

EU firms and households often find it difficult to accurately compare the prices of goods, services and resources across the EU because of the distorting effects of exchange rate differences. This discourages trade. Prices should act as a mechanism to allocate resources in an optimal way, so as to improve economic efficiency. There is a far greater chance of this happening across an area where E. M. U exists.

- Uncertainty caused by Exchange rate fluctuations eliminated

Many firms become wary when investing in other countries because of the uncertainty caused by the fluctuating currencies in the EU. Investment would rise in the EMU area as the currency is universal within the area, therefore the anxiety that was previously apparent is there no more.

Increased Trade and reduced costs to firms

Proponents of the move argue that it brings considerable economic trade through the wiping out of exchange rate fluctuations, but as well as this it helps to lower costs to industry because companies will not have to buy foreign exchange for use.

Single currency in single market makes sense

Trade and everything else should operate more effectively and efficiently. Single currency in a single market seems to be the way forward.

Prevent war

It's a well known fact that countries who trade effectively together don't wage war on each other .

Enhanced Economic Growth

Members may see economic benefits from achieving a more efficient production structure and enhanced economic growth from foreign direct investment, learning by doing and research and development.

- Non-Economic objectives

Members may value non-economic objectives (i. e. strengthening political ties, managing migration flows etc.

- Bargaining Power

Members may want to improve their bargaining power in multilateral trade negotiations.

- Trade Security

Smaller countries may seek trade security of market access-“ safe havens”- by forming MTBs with larger countries.

Disadvantages

- The instability of the system.

Throughout most of the 1980s the UK refused to join the ERM (Exchange rate mechanism). It argued that it would be impossible to maintain exchange rate stability within the ERM, especially in the early 1980s when the pound was a petro-currency and when the UK inflation rate was consistently above that of Germany. When the UK joined the ERM in 1990 there had been three years

of relative currency stability in Europe and it looked as though the system had become relatively robust.

- Over estimation of Trade benefits

Some economists argue that the trade and cost advantages of EMU have been grossly over estimated. There is little to be gained from moving from the present system which has some stability built into it, to the rigidities which EMU would bring.

- Loss of Sovereignty

On the political side, it is argued that an independent central bank is undemocratic. Governments must be able to control the actions of the central banks because Governments have been democratically elected by the people, whereas an independent Central Bank would be controlled by a non elected body. Moreover, there would be a considerable loss of sovereignty. Get help with your essay from our expert essay writers...

Deflationary tendencies.

Perhaps the most important economic argument relates to the deflationary tendencies within the system.

There is enough complementarity in the economies of India and of the Asian region to establish closer trade relationship. Indonesia is rich in oil resources which can partly meet India's growing demand for oil.

India imports palm oil and timber from Malaysia. Globalization and new technologies have brought a new meaning and content to the old concept of "international division of labour" going beyond the artificial limits of regional blocs.

<https://assignbuster.com/marketing-essays-b2b-marketing/>

Global business is shifting slowly to South-East Asia, where the growth factors are better, projected by UNCTAD and the IMF at around 6.5 per cent. With increasing disposable incomes, demand for goods and services is set to boom in this region.

- Competitive advantage.

When a firm sustains profit that exceeds the average for its industry, the firm is said to possess a competitive advantage over its rival. The goal of much of business strategy is to achieve a sustainable competitive advantage.

Michael Porter identified two basic types of competitive advantage.

- Cost advantage.
- Differentiation advantage.

A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver the benefit that exceeds those of competing products (differentiation advantage). Thus a competitive advantage enables the firm to create superior values for its customers superior profits for itself.

Model of competitive advantage

Resources Cost advantage or

Differentiation Value

Distinctive competencies advantages creation

Capabilities

Resources and capabilities :

In order to develop a competitive advantage, the firm must have resources and capabilities that are superior to those of its competitors

Resources: The following are some example of such resources

- Patents of trade market.
- Proprietary know-how.
- Installed customer base.
- Reputation of the firm.
- Brads equity.

