

B2B Marketing

- **Significance of B2B marketing in global economy**

Business Marketing = selecting & managing customer relationships

Bs Market Management = Understand, create, deliver value to customers

- **Regard value as cornerstone**

Due to the predominant role that functionality plays in bs markets

Customers focus mainly on performance/functionality

There is always a competitive alternative (must consider)

Raising price doesn't change value (changes incentive to purchase)

Bs market management strives to understand & capitalise on segments

Factors affecting perception = effectiveness of after sales support

* Must translate features to benefits for present and prospective customers to demonstrate the value provides

- **Relationship Interaction and Networks**

The atmosphere of closeness binds together relationships/environment

- **Managing Bs Market Processes** (e.g. re-engineering customer service)

Business Process = creating value for customers (e.g. cutting costs)

Management Process = How decisions get made, sets org. context

Work process = basic building blocks (operational level)

- **Doing Bs Across Borders**

Overseas distribution networks

Different styles of negotiation – timing/formality

- **Relevance of supply/demand chain and value chain concepts for B2B**

Less interested in aesthetics, more interested in functionality

Heavy focus on sales and negotiation

Collaborative relationships and mutual exchange of skills/resources

- **Key characteristics of business markets**

Nature of demand = variable (must monitor external environment)

Buying processes = complex, take longer, more people involved (DMU)

International aspects

Relationships = collaborative

- **Importance of inter-organisational relationships & networks in B2B**

DMU = salespeople need to understand motivations of each DMU

Organisational Buying Behaviour & Negotiation Skills

- **Understanding firms as customers is the process of learning how companies rely on a network of suppliers to:**
 - Add value to their offering
 - Integrate purchasing activities with other functional areas/outside firms
 - To make purchasing decisions

- Therefore, better able to craft responsive marketing strategies

* Supply chain synchronisation is importance (source of comp. adv)
- **Progressive firms have reconfigured securing external resources**

Buying classifications include: (Pure → Complete Negotiation)

 - Straight re-buy (pure routine purchase – gas, electricity)
 - Modified re-buy (specific to org. needs – consulting services)
 - New task (customised – production equipment)

→ Multiple Sourcing = Risk is spread, bargaining leverage)
→ Single Sourcing = one relationship with supplier (complex products)
- Greater commitment, Simplified scheduling
- **Three purchase orientations**

Purchasing orientation = overall philosophy that guide managers who make decisions that relate to purchasing. Factors affecting include:

 - External: Globalisation, customer power
 - Internal: Nature of firms bs, purchasing policy/ethics
 - Individual: Perception of consequences, social relationships
 - Relational: Inter-firm relationships

* Seasoned bs market managers know that all customers don't share the same purchasing orientation (knowing orientation is important)

* Knowing purchasing orientation helps in supplier's selection strategy and helps understand how own strategies hinder process completion

Value Network (span of influence of purchasing broadens as go higher)

1. Buying Orientation (lowest price)

- Transactional exchange (single sourcing to avoid risk)
- Best deal (price, quality, availability) by using negotiation tactics to extract best deal (do-able due to power of the barcode)
Buying tactics are ST and tactical (products treated as commodities)
- Major trend = global sourcing (may lead to poor product quality)
- B2B Matrix = E hubs (biggest evolution – online purchasing)

* Customer manager strives to reduce total costs (bundle of G/S)

* If orientation is too narrow, price is used as main indicator which wont lead to loyalty and LT relationships

2. Procurement Orientation (lowest total cost)

- Maximise on profits
- Improving quality and reducing total costs (strategic thinking)
- Developing cooperative relationships with suppliers
- Committed to producing high quality offerings (TQM)
- Sustain quality = crucial function (LT success – customer satisfaction)
- Integrative negotiation (close working relationship)

3. Supply Management Orientation (best value)

- Collaborative exchange
- Focus on building a long-term relationship
- Entails integration of purchasing with other functions in org.
- Concentrates on firms own competencies and outsource the rest
- Sustain highly collaborative relationships with supplier
- Important focus on high valued customers (portfolio management)

• **Cross functional buying teams**

Purchasing as not just department – As series of value-adding activities

→ **Shift in Sourcing Practices**

- Traditional = Multi sourcing, Negotiation over price
- Current = Outsourcing, single source, overall supply-chain partnership,
Win-win relationship = gains are shared between both parties

* Companies continuously aiming to develop collaborative relationships

Negotiation

- Every negotiator wants to reach an agreement that satisfies his interests
- 2 universal concerns = Agreement outcome & relationship with party
- Each concern interacts with the other to produce a style of negotiation

Model of Negotiation Behaviour

- Accommodate (build friendly relationships)
- Collaborate (creative problem solving so both parties win)
- Withdraw (take whatever you get)
- Defeat (be a winner at any cost)
- Compromise (split the difference)

→ Which style is preferred?

