

Marketing by Business Types

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BBM1 – Marketing

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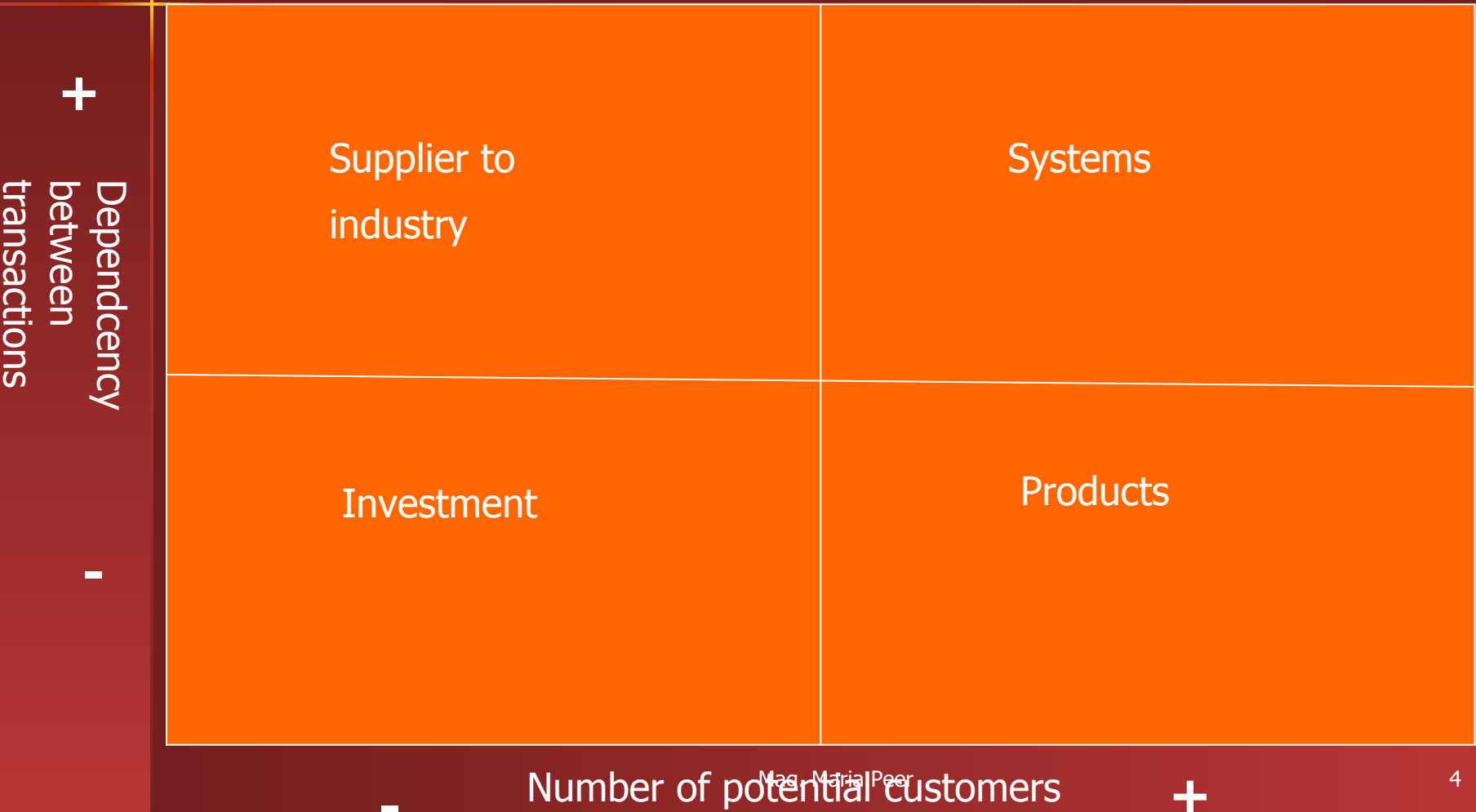
Marketing by Business Types

- Transaction processes of industrial products and services are very heterogenous
- Example: selling standardized screws which are regularly sold to the same customer (eg. integrated supplier to the automotive industry) is to be treated differently to the
- selling of complex waste water plants with high investment volume and its significantly higher risk of making a wrong decision.

