

Exam Structure

Part A : essay questions (30 marks)

- ✓ 5 essay questions
- ✓ answer 3 questions
- ✓ Each essay is worth 10 marks

Part B is case study question (10 marks)

- ✓ 3 questions
- ✓ answer 2 questions
- ✓ Each answer is worth 5 marks

- **Buying situations and process: who is involved, when, what is important (C2)**
- **Total Cost of Ownership model (C2)**
- **E-procurement (C2)**
- **Buyer behaviors (C2)**
- **Supplier relationships: collaborative versus transactional (C3)**
- **Segmentation (C4)**
- **Sales forecasting (C4)**
- **Strategic Planning: managing cross-functional relationships (C5)**
- **Balanced scorecard (C5)**
- **Customer Based Brand Equity framework (C7)**
- **Global strategy: foreign market entry (C6)**
- **Customer experience mapping (C9)**
- **Products, Services, Solutions (C9)**
- **Pricing and competitive pricing (12)**

C3. Customer relationship management strategies for business markets

● **Supplier relationships: collaborative versus transactional**

- Relationship marketing: centers on all activities directed towards establishing, developing, and maintain successful exchanges with customers and other constituents.
- Loyal customers = greater **profit**
- Strong relationships = competitive advantage

➤ **3 type of relationships**

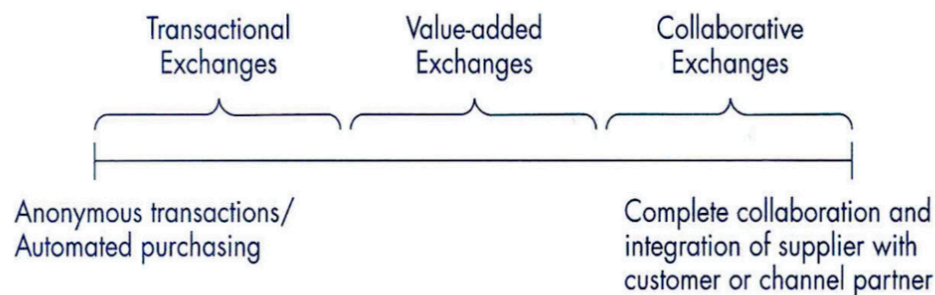
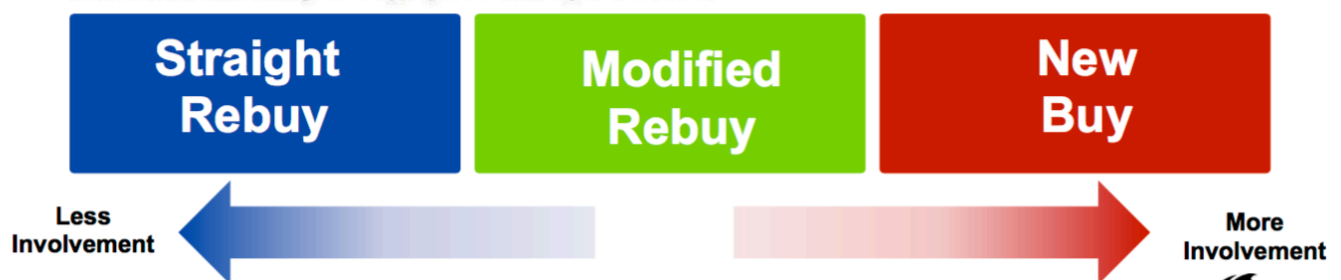


Fig 3.1 (p. 66)

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1) **Transactional exchanges**

- Centers on timely exchange of **basic products** for highly competitive market prices
- Fits buyers of office supplies, commodity chemicals, shipping service
- Emphasizes negotiations and an arm's-length relationships
- It is purely contractual arrangement that involve little or no emotional commitment to sustaining the relationship in future.
- Prefer such relationship when competitive supply market features:
 - ✓ Many alternatives
 - ✓ Purchase decision is not complex
 - ✓ Supply market is stable
 - ✓ Purchase is less important to organization's objectives
 - ✓ Lower level of information exchange
 - ✓ Limited operational linkage between buying and selling firms

2) **Value-added exchanges**

- Focus of selling firm shifts from attracting customers to keeping customers
- Pursue the objective by developing a comprehensive understanding of customer's needs and changing requirements, tailoring offerings to needs, and providing continuing incentives for customer

- W. W. Grainer provides a customized Web page for each of its premier corporate customers that individual employees in customer organization can use to track expenditures on maintenance and operating supplies against key performance benchmarks.

3) Collaborative exchanges

- Develop **trust** and strong, lasting **relationship commitment** with customers & **integrate** processes between firms
- Features very close information, social and operational linkages as well as mutual commitments made in expectation of long-run benefits.
- Fits purchase of manufacturing equipment, enterprise software, critical component parts
- Customized, high technology products: semiconductor test equipment
- Emphasizes joint problem solving and multiple linkages that integrate the process of two parties
- Buying firms prefer such relationship when:
 - ✓ Few supply alternatives
 - ✓ Market is dynamic (e.g. rapidly changing technology)
 - ✓ Complexity of purchase is high, more purchase uncertainty
 - ✓ Buyers seek close relationships with suppliers when they deem the purchase important and strategically significant
 - ✓ High level of information exchanges
 - ✓ Involve operational linkages
 - ✓ Switching costs are especially important (past investment, risk of exposure)

C4. Segmenting the business market and estimating segment demand

● Segmentation

- Market segment: a group of present or potential consumers with some common characteristics which is relevant in explaining and predicting their response to supplier's marketing stimuli
- Effective segmentation is the first step in crafting a marketing strategy, because the characteristics and needs of each segment will define the direction and focus of the marketing program.

➤ **Base for segmenting business markets:**

- Macrosegmentation: centers on the general characteristics of buying organization and the buying situation, as well as product application; thus divide market by such organizational characteristics as size, geographic location, NAICS category (North American Industrial Classification System), and organizational structure.
- Microsegmentation: requires a higher degree of market knowledge, focusing on the characteristics of decision-making units within each macrosegment---including buying decision criteria, perceived importance of the purchase, and attitudes towards vendors.
- Two-stage approach to business market segmentation: