

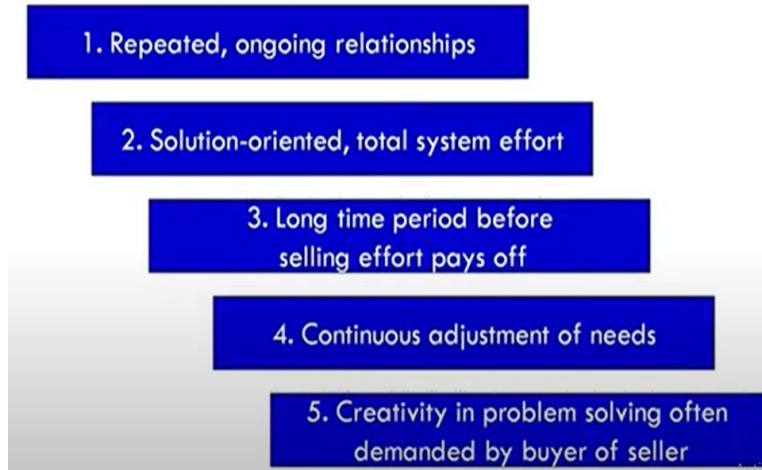
BUSINESS MARKETING - TECHNOLOGY FOCUS

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Lecture 18: B2B Sales

Hello, welcome to our next session on B2B marketing with technology focus. I am Jayanta Chatterjee from IIT Kanpur and we are going to discuss in this session and the following B2B selling or industrial selling in the context of B2B marketing.

Business-to-Business Selling Characteristics



We have again and again said that B2B marketing is all about relationship building. And therefore, the business to business selling is characterized by repeated ongoing relationships, solution-oriented total system effort, long time period before selling efforts pay off, and continuous adjustment of needs and the fifth point being creativity in problem solving often demanded by buyer or seller.

Let us look at each one of these.

1. Repeated, ongoing relationships

- The relationship between the seller and buying center members is a series of *dyadic interactions*
 - One-to-one meetings or interactions between stakeholders in the buying center and the seller or other individuals in the selling organization's value chain.

What is the meaning of repeated ongoing relationships? In most cases, if you are for example, I will take for this particular discussion an example of electrical electronic control panels. Suppose you are a company like Siemens and you are dealing with say Tata Steel, Hindustan Aluminum, Hindalco. Now you would have had many many encounters with this particular customer, many occasions to sell them electrical or electronic control panels.

So, the relationship between Siemens and Tata Steel for electrical electronic control panel is a continuing one of characterized by repeat occasions and therefore the buyer and seller, as we know that in industrial B2B situation, we have decision making units on the buying side, we have groups involved, we have different roles played by different departments in the buying decision making in the B2B context.

So, from the seller side, as Siemens, you would have had different relationship with the finance department, with the user department, with the maintenance department, with the project department of the buying side, be it Tata Steel or Hindalco. The relationship with each one of the players in the decision-making unit will be something that will be relating to the group as well as relating to the one-to-one characteristics.

So, one-to-one meetings or interactions between stakeholders in the buying center and the seller or the individuals in the selling organizations are, it is kind of actually a continuing

and a dynamic. And there actually we will have to always remember that not a single tender, not a single buying occasion is one-off, but it is a part of a long continuing relationship. And accordingly, we will have to deal with that particular transaction. Because it will not be a transaction, but it will be a relationship building step forward.

2. Solution-oriented, total system effort

- *Customers buy solutions, not technologies or core products.*
 - The seller and the selling organization must understand the needs of the customer.
 - The seller must also understand the different motivating elements between members of the customer buying center.

The second point that we have to determine is that, for example, the buying occasion may be for electrical electronic control panel, but remember that we have also discussed previously when we discussed about the nature of the product in the B2B context, that the customer is not buying electronic control panels, the customer is not buying a product but the customer is buying actually a solution.

So, the seller organization must understand this solution orientation, problem solving orientation of the customer and therefore they must also not play with this particular sales situation as a product selling but as a solution selling occasion. Because it is a total solution that the customer is looking for, the buying center or the decision making unit on the buyer side, on the Tata Steel side or on the Hindalco side will be looking to their satisfaction for different aspects of that solution.