Capabilities

Refer to the firm's ability to utilize the resources effectively. An example of a capability is the ability to bring a product to market faster than competitors.

The firm's resources and capabilities form its distinctive competencies.

These competencies enable innovation, efficiency, quality and customer responsiveness, all of which can be leveraged to create a cost advantage or a differentiation advantage.

Derived Demand

The industrial market is based on or derived from the demand for consumer goods and services. For this reason, the demand for industrial goods is called derived demand.

Marketers of industrial goods need to be aware of how their markets will change as a result of changes in the consumer marketing. For example if

<https://assignbuster.com/marketing-essays-b2b-marketing/>

consumers decide to buy more automobiles, the derived demand for auto components (tires, radios, batteries, electronic parts etc.) will increase. That is exactly what happened in 1994 when machine tool and electronic components company benefited from increased consumer demand for autos, computer equipment and telecommunication services.

- SUPPLY CHAIN
- Actors- the individuals and groups of individuals within the organizations who are members of a specific market supply chain.
- Resources contained within participant organizations which are utilized in the production of products and services for both internal and external consumption.
- Activities which constitute the processes associated with the production and delivery of products and services within the market supply chain.

Micro segmentation:

It is based on the behavioral characteristics of the buyers. More specifically, “ micro bases for segmentation pertain to characteristics of the decision-making process and the buying structure with in customer organization.

Macro segmentation:

It involves the subdividing of the marketing in to subgroups based on certain overall characteristics of the buyers such as the industry group, type of the organization, size, product requirements, end use of the product bought, geographical location etc.

The macro segmentation which is the traditional non-behavioural segmentation of the business markets is thus the grouping of buyers based on their general characteristics.

Segmentation basis for business markets.

Segmentation basis	Possible market segments
Customer location Region	South east area, central America.
Location	Single buying sites, multiple buying sites.
Customer Type Size Purchase criteria	Sales volume, no of employees. Quality, price, durability.
Transaction conditions Order size Service requirements.	Small, medium, large, Light, moderate, Heavy,

Added Value

Value added means the enhancement added to a product or service by a company before product is offered to customer.

<https://assignbuster.com/marketing-essays-b2b-marketing/>

While the business market may be limited in the total number of buyers, it is large in purchasing power. A relatively small percentage of firms account for the greatest share of the value added to product by manufacturing.

Value added is the dollar value of a firm's output minus the value of the inputs it purchased from other firms. If a manufacturer buys lumber for \$ 40, and converts it into a table that it sells for \$ 100, the value added by the manufacturer is \$ 60.

The marketing significance of these facts is that buying power in many business markets is highly concentrated in a relatively few firms. That is, a high percentage of industry sales are accounted for by a very small number of firms. According to the US. Censuses of manufactures;

- Thirty firms produce 96% of all light bulbs.
- Four firms produce 78% of all lead pencils and art goods.
- Twenty one firms produce 83% of all photographic equipment and supplies.
- Eight firms produce 84% of all household vacuum cleaners.

Find out how our expert essay writers can help you with your work...

Therefore sellers have the opportunity to deal directly with these business users. Middle men are not as essential as in the consumer market.

5. b. The business market comprises all organizations that buy goods and services for use in the production of other products and services or for the purpose of reselling or renting them to others at a profit. As compared to consumer markets, business markets usually have fewer, larger buyers who

are more geographically concentrated. Business demand is derived, largely inelastic, and more fluctuating. More buyers are usually involved in the business buying decision, and business buyers are better trained and more professional than are consumer buyers. In general, business purchasing decisions are more complex, and the buying process is more formal than consumer buying.

Differences between industrial marketing vs. consumer marketing.

	I. Marke ting	Consu mer marke ting
Appeal	Ration al	Drama tic
Platfor m	Logica l	Emotio nal
Brand excite ment	Not requir ed	Impera tive
Below the	None	Neces sary

line activiti es		
Brand person ality	Not requir ed	Essent ial
Pre- launch resear ch	Not vital	Vital
Span of distrib ution contac t	Narro w	Wide
No of orders	Small	Large
Cost of order	low	High

proces sing		
----------------	--	--

Tendering

This is a process, where a purchasing organization undertakes to procure goods and services from suitable suppliers. Due to high value of some purchases (for example buying a new computer system, manufacturing machinery, or outsourcing a maintenance contract) and the complexity of such purchases the purchasing organization will seek to obtain a number of bids from competing suppliers and choose the best offering.

