

B2B Marketing and CRM

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Introduction

B2B Industrial Marketing

- 1) Fewer but larger Buyers
- 2) Inelastic Demand
- 3) Graphically Concentrated Buyers
- 4) Professional Purchasing
- 5) Fluctuating Demand
- 6) Derived Demand-customer – Consumer
- 7) Multiple sale calls
- 8) Direct Purchasing

Consumer B2C Marketing

- 1) Larger Buyers
- 2) Elastic Demand
- 3) Decentralized Buyers
- 4) Normal Purchasing
- 5) Demand may/may not be fluctuating
- 6) Direct Demand
- 7) Advertising
- 8) Intermediates/direct.

B2B Markets

- B2B markets are the Markets for products and services, local to international, bought by businesses, government bodies, and institutions for consumption/use/resale/incorporation.

Types Of Industrial Customers

A) Commercial Enterprises:

- 1) Industrial Customers: Distributors and Dealers.
- 2) Original Equipment Manufactures.
- 3) End Users.

OEMS

SULZER
PUMP

KSB
PUMPS

KEPL

KBL

CUSTOMERS

HPCL

BPCL

RCF

BARC

RELIANCE

B) Governmental Agencies:

Central and State Government departments, undertakings, and agencies, such as railways, department of telecommunication, defense, Director General of Supplies and Disposal (DGS&D), state transport undertakings, state electricity boards, and so on.

C) Institutions:

Public and private institutions such as hospitals, schools, colleges, and universities are termed as institutional customers. Some of these institutions have rigid purchasing rules and others have more flexible rules.

D) Cooperative Societies:

- An association of persons forms a cooperative society. It can be manufacturing units (e.g. Cooperative Sugar Mills) or non-manufacturing organizations (e.g. Cooperative Banks, Cooperative Housing Societies). They are also the industrial customers.

Industrial Purchasing Methods

1) Competitive Tendering:

Two Bid Systems

Single Bid System

2) Bidding process :

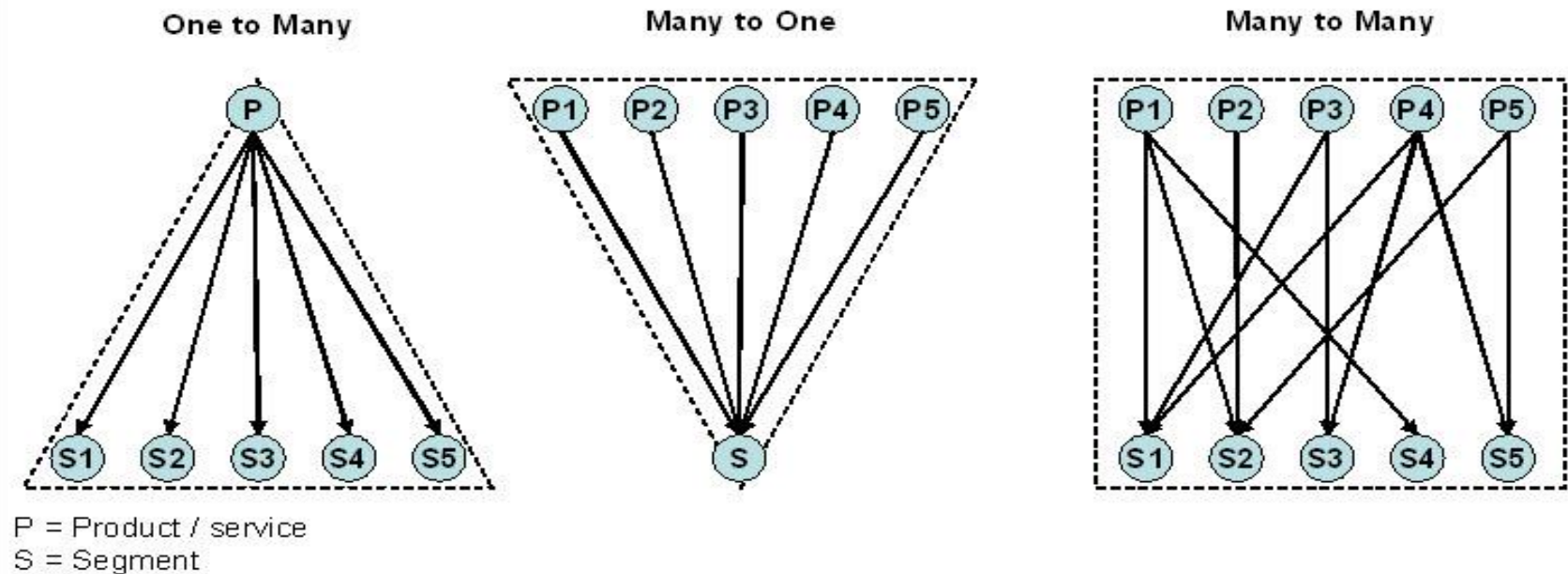
3) Non Tender Purchasing

Limit up to 50,000

4) Servicing.

