

BUSINESS MARKETING - TECHNOLOGY FOCUS

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Lecture 01: Introduction to B2B Marketing

Hello, my name is Jayanta Chatterjee and the topic that we will be discussing over the next several sessions can be called Industrial Marketing, business-to-business marketing, B2B marketing and so on. In our discussions, we will use these terms interchangeably and synonymously. Initially, this subject was called industrial marketing, but then it got expanded because it covered not only industries but it covered consultancy organizations, healthcare organizations, large institutions. So, at that stage it became known as institutional marketing or business to business marketing and then when electronic transactions became dominant, e-commerce became widespread, we started calling it B2B. But for our discussions, we will use these terms as I said interchangeably or synonymously.

- ▶ Industrial marketing =Business to Business Marketing= B2B
- ▶ Technology-Products-Services in tangible/intangible transactions between business organizations
- ▶ Industrial Marketing is 'Same' as well as 'Different'

**TRANSACTION TO
RELATIONSHIP**

In this domain of marketing, this special area of marketing, we look into the transactions covering technology, technical products, usual normal technology to high technology. We look at products, services and their combinations.

We look at tangible, intangible and their combinations, that means hardware, software combinations. But predominantly, we look at transactions between organizations as opposed to individuals or families. In many ways, this domain covers aspects of marketing which are similar to marketing as we have covered in our courses on marketing management 1 or marketing management fundamentals and marketing management 2 or the advanced topics in marketing. So those discussions in the general marketing topics will be quite applicable here, but yet there will be many differences, many interesting variations.



And these similarities and these differences we will explore in our sessions as we progress over the next few weeks. If you look at this picture which is on your screen, upper left picture, which actually covers, which shows a car assembly line, a passenger car assembly line. In many ways, the automotive industry for passenger cars as well as for heavy trucks and light trucks and other goods carrying vehicles, the entire automotive

industry provide lot of examples which illustrate this particular domain of industrial marketing or B2B marketing.

Because a modern car or a modern truck of today will have products, will have software. And very interestingly, why the automotive industry illustrates almost all the topics in the domain of B2B marketing is because almost 70 to 80 percent of a modern car are manufactured by various specialized organizations who may be globally dispersed or may be co-located, but all these different components, parts, sub-assemblies, level one assemblies, all come together at this kind of an assembly line and get finally assembled, fitted together, tried and the finished car or a truck rolls out of the factory.

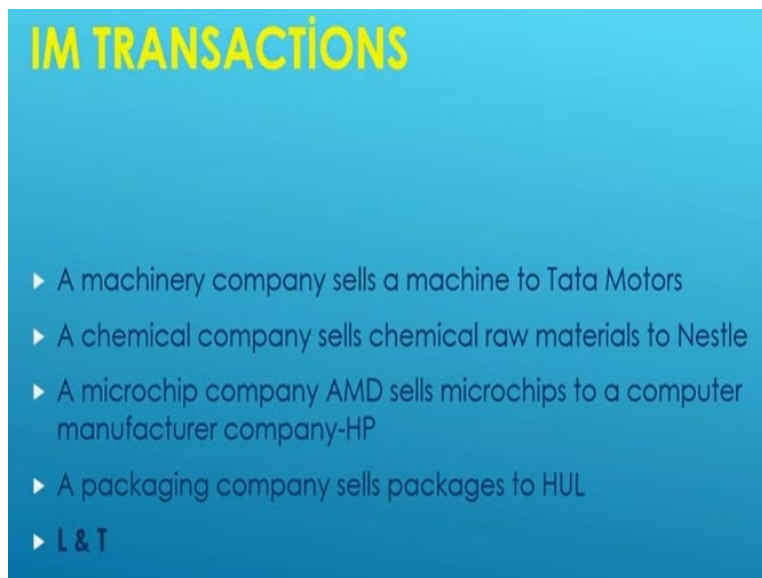
This whole process of managing the chain of components parts coming from various places all coming together finally getting assembled and coming out of the an automotive factory like say Maruti. The study of this set of activities this chain will illustrate all the different nuances of B2B marketing that we want to study. There are other parts in this picture which show industries like pulp and paper or power or petrochemical or food industry. All these industries are heavily dependent on industrial procurement and industrial marketing.

And as we progress through this course, we will see that how these transactions are now more and more evolved into relationships as opposed to one of transactions. We will discuss that in detail through various sessions. We will also see how these industries like automotive or power or food or petrochemical have themselves evolved. And as a result, the suppliers who rely on B2B marketing have also evolved and as a result this whole domain of B2B exchange of values, B2B marketing and B2B procurement have also evolved, particularly with the advent of Information and communication technology.

With the spread of e-commerce particularly because of the impact of the pandemic and almost global lockdown. In various kinds of face to face Interactions lot of evolutions

have taken place over the last few years and many interesting changes have happened and we will study all those as we progress in this course.

Here are some examples of B2B or industrial marketing relation-based or relation-oriented or relation-dominated transactions. I want to use the word transactions here, meaning exchange of values between two entities, organizations. in the broader sense which encompass relations, long-term relations. And we will see in some later discussion that why I am emphasizing this expanded meaning of transaction, the importance of relations.



IM TRANSACTIONS

- ▶ A machinery company sells a machine to Tata Motors
- ▶ A chemical company sells chemical raw materials to Nestle
- ▶ A microchip company AMD sells microchips to a computer manufacturer company-HP
- ▶ A packaging company sells packages to HUL
- ▶ L & T

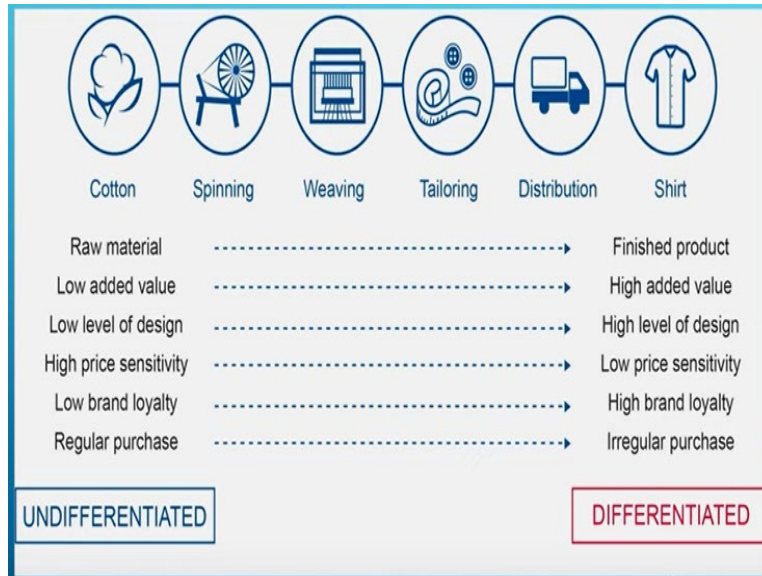
So, if you take an organization like Tata Motors and a company say Ace Machine Tool sells a machine to Tata Motors, that's the domain of B2B marketing. That kind of exchange of values we would like to study. But a machine is different from the procurement of chemicals done by Nestle, food grade chemicals for producing one of the popular products of Nestle. Because a machine purchased by Tata Motors, the machine helps, improves, facilitates the final production chain of Tata Motors.

But the machine itself does not change, the machine itself does not get constituted in the cars or trucks produced by Tata Motors, whereas the chemicals supplied by this company to Nestle get transformed and get finally blended in the food product produced by Nestle. So, you see, we are looking at different kinds of exchanges, exchanges where the product involved which can be hardware and software mix remains unchanged, will be of high value, will last for many years as opposed to constituent chemicals which will get transformed in the production process almost immediately.

Again, there can be transactions like AMD selling their microchips to a computer company, say like HP. Here, that constituent element, the microchip, does not change, it does not get blended. It remains discrete on the PCB, printed circuit board, which is inside the computer, but it's a component, as opposed to the machine purchased by Tata Motors, which participate in the production process, but itself does not get changed, constituted or blended. There can be packaging purchased by a company like HUL, which will be used to present so many products of HUL, maybe tea, maybe toothpaste, maybe soap. All of them will be packaged and presented to the consumer for final purchase.