- Variations of each style may be appropriate under certain conditions
- Collaboration style offers greatest chance of highest quality/enduring satisfaction for both parties (creative problem solving)

→ Interpersonal skills needed

- Assertive Behaviour
- Active Listening/Empathetic Responding
- Working through differences

- Negotiation is conference and bargaining for mutual agreement
- It advocates a 'win-win' situation (for two parties)
- It is not the code for manipulation and lying
- Both parties must have some level of commitment to do a deal
- Both parties must have authority to vary terms of agreement

Phase 1 = Preparation

- Setting objectives
- Decide fallback (imagine total failure, decide best alternative)
- Prioritise (tradeables/priorities?)
- Set best & worst trading limits (Best = win-win, Worst = review)

Phase 2 = Bargaining

- Get issues on table (start process)
- Ask questions (for motives and info)
- Clarify (paraphrasing)
- Conclude (summarise, write down)

Relationships and Networks

- **Significance of relationship marketing**

Success is based on how you manage internal/external relationships

Network thinking = Importance of rich relationships to co-develop new products and services and to market them (No Business is an island)

- Importance of LT and collaborative relationships through trust

→ Transactional relationship = ST and discrete exchanges

- Focus on single sales, emphasis on product quality/features

- Discontinuous customer contact

→ Relational = Collaborative, LT and shared resources

- Focus on customer value, high emphasis on customer service

- Continuous customer contact, focus on customer retention

Relationship Loyalty Ladder

- Prospect = Someone who may be persuaded to do bs with you

- Customer = Done business with you but only once

- Client = Repeat bs but may be neutral/negative towards organisation

- Advocate = Actively recommends products

- Member = Regular purchase (truly loyal)

Key Issues in B2B Relationship Marketing

- Trust, Communication, Commitment, LT perspective, Mutual benefit

- Key area = Trust and communication (consistency is also important)

- **Understand IOR's from an interaction point of view**

- Independent relations

- Dyads = one connection (two-way)

- Relationship Portfolio = key account person managers multiple others

- Connected (some connections) - Network = interrelated

- **Explain the broadening of relationship marketing thinking from a focus on customer partnership to a wider stakeholder perspective**

- Must think about environment of bs relationships and their participants

→ Buyer-Seller Relationships

1. Pre-relationship = Getting to know each other (mutual benefits)

2. Exploratory Stage = Time investment for learning

3. Developing Stage = Mutual learning (building trust)

4. Stable stage = Routine (can revert back any time – dynamic nature)

→ Account investment Matrix

- Used to identify where high strength relationships exist

- Must maintain high levels of communication

- **Compare different types of B2B networks, as well as vertical, horizontal and diagonal relationships between organisations**
 - Networks are formed informally and include direct and indirect links
 - A dyad = partner (each establish links with other dyads)
 - To gain collaborative advantages, business cannot operate alone
 - Must work together in their network (shared resources/knowledge)
 - Adaptive Networks
 - Properties = co-create and adapt to surrounding environment
 - Interactive = Trial and error (must recover in graceful manner)
 - Depicting Networks
 - Type on content = activity, resources & company centred
 - Types on interdependency = pooled (same resource) or mutual
- Single Relationships
1. Activity Links = JIT system to reduce inventory levels
 - High = Positive, few problems with supplier
 2. Resource Ties = Binds relationships together (physical or knowledge)
 - More resource ties = doesn't need strong interpersonal links
 3. Actor bonds = Social context, develop trust overtime
 - Under-developed = leads to major conflicts with supplier
- Supplier Networks = Toyota (Differ tiers – indirect relationships)
 - Hard to capture problems such as product faults
 - Distribution Networks = IBM (Network partners from competitors)
 - Variety of companies performing same activity
 - Variety of relationships (different sizes and service styles)
- **Recognise complexity of analysing a firm's network position**
 - CRM Value Chain (identifies customers who most expensive to serve)
 - Must think of alternative ways to meet their needs
- * Ultimate purpose = LT relationships with strategically significant customers
- Business Network = Two more connected bs (supplier/distributor)
 - Alliance Network = Interrelated and coordinated (IBM and OneWorld)
 - Consumer Goods Network = Resource ties, activity links, actor bonds
- * Key task of bs marketing is to manage each single relationship
- Understand the degree of resource ties, activity links and actor bonds
 - A company can influence large no. of companies (without direct relations)
 - High activity links and resource ties = important relationships
 - Must understand strengths and weaknesses of our network