

Customer Relationship Management
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Lecture – 33
CRM in B2B Markets (Contd.)

Hello everybody. Welcome to the NPTEL Swayam Course on Customer Relationship Management. We are in week 6 and this is Dr. Swagato Chatterjee, from VGSOM, IIT Kharagpur, who is taking this course. In week 6, we in the first video, we have discussed about CRM into B2C context, specifically aggregated business context.

Now, we have to understand initially, we have to talk about B2C, business to customer. Then, we came up with aggregators, where there are two kinds of relationship; B2C and B2B. B2C relationship is between the aggregator and the customer and B2B relationship is with the aggregator and the actual service provider.


And in the last video, I told that there has to be some way to join this, we have to understand that. How can I handle this actual service provider as well? And that is where this, today's classes topic comes up: CRM in B2B markets.

So, before we understand CRM Customer Relationship Management in B2B markets, we have to understand what is B2B? What is the characteristic difference between a business to customer market and business to business market? When I say business to business; so, we will discuss about the characteristics. What is a business market?

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What is Organizational Buying?

- Business market
 - Consists of all the organizations that acquire goods and services used in the production of other products or services that are sold, rented, or supplied to others



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So, business market consists of all organizations that acquire goods and services used in the production of other products or services that are sold, rented or supplied to others. So, ideally you are creating you are buying goods and services from one company, creating a product or service and then giving it to some other end customer, end user, or consumer. So, that is basically a B2B market. Now, B2B market can also be divided in multiple ways; one is the private businesses, second is the government, and third is NGOs.

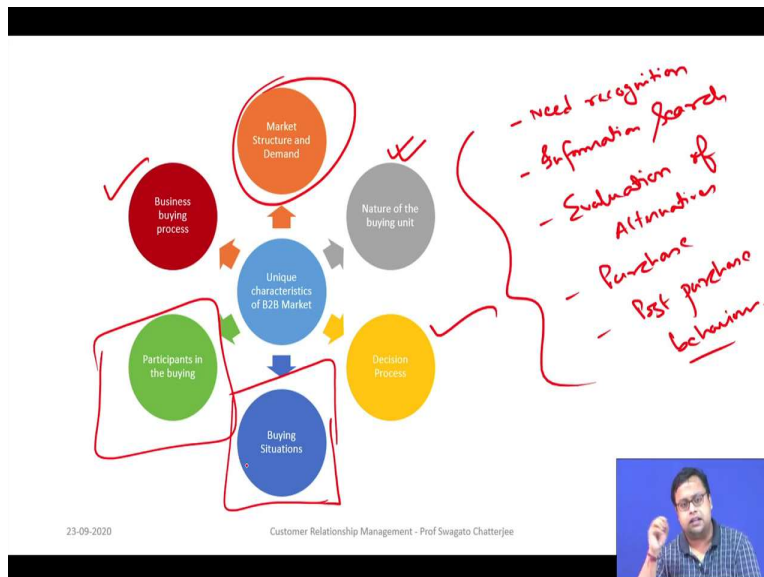
So, private businesses are basically profit-making businesses; government agencies are basically public services companies or public service kind of agencies which are where the government has majority stake. So, their profit is not the major goal.

The major goal is the service of the people and third is the NGOs, why these NGOs are sometimes serving whatever government cannot serve. So, wherever there is a gap in the government's policy implementation and etcetera that is where the NGO comes up. NGOs are also some people who are actually implementing the CSR activities of various organizations. And they can also be your customers.

Now, all these three, when I am talking about the private company or I am talking about the government or I am talking about the NGOs, all these three can be local setup and in international setup; in the local setup and the global setup. Now, customer relationship management has to be handled in all of these aspects.

So, in a different class, we will discuss about the global set up of customer relationship management, the internationalization or international marketing component of CRM; but in this particular class only, we will focus on the B2B part in the local market situation where CRM can be applied.

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Now, what are the unique characteristics of a B2B market? So, if you just pause this and check this video carefully, there are certain unique characteristics. One is the market structure and demand. So, that is what is in here, market structure and demand.

So, what is the market structure? The market structure is there are very few numbers of buyers and the market size, the purchasing size is very high and it is generally very much regionally concentrated. So, that is something that we can expect in a B2B market, less number of buyers, huge ticket size and geographically concentrated.

So, why that happens because oftentimes the factories which are known for their particular business, those factories will have the raw materials or environment or business friendly atmosphere at a certain place. For example, if I am going for petroleum.