These packaging, in most cases, will be thrown at the consumer's end after they have got it from the market. But in the process of HUL's marketing, the packaging supplied by another business, another company, add a lot of value in building the brand, in protecting the material, the end material of HUL, another kind of value exchange that is covered by B2B marketing. If you take a company like Larsen-Tubro, a very large engineering and construction company, they will be buying thousands of different types of machines, components, chemicals, mechanical parts, engineering services and all of them get into the final delivery of L&T to a large customer in the form of a maybe metro station or a large complicated bridge or a big office complex or residential complex. Thousands of B2B transactions take place every day in a large organizations like L&T and there are various types and we will study those various types. I present to you a very easy to understand value chain of say the garment industry where at one end we have cotton,

which is a raw material, which in itself doesn't have a lot of added value and it is almost without any design endowment.



It's just simple, straightforward, almost an agricultural product, maybe cleaned and processed for participation in the garment manufacturing. And the prices change quite a bit because it comes from agricultural production. So depending on the weather, depending on the other vagaries which affect the agricultural domain, the prices of cotton may vary widely. And also, as we will study, this is a kind of an industrial product in this case, because it is participating in an industrial chain, value chain building, value building set of activities.

But here, it's a product that is, it has the demand can change depending on pricing to quite an extent. And cotton will be procured from farmers or association of farmers. There is not much of brand here involved, there is not much of loyalty here involved. Relationships matter even at this end, this kind of simple set of transactions. But it will be regularly purchased.

But if you see, this cotton, when it is introduced in the garment manufacturing value chain, it goes through various stages like spinning, weaving, tailoring, distribution before it reaches the retailer end, the shelf from where the consumer will be purchasing. Obviously, you can realize that at the end when it is a shirt, it is a finished product, it has high added value, lot of design and brand building and consumer preferences are involved. So people have distinct preferences for, I don't know, Peter England or Park Avenue and so on.

A lot of brand loyalty will be involved. So there are almost contrasting changes from the left-hand side to the right-hand side. But the stages in between spinning, weaving, tailoring, distribution as we will see, they all involve different kinds of B2B transactions. And this simple set of transactions at the left to the quite involved and complicated set of transactions on the right go through various activities which are shown in the middle, which represent or which requires different kinds of marketing developments compared to what we have studied in our introductory courses on marketing.

BUSINESS SERVICES

- ▶ A logistics company sells logistics services to a construction company like L&T
- ▶ Pearl-An advertising agency creates advertising campaign for a food company-Bisk Farm
- ▶ Mckinsey-A consultancy company provides management consultancy for an Electrical Power company- CESC
- ▶ Vivanta-A hotel chain makes an agreement with Schneider an Industrial Electrical company for their sales-persons business trips

For example, business services. It's a very big area of B2B marketing, industrial marketing. So, in a logistics company, supply chain management company sells their

logistics services to a large construction company like L&T. They are selling, the logistics company is not selling their trucks or their personnel or so L&T is not taking possession of any of the offerings of the logistics company but they are using very intensely the services.

So, here we have B2B marketing where there is no ownership transfer yet intense transfer of values. Or an advertising agency creates advertising campaign for a food company like Bisk Farm, biscuit company. No physical transfer of goods will take place in this case. But there will be lot of exchange of values because Pearl an advertising company will be contributing quite intensely to the brand building activity of Bisk Farm and in the process they will bring value in their offering which will enrich ultimately the offering of Bisk Farm. So you see I am again and again emphasizing certain concepts like exchange of values in the form of tangible or intangible goods and services and their combinations. I am emphasizing relations which enrich all transactions as important aspects or distinguishing features of industrial marketing or B2B marketing.

The same set of distinctive activities can be applied, can be understood in terms of the long relationship-based high-end services provided by a global consulting company like McKinsey or a hotel chain which may be providing national level, global level services to another large company like say Schneider Electric. So Vivanta, a hotel chain, they provide various kinds of hospitality services to to the executives of Schneider by way of accommodation for their sales and marketing people, by way of hosting their conferences, by way of organizing their facilities for their meetings and so on. All these are provided through contracts, long-term contracts, which are quite different from buying of a shirt and therefore marketing of a contract will be quite different from marketing of a shirt and it is those differences that we want to study.



There are these differences that we will study, but we have to remember the fundamentals of marketing, like the concept of marketing mix or 4P, the place, price, product, promotion and so on, those are equally applicable. So there are points of similarities between consumer marketing, but there are points of differences.

