

BUSINESS MARKETING

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Abstract: My paper Business Marketing deals that the origins of business marketing and its strategies faced in the economy. My presentation also explains and elaborates the growth and size of the business marketing and places its impact regarding through the internet activity.

The abstract contains less words with more information which presented in a detailed manner though my presentation.

MEANING

Business marketing is a marketing practice of individuals or organizations (including commercial businesses, governments and institutions). It allows them to sell products or services to other companies or organizations that resell them, use them in their products or services or use them to support their works.

Business marketing is also known as industrial marketing or business-to-business (B2B) marketing. Despite sharing dynamics of organizational marketing with marketing to governments, business-to-government marketing is different.

ORIGINS

Broadly speaking, the practice of a purveyor of goods trading with another is as old as commerce itself. In relation to marketing today, its history is more recent. Michael Morris, Leyland Pitt and Earl Dwight Honeycutt say that for several years business marketing took “a back seat” to consumer marketing. This entailed providers of goods or services selling directly to households through mass media and retail channels.

BUSINESS AND CONSUMER MARKETS

Business markets have a derived demand – a demand in them exists because of demand in the consumer market. An example would be the Indian government wishing to purchase equipment for a nuclear power plant. The underlying consumer demand that has triggered this is that people of India are consuming more electricity (by using more household devices such as washing machines and computers). Business markets do not exist in isolation.

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A single consumer market demand can give rise to hundreds of business market demands. The demand for cars in India creates demands for castings, forgings, plastic components, steel and tires. In turn, this creates demands for casting sand, forging machines, mining materials, polymers, rubber. Each of these growing demands has triggered more demands.

As the spending power of citizens increases, countries generally see an upward wave in their economy. Cities or countries with growing consumption are generally growing business markets.

BUSINESS MARKETING VS. CONSUMER MARKETING

Despite the differences between business and consumer marketing from a surface perspective being seemingly obvious, there are more subtle distinctions between the two with substantial ramifications. Dwyer and Tanner note that business marketing generally entails shorter and more direct channels of distribution.

While consumer marketing is aimed at large groups through mass media and retailers, the negotiation process between the buyer and seller is more personal in business marketing. According to Hutt and Speh (2004), most business marketers commit only a small part of their promotional budgets to advertising, and that is usually through direct mail efforts and trade journals. While advertising is limited, it often helps the business marketer set up successful sales calls.

Marketing to a business is trying to make a profit (business-to-business marketing) as opposed to an individual for personal use (Business-to-Consumer, or B2C marketing) is similar in terms of the fundamental principles of marketing. In B2C, B2B and B2G marketing situations, the marketer must always:

- successfully match the product or service strengths with the needs of a definable target market;
- position and price to align the product or service with its market, often an intricate balance; and
- Communicate and sell it in the fashion that demonstrates its value effectively to the target market.

These are the fundamental principles of the 4 Ps of marketing (the marketing mix) first documented by E. Jerome McCarthy in 1960.^[4]

While “other businesses” might seem like the simple answer, Dwyer and Tanner say business customers fall into four broad categories: companies that consume products or services, government agencies, institutions and resellers.

The first category includes original equipment manufacturers, such as large auto-makers who buy gauges to put in their cars and also small firms owned by 1-

2 individuals who purchase products to run their business. The second category - government agencies, is the biggest. In fact, the U.S. government is the biggest single purchaser of products and services in the country, spending more than \$300 billion annually. But this category also includes state and local governments. The third category, institutions, includes schools, hospitals and nursing homes, churches and charities. Finally, resellers consist of wholesalers, brokers and industrial distributors.

So what are the meaningful differences between B2B and B2C marketing?

- A notable characteristic of B2B marketing is that it is rarely 'product first' or 'service first'. Marketing messages lead with significant context that acknowledges the customer's need or problem first and then establishes the relevance of the vendor's product or service to the customer's situation. In B2C marketing, the product or service features and benefits are called out up front. The customer is expected to already know why they need the product or service.
- The buyer or customer is often a group or committee or department comprising several individuals who have specific roles in evaluating the proposed product or service. In B2C, the buyer is mostly an individual who needs the product or service for his or her own use. Offerings are evaluated mainly on price, reviews and word of mouth, although these are factors in B2B marketing as well

A B2C sale is to a "Consumer" i.e. to a single person who pays for the transaction. A B2B sale is to a "Business" i.e. organization or firm. Given the complexity of organizational structure, B2B sales typically involve multiple decision makers.