The finance department will look at it from one angle. The project department will look at it from one angle, the maintenance department will look at it from one angle and as a

seller, Siemens representatives will have to satisfy all those different requirements which finally will constitute to a satisfactory solution selling.

3. Long time period before selling effort pays off

- In business-to-business selling, the outcome of the sales effort may not be known for months (or years!)
 - It is important to use the development period to *reinforce the value offering* relative to competitive offerings.
 - Reduce buyer perceptions of risk by reinforcing the total value of the offering.

Long time periods before the selling efforts pay off because as we have discussed in many of these cases, these are high value purchases, even though they may be many times purchased, but each time there will be some kind of tender because this is not kind of a product which will go into a rate contract. So, therefore, each case there will be competitive bidding, there will be lot of evaluation in each case, maybe sometimes involving consultants, sometimes involving other plant suppliers. where these electrical and electronic control panels will get fitted. And therefore, in business to business selling, the outcome of the selling effort may not be known for months or maybe even sometimes if it is a very large tender, it may take years to get finalized.

So, it is important to use the development period, the intervening period to reinforce the value offering relative to competitive offering. So, usually even though there will be a big time gap between the day of tendering or day the bids are opened and the day the order gets finalized in between there will be many negotiations there may be discussions and usually there will be many pre-bid discussions as well.

So, all this will constitute a long time period over which the seller will have to continuously push for their superiority by way of the product features, by way of their

service packages, by way of their brand reinforcement and many of those things. So, continuously the whole effort is that the buyer must feel less and less risk and feel more and more confident in making the buying decision in favor of Siemens.

4. Continuous adjustment of needs

- It is important to be flexible and responsive to the changing needs of customers.
- Customer needs evolve as they learn more about the seller's offering and how the offering can be applied to their needs.

It is important to be flexible and responsive in this whole process to the changing because some of the requirements may change as the project progresses. The consultants, the plant suppliers, etc., may be giving new inputs. So, to that extent, the original tendering conditions may slightly change.

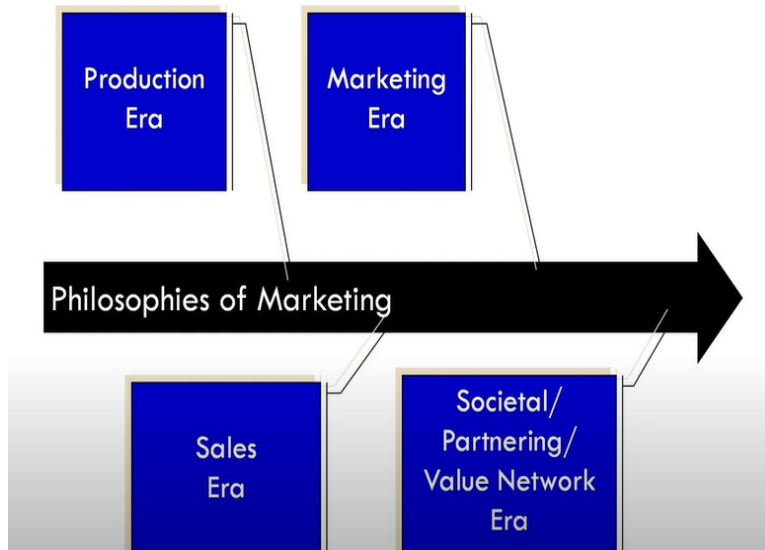
The quantities may change. Some of the details might change. Some of the specifications might change. So the customer's need will continue to evolve during this time period and as a seller you will have to be flexible and adaptable to that particular changing situation.

5. Creativity in problem solving often demanded by buyer of seller

- Customization of the offering to meet the specific needs of the buyer is expected, especially by large customers.
- Approaching each customer's problem in such a way that the customer perceives the offering as unique is particularly advantageous.
 - ▣ Can relieve the seller of concerns relative to pricing

And during this process therefore also the creativity of the problem solving approach, creativity in the problem solving approach is very important because that is something that is required by the buyer. And therefore, it will have to be imbibed by the seller as well. So, customization of the offering to meet the specific needs of the buyer is expected, especially by the very large customers like Tata Steel or Indalco and so on.

And approaching each customer's problem in such way that the customer perceives the offering is as a unique particular advantage to them. So, each customer sale of a electrical electronic control panel may be run of the mill for the seller but remember that it has to be a brand new occasion for the buyer and the seller will have to therefore respond to the situation with that kind of enthusiasm and not boredom and that excitement, that enthusiasm is something very important because that is what actually drives the whole team during that long time period between the bidding and ordering and also that is something that will make you endearing to the customer.



We know that this is a little side issue that the whole philosophy of marketing has gone from the production era to the sales era to the marketing era. And what is important is today, even in the B2B field, it is actually an era of partnering, long term relationship building, becoming part of a value system.



I will now discuss the different kinds of roles played by the salesperson or the sales manager or the sales representative from the in the B2B context particularly. So, the first role is that of an order taker. The primary role is taking orders and ensuring timely delivery of products. This role is kind of similar in even in the B2C context because, even

though you may be buying the B2C product from the retailer, but the retailer is actually dealing with a wholesaler, the wholesaler is dealing with the manufacturer, that chain is actually a B2B chain.

Even though the end of that chain may be a B2C transaction, but before that there is a whole chain of B2B transactions. And there, there are these order takers of various types and of various levels. Largely this process is now automated. So, these are machines rather than human beings. The human beings are at the back and they are actually looking at the aggregated result.

But individual occasions of order taking are now mostly automated. Then there is a role which still remains a very human role and that role is that of a persuader and sustainer. That means you have to continuously update the customers about various kinds of offerings, attempts to convince customers of the offerings value. This is not a process that is to be performed only at the time of a particular tender or of a particular inquiry, but it is an ongoing process.

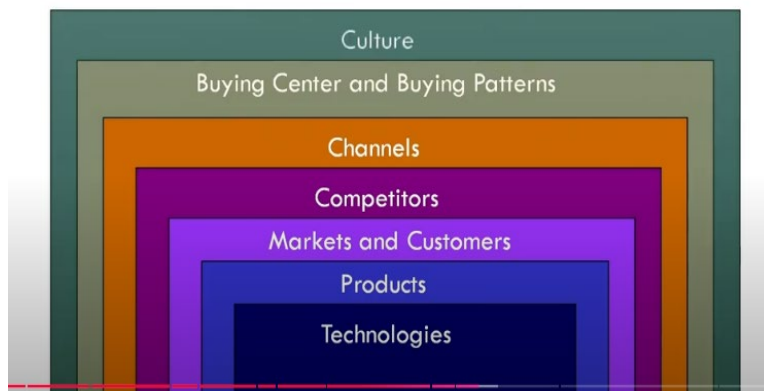
So, this is something that is, and in fact, very, very large customers, global customers, for example, a petrochemical company operating in many countries, will have from Rockwell Automation or from ABB or some other global organizations for industrial electrical, industrial electronic components and parts and products and systems. They will have dedicated people to these large petrochemical companies, they are called key account managers or they are called industry sales persons. So, their role is not to pursue one particular order, but their role is to act as evangelist. They will be continuously doing this persuading and sustaining role.

They will be updating the customers about all kinds of new offerings, new developments, future product introduction they will make these large customers privy to prior announcements and so on. So this is the role that is a key role. This role is continuing to be a very important human role. This is not the part which is automated except of course these human experts are supplemented by lot of electronic mailing, electronic communication and so earlier they used to give lot of brochures, lot of pamphlets and manuals and so on.

That part is now electronic but the human part remains as a leader of this effort. Then human beings also do the third role always that is an important role to be performed and that role is of motivator and problem solver. Assist the customer in maximizing the product value by providing advice for the correct usage for the most effective usage and customer education for using complex products and services. So, persuader and sustainer role is a continuing important human role, motivator and problem solver is another continuing important human role.

And lastly, the most important role is that all of this put together is a relationship building role by the salesperson and value creator role by the salesperson. So, in a way, industrial brands are often built brick by brick by these people in the field sales in B2B organizations.

Sellers must know and understand the customers' ...



Obviously, to be successful in that the sellers must know and understand the customers in terms of their technologies, the customers technology, the customers products, the customers markets, and their customers, the customers competitors, the channels, and then all that will be represented or transferred from the buyer to the selling organization through the buying center and that is also something that the seller must understand. So, therefore, Siemens has to understand or ABB has to understand or Rockwell Automation has to understand or Crompton Greaves has to understand the technologies of the buying organization like Tata Steel or Hindalco.

They have to understand the products that are made by their client organizations. And therefore, what are the competitive dynamics in their marketplace? What are the demands made by the customers of Tata Steel or Hindalco? And that must be understood by these electrical electronic suppliers. Their Tata Steel's competitors, Hindalco's competitors must be understood by the suppliers to Tata Steel or Hindalco.

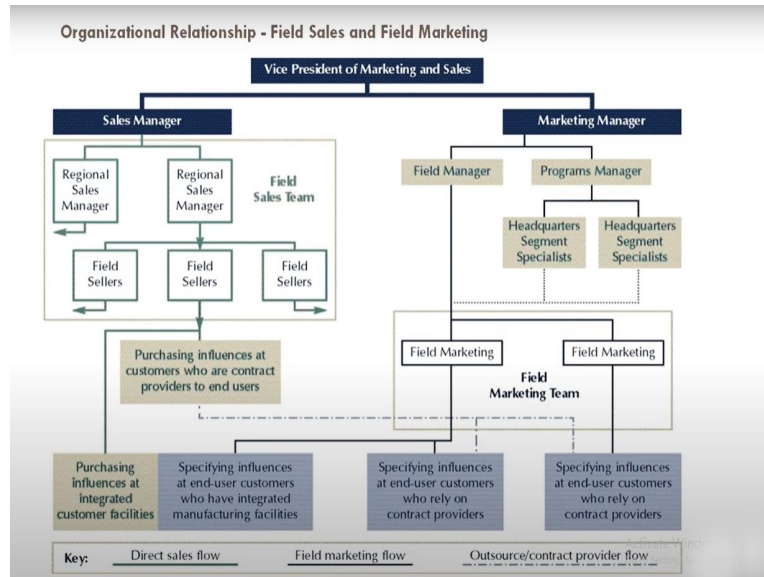
And so therefore, you have to understand, and on top of it of course I forgot to mention that the culture of Hindalco, the culture of Tata Steel, the culture of Reliance, all these large organizations have their own cultures with respect to technology, with respect to product services, with respect to their expectation levels and therefore all these must be understood in depth. So, you can see that the role of the industrial seller The B2B field salesperson is almost that of a diplomat. Just like a country is represented by their diplomats and they have to understand the country in depth where they are posted. In the same way, the industry salespersons must understand in depth as emissaries, as diplomats, they are client organizations and they have to maintain a continuing strengthening relationship between their own organization and the customer organization.

Other Types of Selling Roles

- Missionary Sellers/Field Marketers
 - Critical in finding new customers, new market segments, and developing business within existing accounts.
- Post-Sale Customer Service
 - Effective customer service can reinforce the purchase decision and create superior value for a customer.