For example, you take product. When we look at a product like a shirt, there are some instances or there may be some post-purchase transactions. I mean, there may be, you know, you buy a shirt and some adjustment in the sleeve length may be offered by the retailer, that end of marketing, that happens post purchase.

MARKETING MIX: PRODUCT

- ▶ The *total offering* is created by a co-creation between the buying organization and the marketing organization.
- ▶ The process creates an *enhanced bundle* that replaces the *discrete product*. The *enhancements* are specific to the buying unit's needs and maximize the value created by the marketer.

Core Product
+ Financing Terms
+ Delivery Options
"Total Offering"

But in industrial marketing, in B2B marketing, the post purchase stage is very, very important because lot of things happen at that stage. Because in B2B, the buyer, the customer buys total product, a total and we use the word offering. The offering as a concept covers a core product which may have tangible part as well as intangible part, hardware part as well as software part. But we'll also have at the pre-purchase stage or at the purchase execution stage, interesting transaction like financing, delivery schedules, terms of payment and so on.

These are all part of or layers on the core product. And these layers can change one set of offering from another set of offering. If you buy an earth moving machine where you will be paying in installments or you may not actually transfer the ownership or buy the machine as such. But you may buy the earth moving service provided by that machine and the machine supplier may provide you that earth moving service at your construction site and at the end of the activity may take the machine away. But a lot of value exchange has taken place.

And instead of Just a product like a shirt or a packet of milk or a packet of biscuit which goes from the seller to the purchaser, it's just kind of a discrete transaction, gets

transformed into this total offering concept where we have the product which may have tangible parts, intangible part. There will be lot of layers like financing terms or delivery terms or warranty terms etc., which will change the package, bundle of values that will be exchanged. So, I am introducing another new term bundle of values that replaces the discrete product like a packet of biscuit and these enhancements are specific to the buying unit, the industry where this buying unit is situated. So, this concept of offering in as applied in the automotive industry between a company like Tata Motors and their suppliers will be different from an organization, a continuous process industry, very large process industry like Reliance Petrochem and their suppliers. There are a lot of variations, a lot of interesting changes which we will study.

Similarly, I am actually now just touching briefly on the distinctions between consumer marketing and industrial marketing or B2B marketing with respect to the marketing mix definitions. I am just briefly discussing the differences or nuances. But of course, we will study in later sessions each one of these be it the product, be it the price or the promotion.

- ◉ In IM price is not the same across all transactions, with more special discounts and add-ons case to case (in comparison to consumer markets.)
- ◉ May involve things other than a one-time price payment (such as extended warranty.)

MARKETING MIX: PRICE

We'll study in detail that how that element of marketing mix changes, enhances in the domain of B2B marketing. I mean price, for example. Price of a soap or a toothpaste may

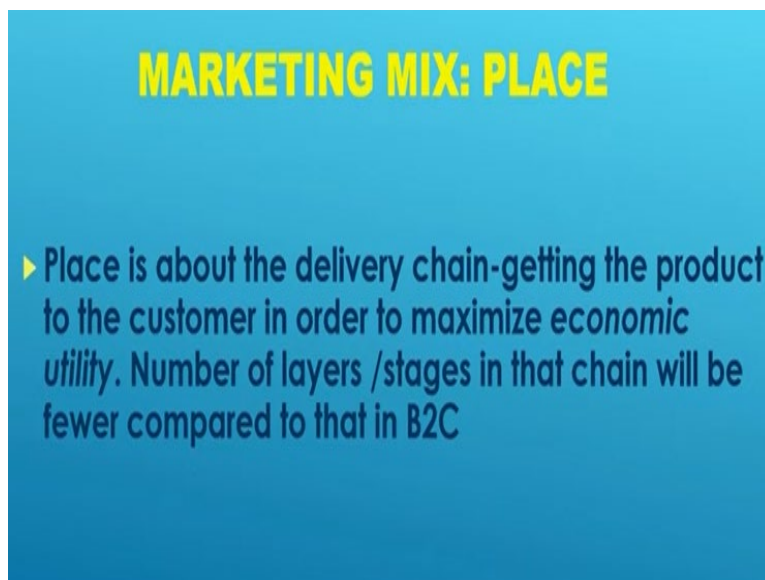
change seasonally. There may be some incentives during the festive seasons where the consumer product company is trying to maximize its volume. So there may be some deals like buy two, get one free and so on.