Segmentation in Industrial Marketing

Figure 1) Basic Approach to Segmentation & Targeting



2) Standard Industry Classification:

- a) Fertilizers Industry
- b) Agricultural Industry
- c) Consumer electronics industry.
- d) Plastic industry
- e) Chemical industry
- f) Oil and Natural gas industry. Etc.

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- 3) Benefit Segmentation.
 - 4) Geographic segmentation.
 - 5) Demographics: industry, company size, customer location
 - 6) Operating variables: company technology, product/brand use status, customer capabilities
 - 7) Purchasing approaches: purchasing function, power structure, buyer-seller relationships, purchasing policies, purchasing criteria
 - 8) Situational factors: urgency of order, product application, size of order
 - 9) Buyers' personal characteristics: character, approach

Pricing Strategy for B2B Marketing

- Total Cost for Customer and Buyer = Acquisition Cost + Possession Cost + Usage Cost.

Acquisition Cost

- Price for customer/Manufacturing cost for supplier
- Paperwork Cost
- Transportation cost
- Cost of Mistake in order
- Repurchase product evaluation cost

Possession Cost

- Interest Cost
- Storage Cost
- Quality control
- Taxes and Insurances
- Shrinkage cost
- Internal handling cost

Usage Cost

- Installation cost
- Training cost
- Replacement Cost
- Disposal cost
- User labor cost

Price Strategies

1) Strategy of cost benefit analysis:

- A machine consumes 20 kW power/hr= 5 units/hr
- A new product when used in a machine results in to the consumption of 12 kW power/hr= 3 units/hr
- It means per hr it saves 2 units.
- Total saving per year= $2 \times 5(\text{rs/unit}) \times 24(\text{hrs}) \times 365(\text{days}) = 87,600$.
- Durability of the product for next year is additional advantage for buyer.
- Seller will sale the product from the rage 80,000-100000 depending upon the competitors presence.

2) Skimming:

- New Product/Technology.
- Customer is unaware of competitors/alternative products
- Monopoly in case of imported equipment because of the risk.
- Extent of relationship
- Industrial standards eg API.

3) Penetration Strategy:

-
- High Price Elasticity of Demand
 - Strong Threat of Imminent Competition
 - Opportunity for a substantial reduction in the production cost
 - Industries which are not catered.

4) Product Mix Pricing Strategy:

-If any organization is buying two/multiple products

Then supplier sacrifices the margin for one product and

Earned the same in the offering of the another product.

5) High Margin to the dealer and same/less price to the customer compared to the competitors

Eg.vidiocon/embway.

6) Satisfied customers are less price sensitive
that is Price Inelasticity.

7) Competitive strategies:
competitive bidding/E-tendering
Value benefit/brand recognition/Identity.