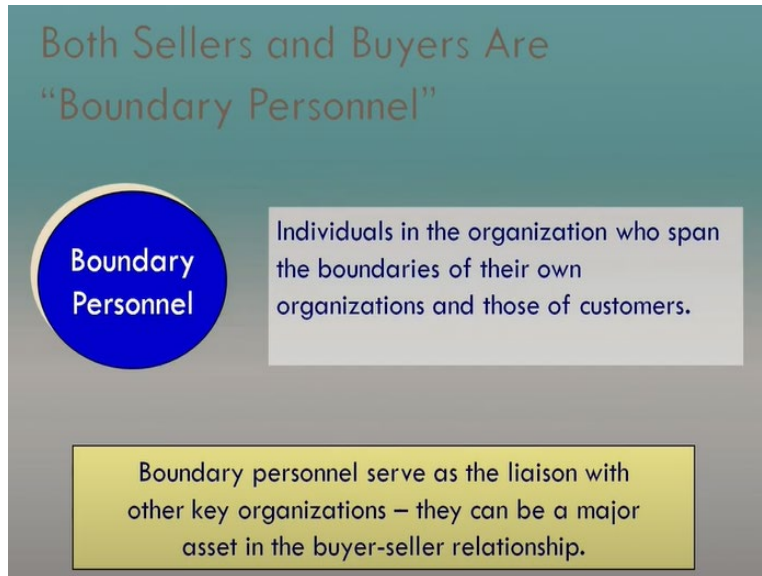
I was just now mentioning some of the other key roles played today in the industrial sales like I mentioned the industry sales or key account management experts. So, that is actually a missionary selling role. And also of course they often go hand in hand with post sale customer service departments and these industry sales people or the key account

managers ensure that high value purchases made by clients like Tata Steel or Hindalco or Reliance or for that matter large cement organizations, other large metallurgical plants, engineering plants, Maruti, all of these very very large customers.



They expect service level even before they have an acute problem. So they want their key suppliers to be as much part of their organization as their own people are. And therefore they expect that these Key account managers or industry salespeople, they actually become an integral part of the client organization's requirements. So, they don't visit only when a problem occurs or only when a demand occurs. They have a continuing, continuous presence.

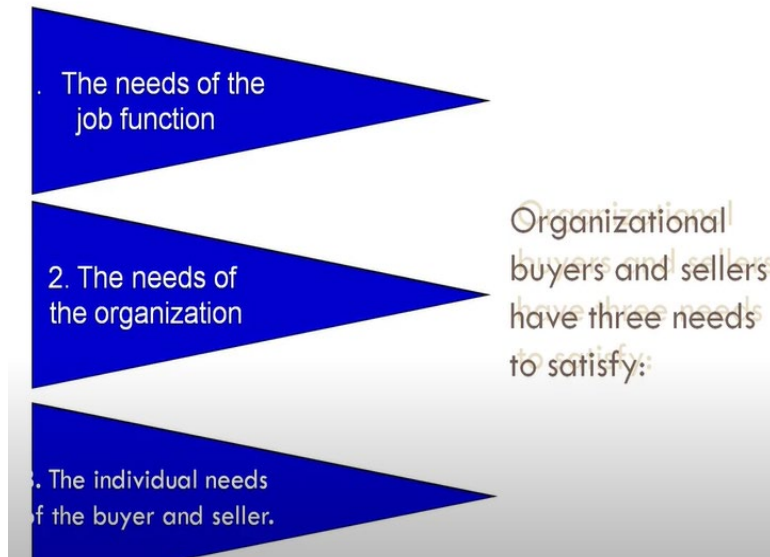
This is a classic diagram of earlier how sales management and marketing management in B2B used to be organized but nowadays they are actually lot of overlapping is there between the left side and the right hand side and this field sales and field marketing are nowadays more and more integrated and they are not two separate silos.



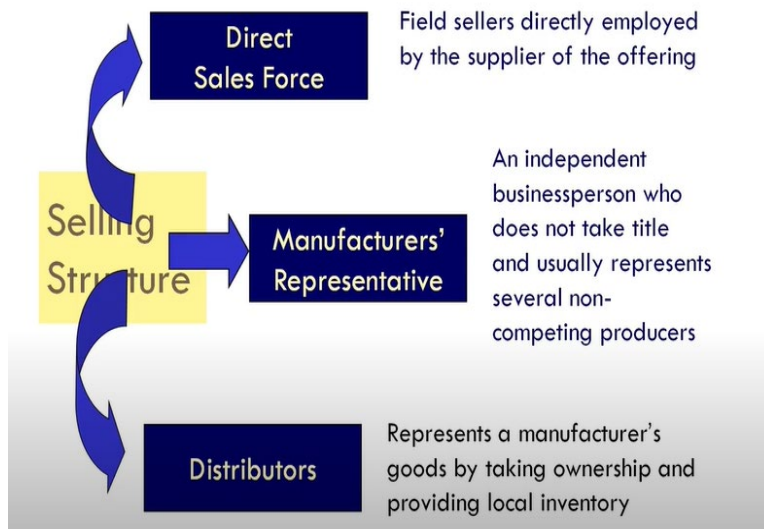
This is the point I was again and again making in the last few slides that the role of the seller is that of a boundary personnel that means this not only this industry sales person or the key account manager person all B2B sales person they are boundary personnel that means they are at the boundary at the touching point between Tata Steel and Siemens. Between Tata Steel and ABB or Rockwell Automation and so on. And as a boundary personnel they are as much part of the buyer organization as they are of the seller organization.