But usually, the price in a particular market at a particular time period will not be different from one purchaser to the other purchaser. So, if you go to the shop and buy a packet of toothpaste or soap, you will pay the same price which I will pay if I go. There may be a very small difference because I may be purchasing 10 units and you may be purchasing 1 unit. So some volume discount etc., may be there but otherwise more or less the price will be the same from one transaction to the other transaction. But the price is widely changeable in B2B transactions from one to the other depending on the domain, depending on the type of seller, depending on the type of buyer. So, there may be special discounts, there may be special terms of payment, all influenced by the long-term relationships between the two organizations.

There are often also sort of non-monetary or let me put it this way, some elements which are not directly counted in rupees or dollars or pounds, but constitute a significant part of the bundle of value, the concept that I introduced a little while back, like warranty, for example. There is a lot of difference between three years warranty provided for a large cooling tower supplied to a power station or a chemical plant with respect to one year warranty for the same plant supplied to say a cement plant. Sometimes these differences in the warranty terms may be because of the type of industry and the installation conditions and the wear and tear etc., sometimes it may be due to the conditions evolved through long-term relations.

But most important point to note here that the price is quite changeable depending on the context of the two organizations involved in a B2B transaction. It may change from region to region and due to many other reasons. We will study all that when we come to our detailed discussion on industrial pricing. Or even the distribution which we call in marketing mix place.

The distribution of industrial products, goods and services can be quite different from that of consumer products. First of all, the distribution chain has many layers, several stages from the manufacturer to a store and forward agent to a wholesaler to a retailer there can be many stages in the consumer products but in case of industrial goods it may be just a two stage or three stage process the manufacturer, the distributor, and the customer. There may be some additional parallel channels like a service involvement of a service agent. But otherwise, generally the chain is much shorter in B2B compared to that in B2C.



And that in itself may appear to be a very simple difference, but actually will create lot of changes in the way the distribution happens in the two cases or for example you take marketing communication promotion.

Industrial marketing requires a different promotional mix

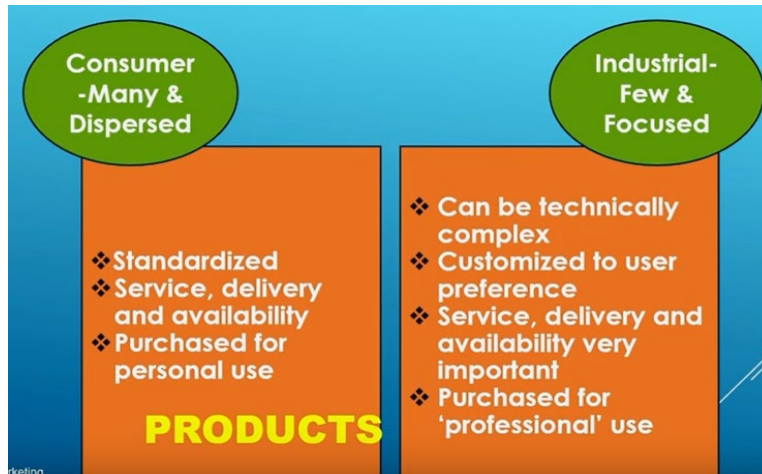
Consumer MarCom	V.S.	Industrial M
<ul style="list-style-type: none"> ○ Emphasis is frequently on <i>advertising</i>. ○ Communication with customers is often a <i>monologue</i>. ○ Relationship is often <i>brief</i>. 		<ul style="list-style-type: none"> ○ Emphasis is frequently on <i>personal selling and special Promos by manufacturer or distributor</i>. ○ Marcom here should be a <i>dialogue</i>. ○ Relationship is often key- <i>long-lasting and multilateral</i>.

**MARKETING MIX:
PROMOTION**

So, on consumer marketing, consumer marketing promotion will mean marketing communication will mean frequent advertising promotion and communication with the customer is often one way you know broadcast mode you advertise on television you promote through a press conference. You promote through storefront displays, it's often one way whereas in B2B marketing communication, there is very little monologue, but there is lot of dialogue, lot of discussions.

And as I have been mentioning again and again, that the aim of marketing communication in B2B will be relationship building, whereas the aim in B2C consumer marketing is often to maximize the number of transactions. So, the relationship can be brief. Again, I just touched upon a few simple differences. When we study marketing communication in B2B in detail, we will see the other various differences and techniques.

And in case of marketing communication, we will also see the differences in the way technologies are used in promoting. For example, products. I discussed a little while back the concept of total offering as opposed to a discrete product in understanding the difference between B2B and B2C.

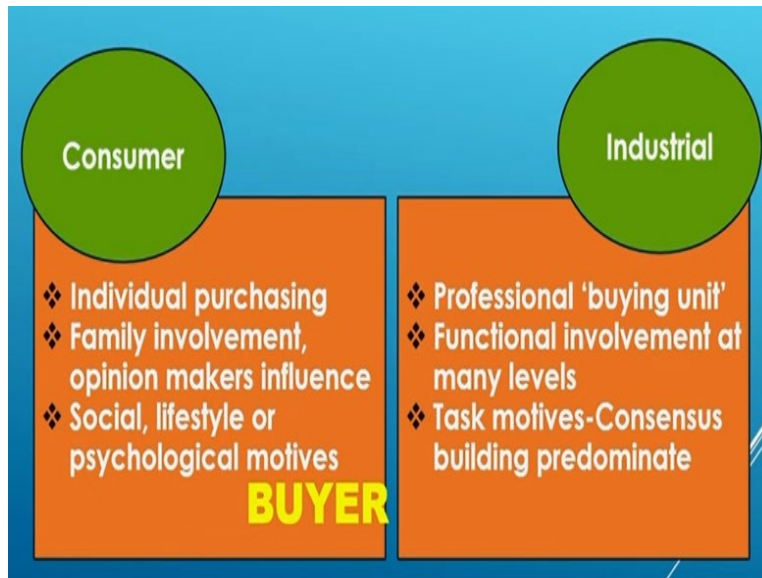


But we can also understand that in consumer marketing, we are dealing with buyers who may be widely dispersed across the nation, across the region, sometimes across the globe whereas in industrial marketing, B2B marketing, we are dealing with few well-identified entities. So, we are dealing with a few and focused set as opposed to a widely dispersed set. The consumer products which are on the left-hand side displayed here, their characteristics are displayed on the left-hand side as standardized service, standardized delivery, standardized availability, purchase for personal use as opposed to the B2B set on the right where we are looking at technically complex goods and services. A lot of customization may be involved and there will be tangible parts and intangible elements like terms of contract or service. Availability itself may be a schedule instead of one-off.

You may be looking at deliveries happening in different lots every day over the year when the transactions happen between a company manufacturing say steering assemblies and the car manufacturer you are looking at matched production schedules. So, that certain lots are delivered just in time every day from Sona Koyo, the steering manufacturing company to Maruti.

So, their computer systems are matched. Sona Koyo will know well in advance that what Maruti is going to produce the next day, the next week and so on. And these sort of long-term relationship-based delivery schedules will be contracted through a lot of

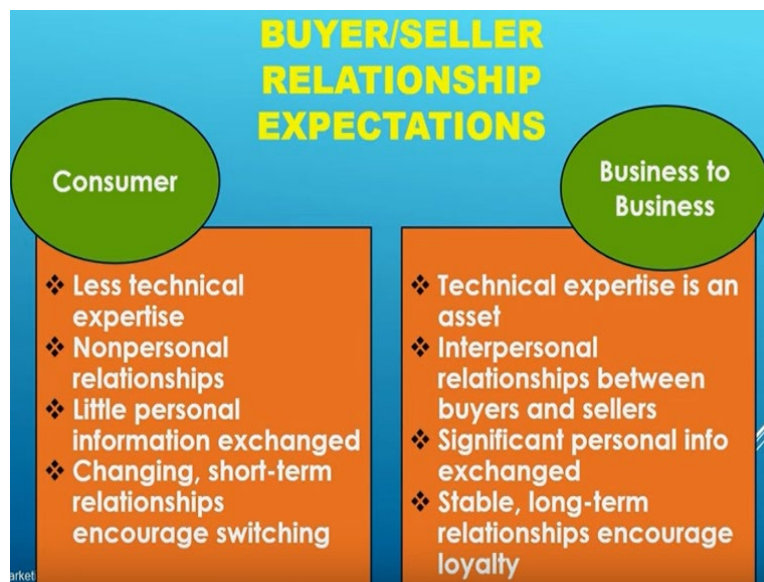
professional discussions. That is different from the way purchase will happen for a packet of biscuit or toothpaste.