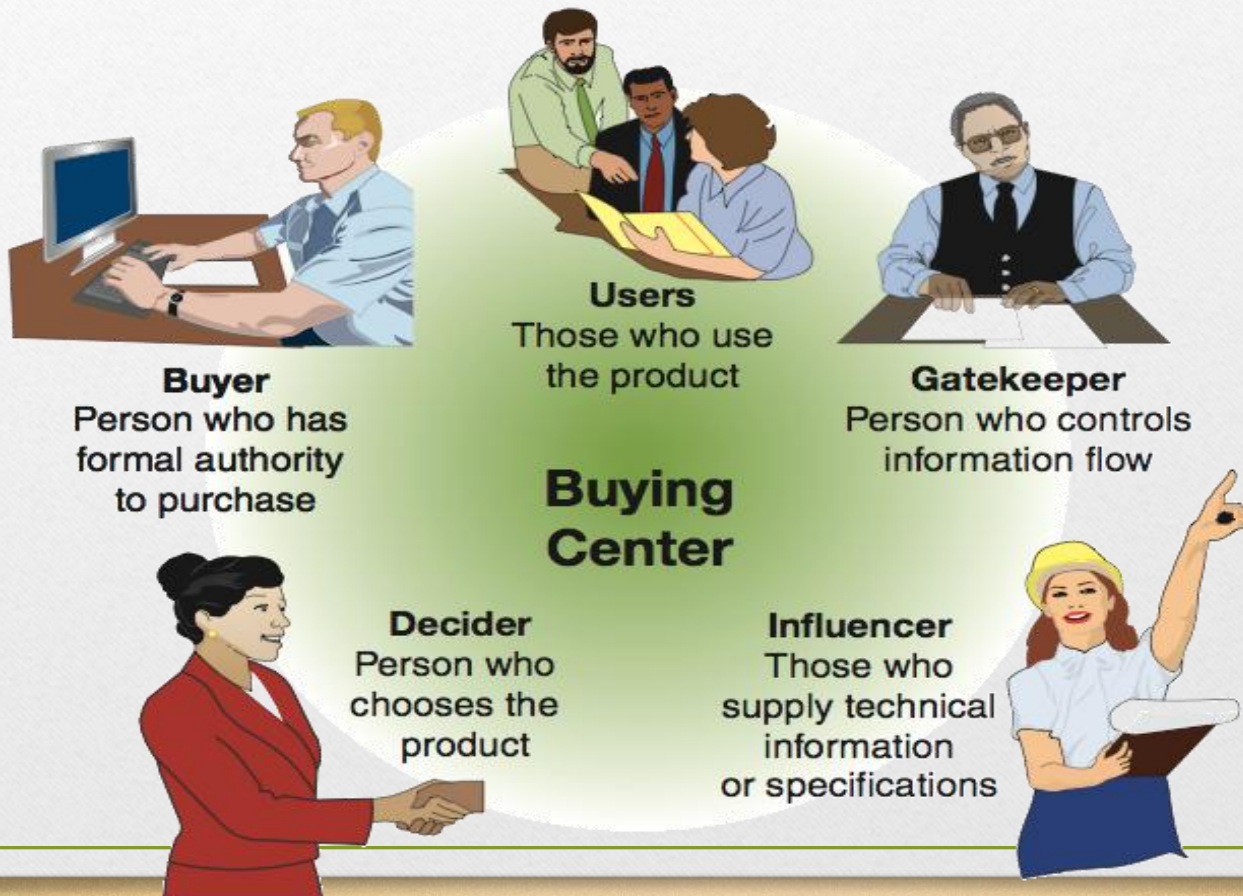
B2B Buying Decisions and Environment

- 1) Straight Rebuy
- 2) Modified Rebuy
- 3) New Task

THE BUYING CENTER CONCEPT

- **Buying center** Participants in an organizational buying action.

BUYING CENTER ROLES



Industrial Product Development Strategy

Induced Strategy

- Defines a market need that converges on the organizations concept of strategy
- Formal screening of technical and market merit using administrative procedures
- Existing organizational resources
- Roles and responsibilities are defined.

Autonomous Strategy

- Defines a market need that diverges from organizations concept of strategy
- Informal Network
- Combination of resources.
- Roles and responsibilities are not defined properly.

New Industrial Product Development

Concept Of Lead Users

- 1) Laying The Foundation
 - Target markets
 - Support from Internal Stakeholders
- 2) Determining The Trends
 - Emerging Technology
- 3) Identifying Lead Users
- 4) Developing & Assessing Preliminary Product Ideas
- 5) Test Marketing
- 6) Prototype Testing
- 7) Product Finalization.

B2B Marketing Communications/Advertisement

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WHAT IF I TOLD YOU

YOU CAN TARGET PRECISE BUSINESS AUDIENCES ANYWHERE ONLINE

B2B Marketing Communications/Advertisement

- IMC: Focuses Customer Through Consumers.
- Ultratech Cement: Engineers Ki Choice.
- ACC, Birla, Ambuja Cement Advertisement for Builders.
- Advertisement of Engine Oil.
- Thumps UP- Salman Khan at Retails Outlets.
- Motorola- Kya tum fully loaded Motorola Phone nahi rakhte?
- Nirma Shudh Namak: Small Child teaching Retailer
- Kya tum Nirma shudh namak nahi jante- jiska har dana ho ek saman.