So, they have to actually very critical role they have to perform as that of a diplomat. They have to balance the needs and feelings of both sides. And therefore, they have to work very closely with the buyers in the buying organizations. So, these buyers and sellers, they are individuals in the organization who span the boundaries of their own organizations and therefore work very closely with each other. Many of these people form lifelong relationships.

They actually, their encounters go beyond just official niceties and they actually, there are many many examples where become family friends.



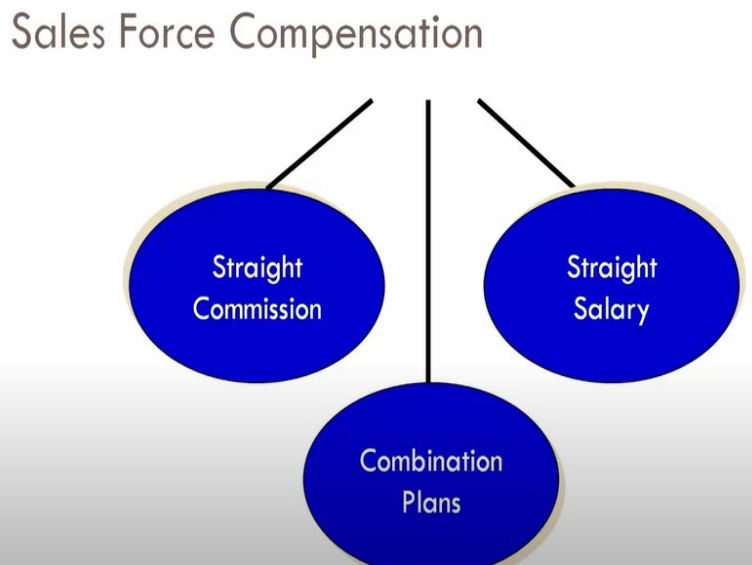
So, organizational buyers and sellers have three needs to satisfy. The need of the job function, the need of the organization and the individual needs of the buyer and seller. So, that is why I said that many of times actually you will go beyond one and two and at the third level, you will form lifelong relationships and friendships which may become family friendships.



Coming to the end of my this particular session and I am going to discuss first the selling structure. So usually we have direct sales force, we have manufacturers, representatives or distributors and we have manufacturers, representatives are kind of loan distributors.

So, they are actually the second block and the third block can even be treated together. So basically you have direct sales force and you have indirect sales force. So we all understand the different in the B2B selling these personnel are well known.

So, field sellers directly employed by the supplier of the offering are the direct sales force. An independent business person who does not take title of the goods but actually negotiates the order and determines all the technical features and the commercial requirements are like a sales representative but not directly employed by the selling organization, they are manufacturing representatives and finally there are distributors who are play the same role as the manufacturers representative but they are organizations themselves.



Accordingly also we can look at the sales force compensation. So, there is straight commission, combination plan and straight salary.

Sales Force
Compensation
Methods

**Straight
Commission**

- Most appropriate where repeat efforts are necessary to sustain customer purchases.
- Rewards are linked to short-term, repeated performance.
- Sellers will likely concentrate on customers that have a patterns of frequent and substantial purchases.
- Inappropriate during new product introductions.
- May not work well for sophisticated products where missionary work is needed.
- Compensation variability/volatility may create problems for the sellers.

So, in case of B2B, the most often there are few occasions where straight commission may be some of the standard industrial products may be actually based on straight commission. But this is very rare, this only straight commission in case of B2B.