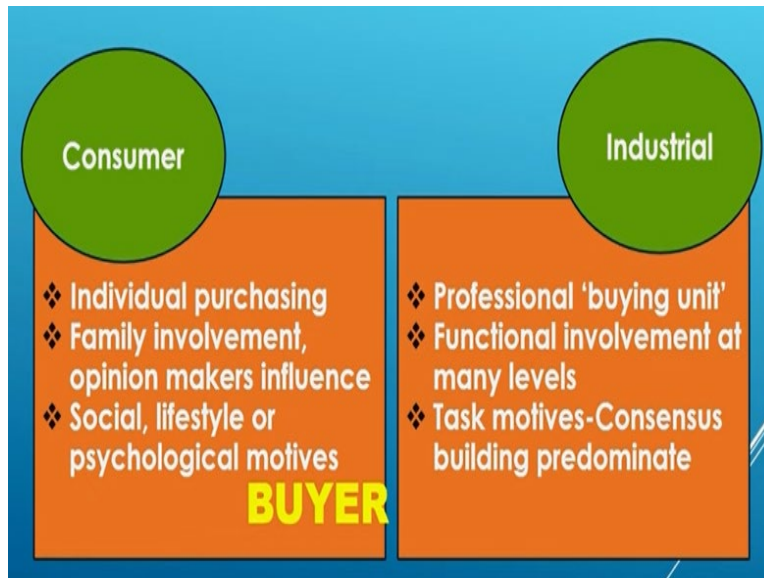
Or the buyers or the purchasers, another P. A different, obviously, in one case we are looking at individuals. The individual may represent himself or herself or his or her family whereas in case of B2B buying, the purchaser may be impersonal professionally will be involved but not emotionally as may happen in case of a B2C purchase situation. And there will be groups, people of different expertise who will be involved on the right-hand side in purchase in B2B.

Again, that will create interesting things that we have to study, that how strategic marketing is needed to create consensus among a group of buyers involved as a decision-making unit in case of a B2B purchase. That's not a, there may be a little bit of that involved when you are marketing high-value consumer durables like a refrigerator or a washing machine. You may have to appeal to different members of the family. Even the children may have a say in the type of refrigerator purchased.

But that will not be comparable to the complexities involved in the group decision-making process in case of a B2B transaction. I have been talking again and again about relationships. Relationships go hand in hand with expectations and fulfillments. And this relationship building, expectation, fulfillment differ quite a bit between B2C and B2B domains of marketing. Because on the left-hand side, in case of consumer marketing, we are looking at less technical expertise, whereas in case of B2B, we are looking at a lot of technology-based discussions and expertise on both sides.