The marketing mix is affected by the B2B uniqueness which include complexity of business products and services, diversity of demand and the differing nature of the sales itself (including fewer customers buying larger volumes). Because there are some important subtleties to the B2B sale, the issues are broken down beyond just the original 4 Ps of marketing developed by McCarthy.

STRATEGIES

B2B branding

B2B branding is different from B2C in some crucial ways, including the need to closely align corporate brands, divisional brands and product/service brands and to apply your brand standards to material often considered "informal" such as email and other electronic correspondence. It is mainly of large scale when compared with B2C.

Product (or service)

Due to the fact that business customers are focused on creating shareholder value for themselves, the cost-saving or revenue-producing benefits of products and services are important to factor in throughout the product development and marketing cycles.

Target market

Quite often, the target market for a business product or service is smaller and has more specialized needs reflective of a specific industry or niche. A B2B niche, a segment of the market, can be described in terms of firmographics which requires marketers to have good business intelligence in order to increase response rates. Regardless of the size of the target market, the business customer is making an organizational purchase decision and the dynamics of this, both procedurally and in terms of how they value the product offered, differ dramatically from the consumer market. There may be multiple influencers on the purchase decision, which may also have to be marketed to, though they may not be members of the decision making unit. In addition the research and decision making process a B2B buyer undertakes will be more extensive. Finally the purchase information that buyers are researching changes as they go through the buying process (see sample decision map).

Pricing

The business market can be convinced to pay premium prices more often than the consumer market if you know how to structure your pricing and payment terms well. This pricing premium is particularly achievable if you support it with a strong brand.

Promotion

Promotion planning is relatively easy when you know the decision making habits of your customer base and what they are looking for, not to mention the vocabulary unique to their segment. Specific trade shows, analysts, publications, blogs and retail/wholesale outlets tend to be fairly common to each industry/product area. What this means is that once you figure it out for your industry/product, the promotion plan almost writes itself (depending on your budget) but figuring it out can be a special skill and it takes time to build up experience in your specific field. Promotion techniques rely heavily on marketing communications strategies (see below).

Sales and distribution

The importance of a knowledgeable, experienced and effective direct (inside or outside) sales force is often critical in the business market. If you sell through

distribution channels also, the number and type of sales forces can vary tremendously and your success as a marketer is highly dependent on their success.

COMMUNICATIONS METHODOLOGIES

The purpose of B2B marketing communications is to support the organizations' sales effort and improve company profitability. B2B marketing communications tactics generally include advertising, public relations, direct mail, trade show support, sales collateral, branding, and interactive services such as website design and search engine optimization. The Business Marketing Association is the trade organization that serves B2B marketing professionals. It was founded in 1922 and offers certification programs, research services, conferences, industry awards and training programs.

Positioning statement

An important first step in business to business marketing is the development of your positioning statement. This is a statement of what you do and how you do it differently, as well as how it will be better and more efficient than your competitors.

Developing messages

The next step is to develop your messages. There is usually a primary message that conveys more strongly to your customers, what you do and the benefit it offers to them. This is often supported by a number of secondary messages, each of which may have a number of supporting arguments, facts and figures.

Campaign plans

Doesn't matter which form the B2B marketing campaign will take, you need to build a comprehensive plan up front to target resources where you believe they will deliver the best return on investment, and make sure you have all the infrastructure in place to support each stage of the marketing process - and that doesn't just include developing the lead - make sure the entire organization is geared up to handle the inquiries appropriately.

Briefing an agency

A standard briefing document is usually a good idea for briefing an agency. As well as focusing the agency on what's important to you and your campaign. It serves as a checklist of all the important things to consider as part of your brief. Typical elements to an agency brief are: Your objectives, target market, target audience, product, campaign description, your product positioning, graphical considerations, corporate guidelines, and any other supporting material and distribution.