B2B Marketing

- The most close-to-the-market business function cannot provide the same programs and tools for these different tasks
- Marketing literature provides certain typologies for B2B companies

Backhaus – defined four different types of business



Backhaus – 4 different types of business - systems

- The vertical axis indicates if the transactions are independent from each other or if they are dependent. These can be found when customers decide on a certain system, but do not buy all relevant items at once.

Backhaus: 4 different types of business

- supplier to industry: The dependency is also strong because of suppliers regulations and quality standards
- The horizontal axis shows the potential number of customers. Very low in the case of supplier to industry or with investment goods – steel plants, ships oil platforms

Backhaus: 4 different types of business

- With products or systems: the number of potential customers can be very high. Eg. in the construction equipment industry this can be the whole sector.

Product business

- Markets in the product business are frequently rather anonymous. The buyer is free. There is no dependence on previous purchases.

Specific marketing considerations for product business

- Product policy: product development and innovation, range of products
- Prices: to find the right competitive price – in relation to the benefit provided, define the price strategy carefully
- Distribution policy: different sales structures, after sales service
- Communication policy: □ increasing trust in the product supplied (brand) □ providing sufficient information □ establishing and maintaining customer relationship □ communicating and ensuring competitive differentiation

System business

- Also confronted with a widely anonymous market. But in contrast to product business there is a connection between purchases. The customer has a certain benefit when he decides to stay with the same supplier.
- System business is found typically in the field of information technology. The decision to buy a certain server system, a software package influences later decisions dramatically. Customer is uncertain. Marketing □ reduce uncertainty by standardization or increasing the customer's confidence.

Specific marketing considerations for system business

- Product policy: supplier has to consider compatibility with his customers existing system (releases in IT-business)
- Price: introductory offers – higher prices with later buyers
- Distribution: due to complexity of goods – some distribution channels cannot be used, personal sales with experienced sales people □ service options, network, after sales services
- Communication: specifies due to interdependence
 - Increasing customer's confidence
 - Proving the customer to have made the right decision
 - Reducing the feeling of risk – provide references and testimonials

Supplier to industry business

- Single customers □ long term relationship, customer becomes dependent
- Substitution of business partners is difficult = heavy-weight-key account management

Supplier to industry business

- Single customer focus: highly specialised solutions, causes advanced interaction and integration of processes on both sides. The customer influences product research and development. 3 main quality aspects: product, lifespan, availability
- Integration of product features – products can be used only by one customer
- Integration of lifespan: eg. LCD-panel of an industrial testing device – if it drops out it would be more economical to replace the whole item; the quality of seats of cars has to be guaranteed for the whole car's average lifespan

Supplier to industry business

- Integration of availability: the more OEMs (Original Equipment Manufacturer) reduce their own vertical range of manufacture – the more important it is to provide just in time availability □ influences the production and logistics process
- Longterm interdependency: products are standardized for the single customer

Specific marketing considerations for supplier to industry business

- No hit-and-run situations possible
- Product policy <- customer
- Price – regulated by contract and determined by longterm agreement
- Communication – most important in the initial phase or loosing the customer

Business of selling and establishing industrial plants

- Focus: single customer – very few
- The complexity of the product is much higher
- The production and delivery process + product = result of project specific development and manufacturing
- Decision process – complicated, buying center is more complex, average duration of negotiations quite long
- External consulting engineers □ selling center – more complex – frequently more suppliers share a project (consortium, syndicate), coordination challenge
- Interdependence between suppliers and customers is limited to warranty and service contracts.
- Lifespan 30 years and more.