B2B Marketing Communications

- Print Media -Advertisement in the Hospitals
- Case Study Publications.
- White Paper Publications.
- Performance letter from the Reputed Customer.
- High Value PO executed in the Past.
- Technical magazine

Marketing By Sales Force: Main Source of Industrial Marketing:-

- Technical Presentations.
- Relationship.
- Performance Testing with free sample.
- Informal-Parties.Bribe.etc
- Support with other products/vender details/contacts.
- Multiple sales calls.

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- Communication Through Authorized Distributors of particular Industry.
 - Sponsorship Programs.
 - Internet Marketing: India Mart, Google, Fundoo
 - Getting Selected as Best Brand in award Function.

Industrial Distribution

1) Distributors:

-Full service intermediaries, that is they take title to the products they sale and they perform the full range of marketing functions.

- a) Intensive Distribution- Consumer Durable products
- b) Selective Distribution-Industrial Goods

Classification of Distributors

1) General Line Distributors:

- Broad array of industrial needs
- Stocks extensive variety of products

2) Specialist:

- Handles one line
- Power transmission equipment-Belt, pulleys

3) Combination House:

- Both the markets: Industrial as well as consumer.

Industrial/Manufacturers Representatives

- Business marketers who need a strong selling job with a technically complex products.
- They neither takes title to nor holds inventory of products handled.
- Manufacturers selling arm, job is making contact with the customers, writing and following up on orders and linking manufacturers with end users.
- works on commission on sales.
- Commissions based on industry/nature of selling a job/complexity of a product.
- Emergency service needs.

Industrial/B2B Market Research

- Process of Development of database of prospects to establish and build relationships with best prospects so that when they need types of products and services, you will be at the top of their minds and get the first call for product information or a Request For Quote.

Some Concepts of Market Research

- 1) Meta-analysis- (also called the Schmidt-Hunter technique) refers to a statistical method of combining data from multiple studies or from several types of studies.
- 2) Conceptualization-the process of converting vague mental images into definable concepts.
- 3) Operationalization is the process of converting concepts into specific observable behaviors that a researcher can measure.
- 4) Precision refers to the exactness of any given measure.
- 5) Sugging (from SUG, for "selling under the guise" of market research) forms a sales technique in which sales people pretend to conduct marketing research, but with the real purpose of obtaining buyer motivation and buyer decision-making information to be used in a subsequent sales call.

Types of B2B/Industrial Market Research

1) Industry exposure database development:

Example: FSR.

2) Comprehensive prospect profiling.

Example: Lead Users.

3) Corporate and/or brand awareness surveys.

4) Sales force as a source of data.

5) Industrial Expert opinion/survey/Publication.

6) Research on Lost Orders.



Role of After sales services in Industrial Marketing

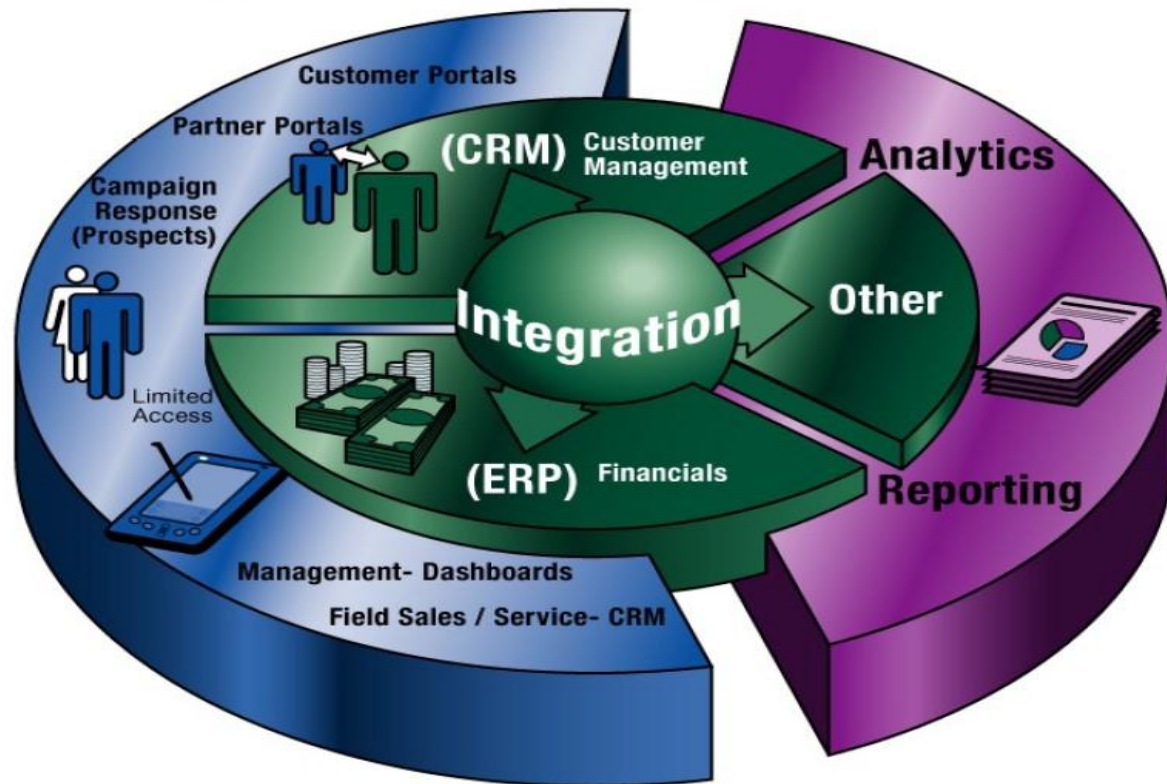
- 1) Installation.
- 2) Performance Review: performance curve/efficiency analysis.
- 3) Replacement.
- 4) Interchangeability.
- 5) Test Certificates.
- 6) Warranty.
- 7) Confirmation of the fitment.
- 8) Spare requirements.
- 9) Loyalty
- 10) Grievances.