Sales Force
Compensation
Methods

**Straight
Salary**

- Management is able to exercise greater control over the sales force (compared to straight commission).
- Appropriate when personnel in selling roles are required to provide design and engineering assistance.
- Motivator/problem solver* and *relationship/value creator* roles are appropriate for straight salary compensation.
- Creates stability of sales employees.
- Does not tie financial rewards to sales results – may attract personnel who are security oriented instead of achievement oriented.

In B2B also it is quite rare to have straight salary only. But those evangelist people like the key account managers or like the industry salespersons, they may be on straight salary. And they may be getting an overall incentive from the total business transacted with that very large customer.

Sales Force
Compensation
Methods



- Most frequently used form of compensation.
- Salary portion of compensation corresponds to management's needs for the sales staff to perform administrative duties, while the commission portion encourages increased selling effort.
- The commission portion of the compensation is paid as it is earned, as opposed to a bonus (most likely paid on a quarterly or annual basis).

But most normal sales persons in B2B will be working on a fixed salary plus incentives commissions based on the sales performance bring into the play. So, most frequently used form in the in case of B2B salary portion of the compensation correspondence to management's need for the sales staff to perform administrative duties while the commission portion encourages increasing sales effort. The commission portion of the compensation is paid as it is earned as opposed to a bonus most likely paid as a quarterly or annual basis. This is based on purely against the sales performance. So, some quarter it may be very high, some quarter it may not be that high.

Direct Sales or Mfg. Representatives?

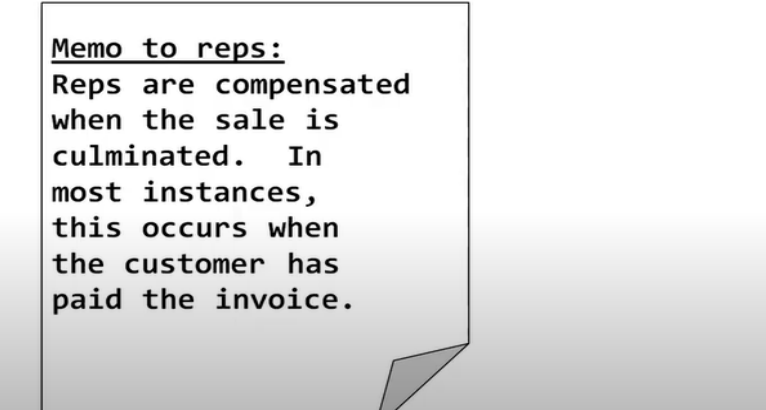
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| <input type="checkbox"/> Appropriate for direct sales force | <input type="checkbox"/> Appropriate for mfg. representatives |
| <input type="checkbox"/> Product is technically complex | <input type="checkbox"/> Product is generic or standardized |
| <input type="checkbox"/> Control is important | <input type="checkbox"/> Control is less important |
| <input type="checkbox"/> Missionary work needed to build relationships | <input type="checkbox"/> Reps have other complimentary lines |
| <input type="checkbox"/> Concentrated customer base | <input type="checkbox"/> Market is dispersed and matches rep's existing call patterns |
| <input type="checkbox"/> Explicit customer feedback desired | <input type="checkbox"/> Direct customer feedback is less critical |

So, it actually incentivizes continuous push by the sales persons. Now when will you apply a direct salesperson for a particular transaction and when will you apply a manufacturing representative? That is actually when the product is generic or standardized or the control is less important. There actually you will go for manufacturer's representative. But if the product is technically very complex, the sale period will be very long.

Control, direct control is very important. Direct connection with the technological updates, latest information will be very important. Then you will use the direct sales force. So, it is direct sales force are structured with respect to customer distribution be it an industry or be it a large customer and that is how they will be deployed.

Manufacturers Representatives

When is a sale booked?



Memo to reps:
Reps are compensated when the sale is culminated. In most instances, this occurs when the customer has paid the invoice.

So, that kind of brings me to the different roles played by the two sides and that ends my presentation on B2B sales or industry sales. And we will continue to the next session in the following lecture. Thank you.