Finding out about contracts

You can find out about private-sector contracts through:

- * building contacts with potential customers
- * advertisements in local and national newspapers
- * advertisements in trade and professional magazines covering your area of business
- * researching contracts outside your business sector which may produce secondary contracts for you, eg if a new office block is built, it will need desks, carpets, signage, stationery, cleaning and laundry
- * following up press and other reports - a company may be expanding or sub-contracting part of a big order
- * networking and picking up information from other businesses

<https://assignbuster.com/marketing-essays-b2b-marketing/>

You can identify public-sector contracts by:

- * following up contract notices published in newspapers and trade magazines
- * monitoring online government tender notices

Crucial rules for your tender document

- * Focus on the client - talk about their needs and how you can solve their problems. When you write about yourself, it's to prove you have the skills, experience and organization to fulfill the client's requirements.
- * Help the client by coming up with ideas - from alternative ways of doing things to how to tackle possible worries about future maintenance and staffing implications.
- * If the client has provided a qualification document, make sure that you cover everything in the document.
- * Value for money and not price alone decides most bids. Bring something to the work that can't be done by the client or your competitors. Emphasize business benefits, service improvements, risk reduction, low maintenance, quality, reliability, previous satisfied customers, lifetime costs, etc.
- * Analyze all the cost and pricing factors of the contract. Don't ignore fixed costs such as wages for staff who could be working on something else.
- * Consider whether to include some protection of your information from future disclosure under the Freedom of Information Act. You may wish to indicate which information you consider to be a "trade secret" or is likely to

prejudice your commercial interests if disclosed. You could also include a non-disclosure agreement. See our guide on non-disclosure agreements.

- * Contract management - show you have the resources to do the work in a cost-effective way to meet the client's needs, hit deadlines and respond flexibly to changing situations.

- * Show you've thought about - and can manage - potential financial, commercial and legal risks that could cause contract failure.

- * Give details of your team. Emphasize strengths - CVs should highlight successes with similar projects as well as qualifications and experience.

Writing your tender

Clients will expect you to:

- * state the purpose and origin of the bid

- * summarize your work as a contractor, past experience and credentials for this job

- * say how you'll carry out the work, and how and when the client's aims will be achieved

- * explain the benefits and value for money of your bid

- * detail when and how goods and services are to be delivered, and provide a timetable

- * demonstrate your team's skills, experience of similar work and their responsibilities if you win the contract
- * explain how you will manage the project
- * give details of your pricing and any aftercare arrangements within the price
- * be practical and identify potential problems without promising what's clearly impossible for you to deliver

Tender for a contract

Find out what the client wants

In order to gain a clearer understanding of a potential client's requirements, see if you can arrange a meeting or have a telephone conversation with them, before you start work on the tender. You should always raise questions by phone or email if tender documents are unclear - on anything from deadlines to how you'd get paid.

Make sure the client is serious, and that you're not there to make up the numbers or to test the market. Sometimes customers may just be fishing for ideas they'll then use for themselves. You can prevent this from happening by requesting customers to sign a non-disclosure agreement before presenting your tender. See our guide on non-disclosure agreements. But don't forget many clients genuinely want you to make a creative contribution and provide ideas.

If you're selling to the public sector, you can find advice on procurement practice at the Office of Government Commerce (OGC) website.

Marketing campaign

Advertising is just a small part of the marketing strategy, there's a whole lot more to the big picture than merely placing an advertisement in the newspaper. Our objective for your property is simple... to gain the highest possible profile and exposure across the widest possible target audience. This will ensure we get the maximum possible number of enquiries during those first few weeks when it is freshest on the market - and is most likely to sell. Your fully detailed personalized marketing plan and calendar will identify all the activities and when they will occur.

- * Newspapers and property features
- * Existing client database contacts
- * Open homes and property previews
- * Sign Boards
- * Property consultant client databases
- * Direct mail and letterbox delivery
- * Virtual tours
- * Professional photography

Marketing campaign: includes the following.

- The business case for the purchase has been completed and approved.
- The purchasing organization objectives for the purchase are clearly defined.

- The procurement process is agreed upon and it conforms with fiscal guidelines and organizational policies.
- The selection criteria have been established.
- A budget has been estimated and the financial resources are available.
- A buying team has been assembled.
- A specification has been written.
- A preliminary scan of the market place has determined that enough potential suppliers are available to make the process viable.
- It has been clearly established that a competitive tendering process is the best method for meeting the objectives of this purchasing project.

Because of the significant value of many purchases, issues of probity arise.

Organizations seek to ensure that awarding a contract is based on “best fit” to the agreed criteria, and not bribery, corruption or incompetence.

Factors influencing pricing

Company / country

Competition

Exchange rate

Costs Pricing

Experience curve

Decisions

Strategic

<https://assignbuster.com/marketing-essays-b2b-marketing/>

Government factors

Objectives market

Characteristics

Pricing Policies

Industrial and consumer goods

The number of buyers of industrial goods is comparatively very small and one of them may take the bulk of the production. They also act more rationally than an average buyer of consumer goods. Their knowledge of markets is more extensive and exact, if not perfect. Very often, the buyer of an industrial product knows, or at least can make a guess of the cost of manufacture. Again, he is more keen to check what he gets for the price he pays than an average consumer.

The number of industrial marketers is narrowly limited and a few of them control the lion's share of supply. Their products and the peripheral services are also not identical. What is more important is that the average industrial marketer has little practical choice to enter or leave his market because of (i) heavy investment involved in equipments, and (ii) the importance of maintaining reputation and long- standing relationships.

Product differentiation is easier in industrial goods than in consumer goods by (i) providing better service in connection with delivery, use or installation, and (ii) building a reputation for reliability or quality of workmanship.

Moreover, product differentiation results much more from product differences that generate provable claims, Branding, therefore, plays a much

less important role in the marketing of industrial goods than in the case of consumer goods.

Price leadership is a very common phenomenon in the industrial goods market.

Market research is more useful and a more reliable guide in the pricing of industrial goods than in the case of consumer goods. But test marketing is neither possible nor widely used in the case of industrial goods because: (a) the number of buyers is small and hence test marketing will not give useful results, and (b) it becomes a common knowledge to all buyers. This may create ill-will if a low price is being offered to some buyers and not to others.

Many industrial products are bulky and heavy. Thus, expense of transport is a much more important item in their final cost to the buyer than in the case of consumer goods. Hence industrial marketers would prefer ex-factory pricing. But that would make them uncompetitive in many parts of the country. Hence, they usually adopt delivered pricing policy.

The price elasticity of the demand for an industrial product would depend to some extent on how important its price is in the general cost structure of the using firm. If it represents a significant element, a reduction in price may lead to a substantial increase in demand. If it is not, a change in price may not lead to a change in demand. The demand for equipment, however, is much less price elastic because the price of the equipment is a part of the overhead cost which cannot be readily identified.

References

- Dr. R. L. Varshney & Dr. S. L. Gupta, Marketing Management, 2005
- Porter, Michael E, Competitive advantage, Creating and Sustaining Superior Performance,
- Alexander, Cross and Cunningham, Industrial Marketing, 1961
- Business to business Marketing, Victor L. Hunter
- Heiman. Stephen E and Diane Sanchez, The New Strategic Selling: The unique Sales System proven Successful by the Worlds Best Cos. New York, Warner Book, 1998
- V. K. Bhella, S. Shiva Ramu, International Business , 2004
- William. D. Perreault, Basic Marketing, Mg Fraw Hill Publishing Co.
- William F. Schoell. Marketing, Allyn & Bacon Inc. 1985