Techno-commercial Bidding Process

- 1) Single Bid System
 - 2) Two bid System
 - Price Bid
 - Unpriced Bid
 - 3) Proprietary Tendering
 - 4) E-tendering with digital signature
- Problem recognition
 - General need description(Tender Document)
 - Product specification
 - Supplier search
 - Proposal solicitation
 - Supplier selection
 - Order routine specification
 - Supplier performance review.

Customer Relationship Management(CRM)

- Customer relationship management (CRM) is a model for managing a company's interactions with current and future customers by using technology to organize, automate, and synchronize sales, marketing, customer service, and technical support.
- It is a cross functional Process of achieving
 - -Continuing dialogue with customers
 - -Across all their contact and access points
 - -Personalized treatment of the most valuable customers
 - -To ensure customer retention and the effectiveness of marketing initiatives.



Customer Relationship Strategies

Transactional Exchange

- Alternatives: More
- Complexity of purchase: Low
- Operational linkage: Low
- Information Exchange is Low

Collaborative Exchange

- Less
- Complexity is high
- Operational linkage: High
- Information exchange is high.

Customer Profitability Analysis

Customer Lifetime Value

- $CLV = \sum ((P_t - C_t) r_t / (1 + i)^t) - AC$
- P_t : Price paid by customer at a time t .
- C_t : Direct cost of serving a customer.
- i : Discount Rate.
- R_t : Probability of Customer repeat buying
- AC : Acquisition cost.

Loyalty Program

- **Loyalty programs** are structured marketing efforts that reward, and therefore encourage, loyal buying behavior (behavior which is potentially beneficial to the firm).
- Examples:
- Loyalty Cards.
- Happy Hours.

Example Big Bazaar

- Isse sasta aur acha kahi nahi.
- Wednesday Bazaar: Hafte ka sabse sasta din.
- Sabse saste 5 din: 24th to 29th January.
- Great exchange offer: Bring anything old and take anything new.
- Coupons
- Gifts
- Membership Cards.

CRM is Product therefore Brand Management through Brand equity

Product

- Product is made in the Factory.
- LCD is Product.
- Product has a characteristics.
- Product can be copied
- Product has features.
- Product can be outdated

Brand

- Brand is bought by the customer.
- LG, SAMSUNG is a Brand.
- Brand is Perceived.(Has preciseness)
- Brand is Unique.
- Brand has recognition and identity.
- Brand is timeless.

Brand Equity.

- It is a set of brand assets and liabilities linked to a brand , its name and symbol , that add to or subtract from the value provided by a product or service to a firm and /or to that firm's customers.

CRM Process

- Create-Communicate-Deliver value to the Customer.
- Cross functional participation in planning/customer satisfaction.
- Select/classify/Organize database on customer
needs/name/address/outstandings/purchase frequency.
- Identify the prospects/Lead users
- Deepen customer loyalty.
- Reducing defection.
- Handling the complaints/Grievances.
- Customer participation.
- Influencing Stakeholders.
- Run award Programs-Develop Customer Loyalty.
- New Pricing Models
- New effective distribution channels.