Measuring results

The real value in results measurement is in tying the marketing campaign back to business results. After all, you're not in the business of developing marketing campaigns for marketing's sake. So always put metrics in place to measure your campaigns, and if at all possible, measure your impact upon your desired objectives, be it Cost Per Acquisition, Cost per Lead or tangible changes in customer perception.

SIZE

"business marketers serve the largest market of all; the dollar volume of transactions in the industrial or business market significantly exceeds that of the ultimate consumer market." For example, they note that companies such as GE, DuPont and IBM spend more than \$60 million a day on purchases to support their operations.

Dwyer and Tanner (2006) say the purchases made by companies, government agencies and institutions "account for more than half of the economic activity in industrialized countries such as the United States, Canada and France."

A 2003 study sponsored by the Business Marketing Association estimated that business-to-business marketers in the United States spend about \$85 billion a year to promote their goods and services. The BMA study breaks that spending out as follows (figures are in billions of dollars):

- Trade Shows/Events – \$17.3
- Internet/Electronic Media – \$12.5
- Promotion/Market Support – \$10.9
- Magazine Advertising – \$10.8
- Publicity/Public Relations – \$10.5
- Direct Mail – \$9.4
- Dealer/Distributor Materials – \$5.2
- Market Research – \$3.8
- Telemarketing – \$2.4
- Directories – \$1.4
- Other – \$5.1

GROWTH

The tremendous growth and change that business marketing is experiencing is largely due to three "revolutions" occurring around the world today, according to Morris, Pitt and Honeycutt (2001).

First is the technological revolution. Technology is changing at an unprecedented pace, and these changes are speeding up the pace of new product and service development. A large part of that has to do with the Internet, which is discussed in more detail below.

Technology and business strategy go hand in hand. Both are correlated. While technology supports forming organization strategy, the business strategy is also helpful in technology development. Both play a great role in business marketing.

Second is the entrepreneurial revolution. To stay competitive, many companies have downsized and reinvented themselves. Adaptability, flexibility, speed, aggressiveness and innovativeness are the keys to remaining competitive today. Marketing is taking the entrepreneurial lead by finding market segments, untapped needs and new uses for existing products, and by creating new processes for sales, distribution and customer service.

The third revolution is one occurring within marketing itself. Companies are looking beyond traditional assumptions and they are adopting new frameworks, theories, models and concepts. They are also moving away from the mass market and the preoccupation with the transaction. Relationships, partnerships and alliances are what define marketing today. The cookie-cutter approach is out. Companies are customizing marketing programs to individual accounts.

IMPACT OF THE INTERNET

The Internet has become an integral component of the customer relationship management strategy for business marketers. Dwyer and Tanner (2006) note that business marketers not only use the Internet to improve customer service but also to gain opportunities with distributors.

According to Anderson and Narus (2004), two new types of resellers have emerged as by-products of the Internet: infomediaries and metamediaries. Infomediaries, such as Google and Yahoo, are search engine companies that also function as brokers, or middlemen, in the business marketing world. They charge companies fees to find information on the Web as well as for banner and pop-up ads and search engine optimization services. Metamediaries are companies with robust Internet sites that furnish customers with multiproduct, multivendor and multiservice market space in return for commissions on sales.

With the advent of b-to-b exchanges, the Internet ushered in an enthusiasm for collaboration that never existed before – and in fact might have even seemed ludicrous 10 years ago. For example, a decade ago who would have imagined Ford, General Motors and DaimlerChrysler entering into a joint venture? That's exactly what happened after all three of the Big Three began moving their purchases online in the late 1990s. All three companies were pursuing their own initiatives

when they realized the economies of scale they could achieve by pooling their efforts. Thus was born what then was the world's largest Internet business when Ford's Auto-Exchange and GM's TradeXchange merged, with DaimlerChrysler representing the third partner.

While this exchange did not stand the test of time, others have, including Agentrics, which was formed in 2005 with the merger of Worldwide Retail Exchange and GlobalNetXchange, or GNX. Agentrics serves more 50 retailers around the world and more than 300 customers, and its members have combined sales of about \$1 trillion. Hutt and Speh (2001) note that such virtual marketplaces enable companies and their suppliers to conduct business in real time as well as simplify purchase processes and cut costs.

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External links

https://www.dmoz.org/Business/Marketing_and_Advertising/