So, petroleum will be, all these petroleum businesses or all the iron ore mining businesses will be in the similar area. Because that is the land where iron ore can be excavated, that is the place where probably the government has given lots of facilities or road connectivity and railway connectivity and these and that is there.

So, the moment one particular zone becomes good for business, lots of people comes up and sets up their business in that particular place. So, that is why it is very geographically localized. On the other hand, the ticket size is big because they do bulk purchases to get economies of scale, to get lesser costs.

So, the price that becomes an important factor and the number of people whom you can sell is limited. That is the first characteristic. What is the second? — the nature of the buying unit. So, the nature of the buying unit as I just told you is, you get a high ticket size that is one thing and there are different types of purchase that you do and we will talk about this nature in the next step, that is what are the different kinds of purchases that are done.

Then, third is the decision making process in a B2B—so, buying. Business buying process or decision making process —these two are related. In a B2B context, in a B2C context what is the purchase decision making process if you remember? In a B2C context, it is need recognition. Then the information gathering —let's say information search. Then evaluation of alternatives; Then ultimate purchase and then, the post purchase behaviour.

And in each of these stages, you can actually attack with your CRM strategies. But the problem with B2B is that there is not a single person who is trying to make a decision. There are multiple people who are trying. So, participants in buying that is why, the multiple people who are actually poking their nose in the decision making process and the decision making process are strategic decision making, there is no impulse purchase involved here.

So, in that situation, there is no impulse purchase is situated, the impact of consumer behaviour kind of behavioural aspects on B2B purchases is generally low. Things are changing now as we come with my research, some of the research papers that I am working on, I will show that how behavioural aspects are also coming into the situation.

But classically, we know that behavioural aspects have less impact on purchases and decision making process of a B2B and there are certain steps involved and there is certain strategic decisions long term thinking, cognitive decisions are taken and when thought processes are there, cognitive

decision making is there, the way that you are doing marketing for a B2B and for a B2C will be very different.

So, that is something that we have to understand very particularly first before we can create any CRM strategy for B2B markets. So, I will stop here and then, there are certain buying situations which might also affect. So, I will stop here and ask you to think about it a little bit. That; what kind of buying situation can be created?

Let us say you are studying in a college okay, you are teaching in a college. Let's say there is a projector in the college and you have to buy a new projector. Can you tell me what are the situations when you have to buy a new projector? Just think a little bit, what are the situations, when you might want to buy a new projector?

So, I can think about these three, three places; one is when you are expanding and you are coming up with new classrooms and a new projector has to be bought that is number one. Number two is that your old projector has gone bad and you have to buy a new projector or whatever projector you are working with is not working anymore or is or it is working, but it is not giving the features that you want for. So, you have to upgrade your old one.

So, upgrading your old one, buying a new one, replacing the old one or third is buying a new thing, these are the three business situations when you can buy the projector. Now, let's say you have decided that okay this projector is required, what will be your buying process? Let's say for IIT, Kharagpur; if there is a projector that has to be bought, what is the buying process?

So, what do I do? I am from VGSOM. So, I go to my Dean and I ask the Dean of VGSOM with some consent of other professors, I get consent from other professors and I go to the Dean of VGSOM and ask sir, professor P.K. Ray is now the dean and I ask that sir, this particular projector has to be bought, can you tell me that can you please send a requisition or can you help me buy this projector?

Now, there are two things; if by chance the budget is such that that is within the Dean of VGSOM per view, within the limit within the I would say official limit that has been given to the Dean of VGSOM and VGSOM can approve that okay purchase can be made from the departmental budget. If it is outside of his domain, then he will say that okay write a proposal and I will write a comment and I will send it to the approval of the higher competent authority. So, that is what will happen. So, if he has the authority to give permission, he will give permission; if he or she does not have the authority to give permission, he will send it to somebody else who has the authority.

So, I will create a requisition document, a technical document which says that this is why it is required; this kind of staff is required blah blah blah. And he approves, gives me approval or the competent authority approves. Once it is approved, it will go in the purchase process.

So, I created a tender document. A tender document means if it is limited, there are different kinds of tenders; the limited tender what we, a certain party or it is an open tender where we can ask any people, who is coming or if it is within 25000 limits or within a certain limit. Then, we can have a purchase committee which is an invited tender we can do. So, there are different ways of doing it and we will come to that, but before we do that, we have to create a tender document.