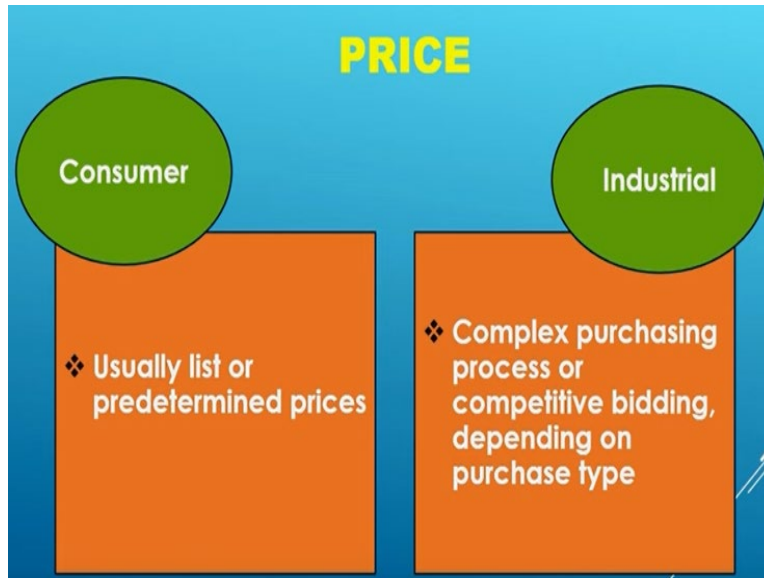


And on the left-hand side, in consumer marketing, the transactions are often impersonal. In the sense that the manufacturer or the manufacturer's team will not be transacting with the buyer when a toothpaste is purchased. All the transfer of information, all the building of brand, all that happen through the process at the pre-purchase stage, but the purchase process itself is quite interpersonal transaction dependent in case of B2B and it is quite impersonal in case of B2C. Not much of personal information will get exchanged, whereas in case of B2B, even the technical expertise or the credential, the knowledge level of the B2B marketer will carry a lot of weight in creating a fulfillment, a conclusive agreement between the two entities. And as I said, that stable and long-term relations will be essential.



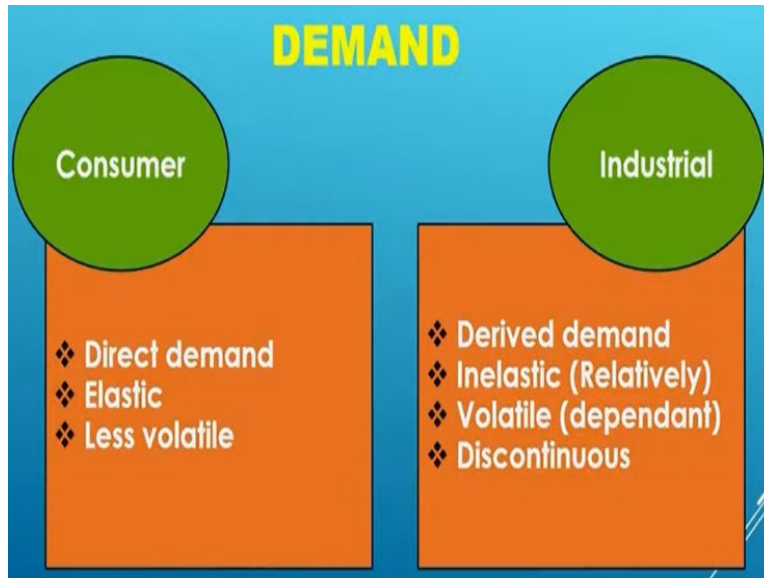
Not only loyalty, but we will see that in B2B, we look not only for we go well beyond loyalty. We look for customer advocacy or customer becoming part of your marketing process.

We will discuss that in detail when we look at this whole area of customer relationship management or customer relationship marketing in B2B. Channels are, as I discussed a little while back, the whole distribution process will be much quicker or not quicker, but through a shorter chain in B2B as opposed to the B2C chain.



Price will be, there will be other areas where price will be different. Pricing methodologies will be different in B2C as opposed to B2B. Like the MRP or the maximum retail pricing is an important pricing point in case of B2C.

And that's not a concept that really can be applied in case of B2B. In B2B also they do have list prices and discounts for standard products, but even those are widely variable depending on the context of the particular transaction. It will become all clear when we discuss these particular nuances. In industrial marketing, another important concept I will just introduce. I will not discuss it in detail today because we are coming to the end of our session.



This concept of derived demand, that means the demand for say steering wheels or steering sets will entirely depend on the demand for cars. or the demand for trucks. By itself, Sona Koyo will not be able to create or improve their demand pattern at the consumer end, end buyer's end. They will have to depend on the marketing of Maruti or Tata Motors or the general market condition for cars or trucks for the demand of the steering assemblies.

So, this concept of derived demand and the volatility that gets introduced in the process we will discuss all in detail when we come to these chapters. So to end my presentation on this as the introduction to B2B marketing, industrial marketing, business to business relationship oriented marketing.



I summarize with this simple phrase that in B2B we are dealing with total offering we are looking at products, services, availability, terms of payment timely delivery, intricate delivery schedules and lot of trust-based, confidence-based, mutual confidence-building transaction-based multi-layer, many-sided relationships.

So, key to industrial marketing are the concepts of total offering and relationships. With that I end this introductory session and I hope to see you again for our next session and all the sessions in this course. And I will try my best to make it interesting, informative and useful for your work. Thank you.