A tender document means a request for proposal kind of a document, where I write every detail that what I am trying to purchase, when it will be delivered, what are the features should be there, what are the post purchase services we are requiring, what are the guarantees we are warranty blah blah blah.

Everything will be dotted down properly. Now, this particular document will be sent to either the tendering platform, if it is an open tender or if it is a limited tender to certain people of certain parties, who are registered vendors of IIT Kharagpur, this will be sent to them.

Now, once it is sent to them, they will send us the. So, they will send us their proposals and all proposals will get submitted and in a certain day, the proposals will be opened. When the proposals will be opened, first we will check for probably the technical specifications and only keep those short listing will happen the two stage shortlisting generally happens. So, first we will keep all the ones which meet our technical requirements and then, we will open the price tender and then, we will see that whichever has the lowest quotation, we will go for that.

Now, in other situations, it is a government situation. In other situations, the procedure is more or less same; probably less number of steps less number of approvals and blah blah blah, but the procedure is more or less same and then, in the technical specification they when they go about the technical specification, lots of different aspects comes in like your relationship with this particular brand; whether you know this particular brand; whether the authority who makes the decision has any kind of strategic relationship with the firm or not, all these kind of things comes up. For example, so I will come to that example a little bit later.

So, this is the procedure and then, the order is given based on L1, the lowest bid the order is given, the purchase order is made and the purchase order is provided or the work order is provided.

And when the work order is provided, or a purchase order is provided, then after a certain point of time evaluation happens of the work, of the product or the service evaluation happens. That is the post purchase situation and when the evaluation happens, whether the contract will be renewed, whether the penalties will be charged, whether this earnest money deposit will be released these kind of decisions are taken after that evolutions happen.

So, this is the overall decision making procedure for a B2B situation, which is very different. There are lots of steps involved and people are very, very I would say because of their job, their livelihood is involved in this purchase decision, they are very much risk averse. So, what happens is in a business market as I told, there are fewer larger buyers. There are close suppliers to customer relationships. There is professional purchasing and there is: multiple buying influences.

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Business markets

- Fewer, larger buyers
- Close supplier-customer relationships
- Professional purchasing
- Multiple buying influences

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So, this is something that we have to think about that, fewer and larger buyers. The numbers of buyers are small and the buyer size, the ticket size is high and a very close relationship. So, once you create a relationship, generally neither the supplier nor the customer wants to break this relationship; because there are lots of headaches for both of them.

Not only the supplier, for the customer also to find the new supplier, legitimate supplier, transport the supplier, it is a very active procedure and that is why once the relationship is built, generally they don't want to switch. That is something that generally is seen in a B2B relationship. And the purchasing process is a professional purchasing process, it is not an impulse purchase kind of process and there are multiple buying influencers. So, lots of people actually have their say when a purchase is made.

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Business markets

- Multiple sales calls
- Derived demand
- Inelastic demand
- Fluctuating demand
- Geographically concentrated buyers
- Direct purchasing

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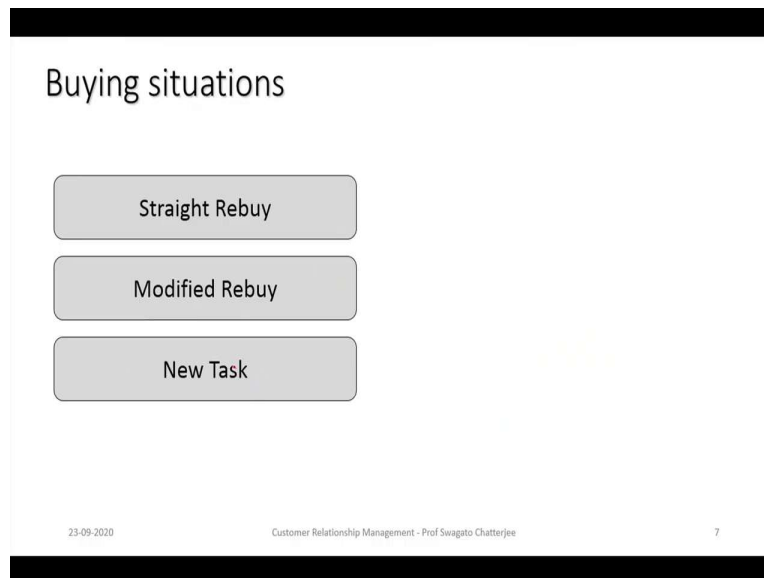
Then, what? Then, there are multiple sales calls involved. So, oftentimes the sales people have to go and visit once, twice, thrice, five times before a sale is made. So, this is something that is the characteristics of a business market because the ticket size is big; it is okay even if a salesperson has to go for five, five times because the amount of revenue that will be generated out of those five visits is much higher than the cost of those five visits. So, multiple sales calls or sales visits have to be made.

There is a derived demand. Derived demand means it comes from somewhere else — the demand comes. And say, inelastic demand. So, demand is generally not dependent on price. It is not like that the price goes up, my demand will go down which happens in case of B2C, but in B2B it is very low. The demand is fluctuating.

So, there is a seasonal fluctuation, there is fluctuation based on the GDP, the economic condition of the country, there is fluctuation; so, there are fluctuations in demand. You cannot assure that the demand will be absolutely stable. But that fluctuation will not happen based on the price that much is saying, based on inelastic demand.

Then, there are geographically concentrated buyers as I just told and there is direct purchasing. Direct purchasing means there are situations, when this guy will call you and say that okay we will not go for tendering and etcetera, send this thing and that happens when the trade relationship between the supplier and the customer is very strong; when this relationship between the supplier and the customer is very strong, the direct purchasing happens we do not go for many tendering procedures and these and that we go for direct purchases.

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This is something which is a business market condition. What are the various buying situations? As I told straight rebuy. Straight rebuy means whatever is being purchased you again order that. So, for example, we buy let's say certain accessories or, or certain office supplies. So, office supply is straight rebuy okay.

Last month, I have ordered this much stationery; just repeat that order because this month also nothing will change you know. Month to month, every month the situation does not change. My demand for stationery products, papers, cleaves, paints will change. Generally, this does not happen. So, every month, I will give or every 3 months or every 6 months, I will give the same order. So, just repeat the order.

Then there is modified rebuy. Modified Rebuy is a little bit of a change in the order. So, okay. So, for example, if the one that I just told that I have bought 6 I will say projectors and then another three rooms are open and I go for a straight rebuy. So, I have recently bought six projectors for me. Why don't you repeat that?

Modified rebuy is that okay when you give me the next three projectors, give me the upgraded version, the better version. A new task is when an absolutely new tendering procedure will happen; an absolutely new product is being purchased. So, these are the three business buying situations that we will see and what are the buying center? As we told buying influencers, there is an initiator.

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The buying center

- ✓ Initiators (I)
- ✓ Users (I and other profs & students)
- ✓ Influencers (Students, Purchase manager)
- ✓ Deciders (Purchase Committee)
- ✓ Approvers (Competent Authority)
- ✓ Buyers (IIT/KGP/VGSOM)
- ✓ Gatekeepers (Audit Team)

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So, for example, in the example of a projector that I am giving, I am the initiator and I and other professors are the users and probably students also are the major users.

Who is the influencer? So, probably, you can see that students are also the influencer or the purchase manager, who can give his comments that okay, you buy this product or this supplier is better than that supplier and blah blah blah and probably, some other people who are outsiders as well. So, I will come to that. Who is the decider? The ultimate decider is probably the purchase committee.

And who is the approver? The approver is the competent authority. It can be the Dean. Sorry, competent authority; it can be the Dean; it can be the Deputy Director in IIT, Kharagpur; it can be the Deputy Registrar, somebody is the approver, ultimate approver. Who is the buyer? The IIT, KGP is the buyer or probably the, this person, who is VGSOM or probably the purchase manager in the, in VGSOM will be the buyer ultimately, who will ultimately go and buy the product?

And there are some people who are the gatekeepers. In this case, the audit team, let us say there is the gatekeeper. So, there are various people who will influence my purchase decision process, that is what happens and you as if you are a B2B supplier, you have to keep assured that see, I have to please everybody.

And different people will have different things to be pleased. The audit team will not focus on the technical technicality. Audit team will only focus on the financial technicality, that whether the procedures are followed properly or not; whether a document submitted is proper or not; this kind of you might be a very big brand, you might be the only biggest brand who produces projector.

But your projectors quality, the electronics related quality and blah blah blah, the users, the initiators, the influencers will be interested in that. The audit team will not be interested in that. So, other than the product quality, other aspects has to be also taken care of or let's say the deciders, approvers, buyers are more related towards what kind of service that you provide because they are

more focused on this product, their longevity of the product, the post purchase if something happens whether you will be coming and giving the service or not.

If the. So, they are not only focused on only the quality or the brand name of the product, they are also focused on that what kind of monetary repercussions will happen after the purchase because they are signing this particular thing. So, they will be interested in those things.

So, the product, the users will be interested. Service, this decider, approver, buyers will be interested. The formalities, audit team will be interested. So, you have to be good in everything to make a purchase successful, to have a successful deal. So, as a B2B supplier, as a B2B company you have to understand that these are the three different people or there are multiple different people who will be pleased in.

So, in in in Hinduism, we will say that we have different gods and different gods have different kinds of I would say prasad, offerings actually to the god that can please that god. So, the offerings that you give to please the god are different for different kinds of god and when all the gods are happy with you, then only you actually become successful or happy and blah blah blah.

Similar kind of stuff you can find out here that you will have a successful deal when multiple influencers are happy with you and multiple influencers are happy with you based on multiple different characteristics of your offerings that you are coming up in the marketing context.

So, that is what I want the B2B people to be very, very carefully think. Now, what are the stages as I said? The first stage is already discussed, so I will quickly skip this part.

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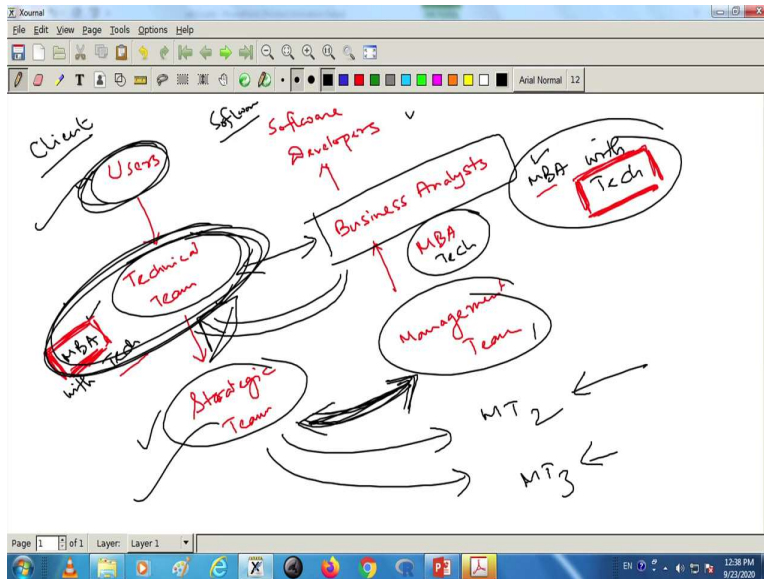
- **Problem recognition**
 - Someone in the company recognizes a problem or need that can be met by acquiring a good or service
- **General need description and product specification**
 - Next, the buyer determines the needed item's general characteristics, required quantity, and technical specifications

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The first stage is the problem recognition. Someone in the company recognizes a problem and, or need that can be made by acquiring goods or services. Then comes a general need description and product specification, where I create the technical report or tendering document. Business

analyst roles are also like this. So, there are two types of people, who will be involved here. So, if you know in a context of software sales, let's say talk, many people work in the software industry.

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So, let's talk a little bit about the software sales procedure. In the software sales procedure, there are users. Okay? There are users and there are software company, software developers.

So, users will create a user document and that will go to that technical team of this particular company and there will be business analysts and then, there is a strategic team or management team and there will be, probably a management team also. This is the - this part is the client and this where the software company and there can be multiple software companies.

So, the users initiate it and give the documents and this technical team will convert the user document to a technical document; that this kind of technology I will need. So, you need a business analyst here, who understands the user needs and how that can be solved.

Now, this guy will talk with multiple business analysts and which business analysts they will talk to will decide at this level whether these two are in sync or not. So, if these two are in sync by chance, then they will send RFP to these people. Let's say management team 1, management team 2, management team 3, three different companies management team. This guy is connected with, he sends the request for proposal.

Now, before tendering happens the business analysts start talking with each other. So, business, this business analyst, this guy says that okay, why do not you talk with the strategic team; strategic team says that why do not you talk with my technical team. So, then these two guys start talking with each other.

Now, this person and this person are both the same person; they are basically MBA with technical background something like that, they will understand the user details also and these guys are also

somewhere something like that tech background. So, they will understand user details also and they will understand the technical details also. But these people will talk with the users and this means these people have to be stronger in the user part. And this has to be the major criteria for them and this has to be low less important criteria for them.

On the other hand, here this has to be less important and this has to be more important. So, you will see the team lead and etcetera generally become the technical person. We can have multiple levels here also there can be some people who are strong in MBA and not. So, strong in tech that can happen here also. Both can happen. So, these two people start talking.

So, it is called consultative selling though these two peoples started consultation. Based on this consultation and understanding, they will create their technical document and sometimes these people actually say that why don't you change your technical document. Based on the suggestions and often, what technical document should be there, that itself is a separate order rather than the user, this thing?

Let's say I do not have this team, I have a user team and a strategic team; I do not have a very strong technical team. So, then I can hire a software company, who will create the technical document for me. Not they will not provide the software ultimately. They will just create a technical document.

Then, another company will probably after the technical document and many people send their proposals, another company will actually shortlist the proposal or help me in short listing the proposal that kind of assignments can also be created. So, where I was there. So general need description and product specification, this has to be sorted out. Then, proposals solicitation.

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The slide is titled "Stages in the Buying Process" and is presented on a white background with a black header and footer. It contains two main bullet points, each with a sub-bullet. The first main bullet point is "Proposal solicitation" in red, followed by "The buyer next invites qualified suppliers to submit written proposals". The second main bullet point is "Supplier selection" in red, followed by "Before selecting a supplier, the buying center will specify and rank desired supplier attributes". At the bottom left, the date "23-09-2020" is visible. At the bottom center, the text "Customer Relationship Management - Prof Swagato Chatterjee" is displayed. At the bottom right, the number "10" is shown.

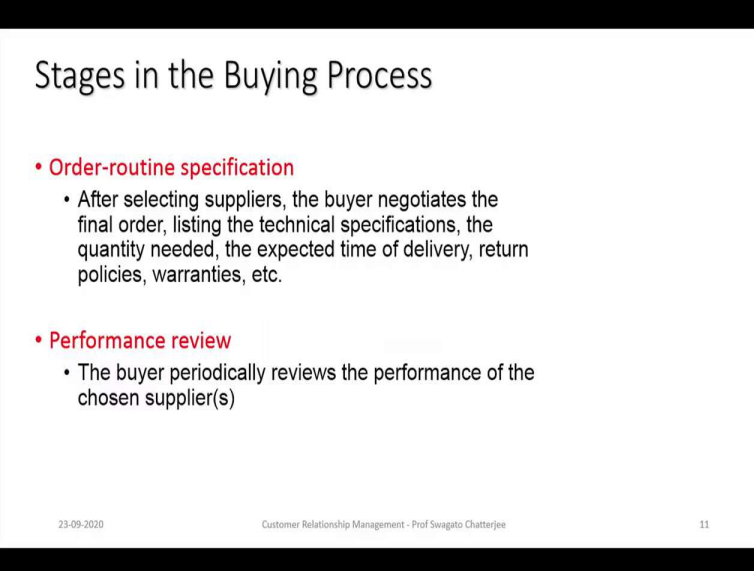
Stages in the Buying Process

- **Proposal solicitation**
 - The buyer next invites qualified suppliers to submit written proposals
- **Supplier selection**
 - Before selecting a supplier, the buying center will specify and rank desired supplier attributes

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Solicitation that there are various types of proposals solicitation and then supplier selection. You select a supplier based on technical specification and the monetary specification and then you order routine specification.

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The slide is titled "Stages in the Buying Process" and contains two main bullet points. The first bullet point is "Order-routine specification" and the second is "Performance review".

- **Order-routine specification**
 - After selecting suppliers, the buyer negotiates the final order, listing the technical specifications, the quantity needed, the expected time of delivery, return policies, warranties, etc.
- **Performance review**
 - The buyer periodically reviews the performance of the chosen supplier(s)

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So, after selecting suppliers, the buyer negotiates the final order. Lists the technical specifications quantity needed, expected time of delivery return. So, whatever is the RFP that can be changed a little bit when ultimate decisions are made. And then, the performance review, the post purchase as I said that after a certain period of time evaluation will happen.

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So, this is where I will stop. In the next video, I will discuss about the developments in the B2B market and then, how CRM will be applied in the B2B market. Thank you for being with me. See you in the next video.